



The Union
BUDGET 2016 Key Proposal
Highlights

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CHARTERED ACCOUNTANTS



चतुर्थमाददानो ' पि क्षत्रियो भागमापदि ।
प्रजा रक्षन् परं शक्त्या किल्बिषात् प्रामुच्यते ।।

The ruler, during an emergency, may take even one fourth (of their income as tax) and protect his subjects with all his might. Doing so, he is freed from sin. (Manu Smriti - 118)

धर्म्यमाहारयेद् बलिम् ।

The ruler must take tax that is within dharma
(Justice or fairness) (Manu Smriti 119)

सांवत्सरिकमाप्तैश्च राष्ट्राद् आहारयेद् बलिम् ।
स्याच्चाभ्यायपरो लोके वर्तेत पितृवन् नृषु ।।

The king should get the annual revenue collected by trustworthy officials and in matters of taxation, he should obey the sacred laws. He should behave like a father to his subjects. (Manu Smriti 80)

मधुदोहं दुहेद् राष्ट्रम् भ्रमरान् न विपातयेत् ।
वत्सापेक्षी दुहेच्चैव स्तनांश्च न विकुट्टयेत् ।।

A king should collect taxes without hurting the subjects. It is like collecting honey without destroying bees, or like, as a calf does, drawing milk from a cow without hurting her udder. (Mahabharata - Shanti Parva 12.89.4)



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FOREWORD

The NDA government in the back-drop of a grim global scenario has come out with a pragmatic, growth oriented budget. The budget as such does not have any big-bang reforms to boast off, but various steps towards “inclusive” growth, touching large sections of urban and rural society have been taken by the Finance Minister through plethora of schemes. There is a conscious effort to address rural distress through rural development and focus on agriculture growth. The budget reflects pro-poor inclination as various social security schemes (insurance, health, direct transfer of subsidy, education and employment etc.) have been announced to take care of marginalised sections of society. Slew of efforts have been undertaken to improve woeful condition of our infrastructure through substantial increase in out-lay for building roads, highways, railways, green-field ports etc.

The macro-economic stability has been emphasised (forex reserve are at its highest level i.e. USD 350 billion, reduced revenue deficit at 2.8% and current deficit at 1.4% of GDP), while FM has kept his promise to restrict fiscal deficit target for F.Y. 2015-16 of 3.9% of the GDP; fiscal deficit target for F.Y.2016-17 has been pegged at 3.5% of the GDP and for FY 2017-18 target is 3.0% of GDP. Financial prudence is evident in the reduced figure while making provision for borrowing from public.

The budget reflects decisive shift towards reducing exemptions, tax holidays, incentives and a move towards a lower corporate tax rate as indicated in the last budget bringing it closer to a world-wide competitive tax rate of 25%. Deductions and exemptions under various sections such as 10AA, 80-IA, 80-IAB, 80-IB, 35AB etc. are being gradually phased out.

Discretionary powers of the assessing officers in levying penalty have been curtailed. There is an attempt to shift from “most penal regime”, towards a reasonably deterrent regime as quantum of penalty imposable has been reduced. Tax-payers can also approach the authorities for waiver of penalty other than cases where there is a misrepresentation of facts. There is a distinct effort to check and control use of ‘unaccounted’ money in the form of expenditure. Safeguards are being provided to check misuse of powers and harassment. Customs Single Window would be provided at all major ports, airports. Human interface between public and assessing officers is being phased out through e-compliance.

The concerns of foreign investors have been considered. Implementation of rule (POEM) for determining resident status as place for effective management has been deferred by one year. GARR implementation also will now be from 1st April 2017. The economy has been further opened up with increased FDI limits in pension and insurance companies, asset reconstruction companies and stock-exchanges under automatic route. FDI upto 100% in food processing and marketing industries has also been announced. Facility for providing “residency status” for overseas investors is being worked out. Depth of Bond market is being increased and business friendly eco-system for start-ups has been outlined.

It is for the first time that budget itself contains a Voluntary Disclosure of Income (VDIS) scheme and Kar Vivad scheme. A limited window of four months has been opened, following Black Money Act which was meant for providing amnesty for disclosing black-money stashed abroad, to residents also, for coming clean on their concealed income / wealth by paying 45% tax. To put an end to retrospective amendment disputes, the budget has come out with a proposal to waive interest and penalty on payment of demanded tax arising from such retrospective amendments. There is also a move to show reconciliatory approach to resolve disputes with announcement of “The Direct Tax Dispute Resolution Scheme” to reduce pending disputes on payment of tax with interest and in certain cases prescribed penalty. Power of department to file appeal against decision of DRP has been taken away. It is difficult to hazard the success of the amnesty scheme and other measures announced, but FM has taken into account revenue growth of 17% in direct taxes over last year while fixing target of fiscal deficit for the year.

In short, this budget has been designed for the common man and colours of various hues are visible on the large canvass painted by the FM, particularly with a view to improving lives of teeming millions of Indians. The economy has been further opened up and there is focus to cut red tape and to simplify procedure and compliance, in tune with promise of improving “ease of doing business”. A definite shift towards reducing exemptions, tax holidays and incentives is evident in the budget. However, there is lot of skepticism how far scheme of VDIS and Kar Vivadh in its new avatar would be successful? How far menace of use of black money in “expenditure” would be checked?

CA. Shailesh Bhuta
Mumbai, 1 March 2016

BUDGET AT A GLANCE

2.1. INCOME TAX:

- a. As a step forward in digitisation of procedural aspects of revenue departments, it is proposed to provide that notices and documents may be issued by the income tax authorities in electronic form.
- b. Place of Effective Management (POEM) rules deferred by one year; to be made effective from 1 April 2017.
- c. Scheme of “equalisation levy” introduced wherein an equalisation levy of 6% is levied on specified digital transactions (online advertisements and provision of digital advertising space) with non-resident not having a PE in India.
- d. Exempt Incomes:
 - i. Deposit certificates issued under Gold Monetisation Scheme, 2015 will not be subject to capital gains tax or interest.
 - ii. No Dividend Distribution Tax (DDT) leviable in respect of distributions made by SPV to business trust subject to certain conditions.
 - iii. Dividend received by an investor from a securitisation trust to be taxed in the hands of investor. Trust exempted from levy of DDT.
 - iv. Withdrawal from RPFs to be taxed in excess of 40% of interest on contributions made after 01.04.2016; principal withdrawal remains tax-free, similar provisions for withdrawal from superannuation funds and NPS.
 - v. LTCG on transaction in forex located in IFSC exempted from tax.
- e. Threshold limit for taxation of perquisite on superannuation fund increased from INR 1,00,000 to INR 1,50,000.
- f. The time limit for acquisition or construction of self-occupied house property for claiming interest increased from 3 years to 5 years.
- g. Non-compete fees in respect of profession to be taxed as business income.
- h. The conditions for claiming 15% of cost of new plant and u/s. 32AC as investment allowance relaxed, deduction to be allowed in year of installation.
- i. NBFCs will be allowed a deduction of an amount not exceeding 5% of total income in respect of provision for bad and doubtful debts.
- j. Threshold limits for Audit u/s. 44AB increased for professionals from INR 25,00,000 to INR 50,00,000. Threshold limits for businesses are also likely to be increased from INR 1,00,00,000 to INR 2,00,00,000
- k. Under presumptive taxation for persons engaged in eligible business,

- deduction of remuneration to partners u/s 40(b) is no longer allowable
- l. Presumptive taxation scheme has been introduced for persons other than LLP carrying out profession having gross receipts less than INR 50,00,000 in a financial year. 50% of the gross receipts shall be taxed under this scheme.
 - m. Exemption in case of transfer of capital / intangible asset by a private / unlisted public company to a limited liability partnership provided the total value of the assets as appearing in the books of account of the company in any of the three previous years preceding the previous year in which the conversion takes place does not exceed INR 5,00,00,000.
 - n. As per Section 50C, in case of transfer of land or building or both where the date of agreement and the date of registration are different, full value of consideration shall be the value adopted or assessed or assessable by the stamp valuation authority on the date of agreement
 - o. Under new section 54EE, long term capital gains invested in units of specified fund, notified by Central Government to provide an impetus to start ups and investment limit, is exempt upto INR 50,00,000
 - p. Amount received from the National Pension System Trust by the nominee on death of the assessee shall be exempt from tax under section 80CCD
 - q. Deduction of interest on housing loan which could earlier be claimed across 2 assessment years upto a total of INR 1,00,000 (gross), has been amended to an annual deduction of INR 50,000 until the loan is repaid.
 - r. Rent paid by any individual (who is not in receipt of House rent allowance) in excess of 10% of the total income shall be allowed a deduction of upto INR 5,000 per month as against INR 2000 per month which was earlier allowed.
 - s. Sunset date provided in case of section 80IA; 80IAB, and 80IB wherein if the assessee commences specified activity on or after 1 April 2017, no deduction shall be granted.
 - t. 100% deduction provided from profits under business and profession derived from eligible start-ups subject to certain conditions.
 - u. 100% deduction provided from profits derived from business of developing and building housing projects subject to certain conditions such as residential units should not exceed 30 square metres in specified metro cities / within 25 kms. of its municipal limits or 60 square metres for others etc.
 - v. 30% deduction of additional employee cost for all assesseees to whom

tax audit is applicable, subject to certain conditions.

- w. Rebate under section 87A increased to INR 5,000 for resident individuals having total income upto INR 5,00,000.
- x. Seller shall now have to collect the tax at source at 1% on sale of motor vehicle whose value exceeds ten lakh rupees or if he sells any goods, or provides of any services exceeding INR 2,00,000 in case.
- y. Transfer pricing documentation to include Country by Country reporting in line with Action 13 of OECD's BEPS Action plan.
- z. Receipt of dividends from domestic companies by resident individuals, HUFs & firms in excess of INR 10,00,000 to attract additional tax of 10%.
- aa. Royalty received by resident Indian, for prescribed inventions taxable at the rate of 10% on the gross amount of royalty. No expenditure or allowance in respect of such royalty income shall be allowed.
- bb. Retrospective amendment made in MAT provisions to exclude foreign companies, FIIs and FPIs, subject to conditions.
- cc. Buy back of unlisted shares undertaken by a company to be charged additional income tax @ 20% of the distributed income on account of such buyback.
- dd. Time limits for filing original return, belated return, revised return and defective returns restructured.
- ee. Returns to be compulsorily processed before assessment.
- ff. Time limits for completion of assessments / search assessments reduced by 3 months.
- gg. Order giving effect for order of higher authorities to be passed within 3 months from the end of month in which the order is received. Additional time of 6 months, if delay caused by reasons beyond his control.
- hh. Orders to give effect to finding or direction of higher authorities to be passed within 12 months from the end of month in which the order is received.
- ii. Assessment of partner of a firm in consequences of an assessment made on firm u/s. 147 to be made within 12 months from the end of the month in which the assessment order of firm is passed. For cases pending as on 1 June 2016, the time limit is 31 March 2017 or 12 months from the end of the month, in which the assessment order of firm is passed, whichever is later.
- jj. Time limit for completion of assessment where Transfer Pricing assessment is carried out is 33 months from the end of assessment year. The period of passing assessment order available to the assessing officer shall be extended to 60 days from the date of

receiving transfer pricing order.

- kk. Domestic taxpayers can declare undisclosed income or such income represented in the form of any asset by paying tax at 30%, and surcharge at 7.5% and penalty at 7.5%, which is a total of 45% of the undisclosed income. Declarants will have immunity from prosecution.
- ll. TDS rates restructured – redundant and old provisions removed, non-resident provisions relaxed and harmonised.
- mm. TCS based widened to include sale of motor vehicles, jewellery and specified services.
- nn. Non-corporate assessees to pay advance tax in 4 instalments. Assessee covered under presumptive taxation scheme to pay single instalment of 100% in March every year.
- oo. Assessee shall be entitled to higher interest rate of 9% if the refund is not issued within the time limit prescribed u/s. 153(5).
- pp. Monetary limit of turnover of assessee for case to be heard by a single member bench of ITAT is increased from INR 15,00,000 to INR 50,00,000.
- qq. Penalty rates to be 50% of tax in case of underreporting of income and 200% of tax where there is misreporting of facts.
- rr. Assessing Officer can now revoke provisional attachment of property if substituted by a bank guarantee by an assessee for an amount not less than the fair market value or for an amount which is sufficient to protect the interests of the revenue.
- ss. Failure to furnish information and documents as per newly inserted section 92D(4) may levy penalty of INR 5,00,000.
- tt. Flat penalty rate of 60% on undisclosed income in certain cases of search initiated w.e.f. 1 April 2017.
- uu. Time limit of 1 year for disposing petitions of the tax payers seeking waiver of interest and penalty.
- vv. Requirement to furnish a detailed report in prescribed form and manner in respect of transactions of an entity with international group entities. Severe penalty leviable in case of inaccuracy of details or failure to furnish such report.
- ww. Mandatory for the AO to grant stay of demand once the assessee pays 15% of the disputed demand, while the appeal is pending before Commissioner of Income-tax (Appeals).
- xx. New Dispute Resolution Scheme to be introduced. No penalty in respect of cases with disputed tax up to INR 10 lakh. Cases with disputed tax exceeding INR 10 lakh to be subjected to 25% of the minimum of the imposable penalty. Any pending appeal against a

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

- yy. Disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed under rule 8D of Section 14A of Income Tax Act.

2.2. CUSTOMS:

- a. Interest rate in case of delay in payment of Customs duty revised to 15% p.a.,
- b. Limitation period for issue of Show cause notice is increased to 2 years (from existing 1 year) from relevant date.
- c. Deferred payment of customs duties for importers and exporters to certain class of importers and exporters.
- d. Baggage rules are simplified and allowed multiple slabs of duty free allowance for various category passengers.
- e. Indirect Tax Dispute Resolution Scheme applies to pending cases of Customs duty.

2.3. CENTRAL EXCISE:

- a. Rates and exemptions realigned.
- b. Infrastructure cess is levied on Motor vehicles ranging from 1 to 4% (depending on engine capacity) with immediate effect.
- c. Clean cess is being renamed as “clean environment cess” and effective rate is increased to INR 400 per tonne.
- d. Interest rate in case of delay in payment of Central Excise duty revised to 15% p.a.,
- e. Limitation period for issue of Show cause notice is increased to 2 years (from existing 1 year) from relevant date.
- f. Total number of returns to be filed by an assessee reduced from 27 to 13 (12 monthly and 1 annually).
- g. Facility of revising excise returns will be available.
- h. Indirect Tax Dispute Resolution Scheme applies to pending cases of Central Excise Duty.

2.4. SERVICE TAX:

- a. Levy of Krishi Kalyan Cess on all taxable services @ 0.5% with effect from 1 June 2016.
- b. Rates and exemptions realigned.
- c. Right to use Radio-Frequency spectrum is declared as service.

- d. Services provided by Senior Advocates will be liable to Service tax under forward charge
- e. Interest rate in case of delay in payment of Service Tax changed to 15% p.a. except in case where tax is collected but not deposited, in which case rate of interest will be 24%.
- f. Benefits of quarterly payment of ST extended to OPC and HUF
- g. Facility of payment of ST on receipt basis extended to OPC
- a. Annual return to be filed in addition to half yearly returns.
- b. Time Limit for filing application of refund of CENVAT Credit under Rule 5 in case of export of services is extended to 1 year.
- c. CENVAT credit rules modified.
- d. Service Tax paid on amount charged for assignment of a natural resource is now allowed as CENVAT Credit.
- e. Limitation period for short levy/non levy/short payment/non-payment/ erroneous refund of Service Tax has been increased from 18 months to 30 months.
- f. The power to arrest being restricted only to situations where the tax payer has collected the tax but not deposited it to the exchequer to the extent of INR 2,00,00,000.
- g. The monetary limit for launching prosecution is being increased from INR 1,00,00,000 to INR2,00,00,000 of Service Tax evasion.
- h. 'Indirect Tax Dispute Resolution Scheme' applies to pending cases of Service tax.

DIRECT TAX RATES

3.1. INCOME TAX RATES:

The Bill proposes no change in the tax rates for Individuals (less than 60 years), HUFs, AOPs, and BOIs for the FY 2016-17.

However, the Bill proposes to increase the surcharge rate on the income-tax computed from 12% to 15% in the case of every individual or Hindu undivided family or association of persons or body of individuals having total income exceeding INR 1 crore. Also benefit of Rebate u/s 87A to Individual taxpayer having total income not exceeding INR 5,00,000 is increased from INR 2,000 to INR 5,000.

3.1.1. Individuals (less than 60 years), HUFs, AOPs, BOIs:

The tax rates for Individuals (less than 60 years), HUFs, AOPs, and BOIs are as follows:

Income Slabs	FY 2016-17 ¹
0 – 2,50,000	Nil
2,50,001 – 5,00,000	10%
5,00,001 - 10,00,000	20%
10,00,001 and above ²	30%

3.1.2. Individuals (more than 60 years, but less than 80 years):

The Bill proposes no change in the tax rates for Senior Citizens for the FY 2016-17.

The tax rates for Senior Citizens are as follows:

Income Slabs	FY 2016-17 ¹
0 – 3,00,000	Nil
3,00,001 – 5,00,000	10%
5,00,001 - 10,00,000	20%
10,00,001 and above ²	30%

3.1.3. Individuals (more than 80 years):

The Bill proposes no change in the tax rates for Very Senior Citizens for the FY 2016-17.

The tax rates for Senior Citizens are as follows:

Income Slabs	FY 2016-17 ¹
0 – 5,00,000	Nil
5,00,001 - 10,00,000	20%
10,00,001 and above ²	30%

¹ The above tax rates are further to be increased by education cess of 3%.

² The amount of income-tax computed, shall in the case of every individual or Hindu undivided family or association of persons or body of individuals, having a total income exceeding INR 1,00,00,000, be increased by a surcharge calculated at the rate of 15% of such income-tax as compared to 12% applicable to last year.

3.1.4. Co-operative Societies:

The Bill proposes no change in the tax rates for co-operative societies or local authorities for the FY 2016-17.

The tax rates for Co-operative societies are as follows:

Income Slabs	FY 2016-17
Up to 10,000	10%
10,001 - 20,000	20%
20,001 and above ³	30%

³ The amount of income-tax computed, shall in the case of Co-operative society, having a total income exceeding INR 1,00,00,000, be increased by a surcharge calculated at the rate of 12% of such income-tax.

3.1.5. Partnership Firms:

The Bill proposes no change in the existing tax rate of 30% for partnership firms. There is no change in the surcharge at the rate of 12% of such income-tax in case of a firm having a total income exceeding INR 1,00,00,000.

3.1.6. Companies:

a. Domestic companies:

The Bill proposes to reduce corporate tax from 30% to 29% in case of a company where total turnover or gross receipts does not exceed INR 5,00,00,000 in FY 2016-17 and in all other cases the rate of income tax shall be 30%.

The Bill also proposes to provide relief to newly set up domestic companies in the business of manufacture or production, registered on or after 1 March 2016, by charging corporate tax at the rate 25% instead of 29% or 30% subject to fulfilment of terms and conditions.

As such, the effective normal tax rates and MAT rates for domestic companies for FY 2016-17 are as follows:

Income Slabs (INR)	FY 2016 – 17			
	Turnover or Gross		Turnover or Gross	
	Receipts > INR 5,00,00,000		Receipts < INR 5,00,00,000	
	Effective Normal Tax ⁴	Effective MAT ⁴	Effective Normal Tax ⁴	Effective MAT ⁴
0 - 1,00,00,000	30.900%	19.055%	29.870%	19.055%
1,00,00,001 – 5,00,00,000 ⁵	33.063%	20.390%	32.445%	20.008%
5,00,00,001 – 10,00,00,000 ⁵	33.063%	20.390%	-	-
10,00,00,000 and above ⁵	34.608%	21.341%	-	-

⁴ The above rates are inclusive of education cess at the rate of 3% and surcharge wherever applicable.

⁵ Subject to Marginal Relief.

b. Foreign Companies:

The Bill proposes no change in the existing tax rates of foreign companies for the FY 2016-17.

As such, the effective normal tax rates and MAT rates for foreign companies for FY 2016-17 are as follows:

Income Slabs	FY 2016 – 17	
	Effective Normal Tax ⁶	Effective MAT ⁶
0 - 1,00,00,000	41.200%	19.055%
1,00,00,001 – 10,00,00,000 ⁷	42.024%	19.436%
INR 10,00,00,000 and above ⁷	43.26%	20.008%

⁶ The above rates are inclusive of education cess at the rate of 3% and surcharge wherever applicable.

⁷ Subject to Marginal Relief.

3.2. TDS RATES:

Following is the section-wise summary of TDS rates:

Sr. No.	Nature of Payment	Section	Proposed per annum Threshold for Deduction w.e.f. 1 June 2016	Proposed Rate at which Tax is to be Deducted
1.	Salary	192	As per slab rates prescribed for individuals and senior citizens (includes very senior citizens w.e.f. 1 April 2011)	
2.	Payment of accumulated balance due to an employee	192 A	Payment in excess of INR 50,000	10%
3.	Interest other than interest on securities [Notes 8 and 9]	194 A	Payment in excess of INR 5,000 / INR 10,000	10%
4.	Winnings from lottery or crossword puzzle or card game or other game	194 B	Payment in excess of INR 10,000	30%
5.	Winnings from horse race	194 BB	Payment in excess of INR 10,000	30%
6.	Payments to contractors [Note 9]	194 C	Payment in excess of INR 30,000 per contract or INR 1,00,000 in aggregate	2% (1% for individual and HUFs)
7.	Insurance commission	194 D	Payment in excess of INR 15,000	5%
8.	Non Exempt payment under L.I.C. [Note 12]	194 DA	Payment in excess of INR 1,00,000	1%

Sr. No.	Nature of Payment	Section	Proposed per annum Threshold for Deduction w.e.f. 1 June 2016	Proposed Rate at which Tax is to be Deducted
9.	Payment in respect of NSS Deposits	194 EE	Payment in excess of INR 2,500	10%
10.	Commission on Sale of Lottery tickets	194 G	Payment in excess of INR 15,000	5%
11.	Commission or brokerage [Note 9]	194 H	Payment in excess of INR 15,000	5%
12a.	Rent of Land / Building / Furniture [Note 9]	194 I	Payment in excess of INR 1,80,000	10%
12b.	Rent of Plant, Machinery or Equipment [Note 9]	194 I	Payment in excess of INR 1,80,000	2%
13.	Consideration for transfer of immovable property (other than agricultural land)	194 IA	Payment in excess of INR 50,00,000	1%
14.	Fees for professional and technical services / royalty [Notes 9 and 11]	194 J	Payment in excess of INR 30,000	10%
15.	Payment of compensation on acquisition of certain Immovable Property	194 LA	Payment in excess of INR 2,50,000	10%
17	Income by way of interest from infrastructure debt fund payable to a non-resident, not being a company, or to a foreign company	194LB		5%

Sr. No.	Nature of Payment	Section	Proposed per annum Threshold for Deduction w.e.f. 1 June 2016	Proposed Rate at which Tax is to be Deducted
18	Certain income from units of a specified business trust	194LBA		Resident - 10% Non Resident – at 5% or the rates in force as the case may be
19	Income in respect of specified units of investment fund	194LBB		10%
20	Income payable to an investor, in respect of an investment in a specified securitisation trust.	194LBC		i. For Resident, 25%(for Individual and HUF) 30% (For other) ii. For non-resident (not being a company) or a foreign company – rates in force
21	Income by way of specified interest from Indian Company payable to non-resident	194LC		5%
22	Income by way of interest, as specified, on certain bonds and government securities payable to a person being a Foreign Institutional Investor or a Qualified Foreign Investor	194LD		5%

Notes:

1. Time of deduction of tax:

Except in case of salary (wherein tax is to be deducted at the time of payment), tax is to be deducted at the time of payment or credit, whichever is earlier.

2. Time of deposit of tax:

All sums deducted shall be deposited with the government within 7 days from the end of the month in which the deduction is made. However, where the amount is credited or paid to the account of the payee in the month of March, the tax is required to be deposited with the government on or before 30 April.

3. Mode of making payment of tax:

For payment of tax, Challan No. ITNS 281 is to be used. All companies and deductors who are liable to tax audit have to make payment of tax by electronic mode. Others can make payment of tax either physically or by electronic mode at their option.

4. TDS Return:

Person deducting tax is required to file quarterly statements for the quarter ending on 30 June, 30 September, 31 December and 31 March in each financial year, in Form 26Q (Form 24Q for Salary) along with Form 27A, on or before 15 July, 15 October, 15 January and 15 May respectively. Form 26Q and Form 24Q are to be filed electronically while Form 27A is to be filed in physical form.

5. Certificate for tax deduction in case of non-salary payments:

TDS Certificate in Form 16A is required to be issued on quarterly basis within 15 days from the due date of furnishing the statement of TDS i.e. on or before 30 July, 30 October, 30 January and 30 May for quarters ended 30 June, 30 September, 31 December and 31 March respectively.

6. Certificate for tax deduction in case of salary payments:

TDS Certificate in Form 16 is required to be issued on annual basis by 31 May of the financial year immediately following the financial year in which the income was paid and tax deducted.

7. Higher TDS rate of 20% for not furnishing correct PAN:

In case the payee is not able to furnish his/her PAN to the payer, tax shall be deducted w.e.f. 1 April 2010 at higher of the rates specified in the relevant provision of the IT Act or at the rates in force or 20%.

8. Under Section 194A, the threshold limit is INR 10,000 where the payer is a banking company or a co-operative society engaged in banking business or in case of deposits with post office under a scheme notified by Central Government and INR 5,000 in any other case. Further, tax is not to be deducted if the payee furnishes to the payer a declaration in writing in duplicate in Form No.15G or 15H, as the case may be.

9. An individual or HUF is not liable to deduct tax. However, an individual or HUF, who is liable to tax audit under section 44AB during the financial year immediately preceding the financial year in which sum is credited or paid, shall

be liable to deduct tax under sections 194A, 194C, 194H, 194I and 194J, as the case may be.

- 10. Above rates are not applicable in case of payments made to foreign companies and non-residents except in case of sections 192, 194B, 194BB, which are also applicable to non-residents.*
- 11. Tax is required to be deducted on remuneration paid to a director which is not in the nature of salary.*
- 12. Individuals covered under section 194I are also eligible for filing self-declaration in Form No. 15G/15H for non-deduction of tax at source in accordance with provisions of section 197A w.e.f. 1 June 2016.*
- 13. Non - resident, not being a company; or a foreign company, providing documents other than PAN card, shall no longer be liable to deduct TDS at a higher rate w.e.f. 1 June 2016.*
- 14. An investment fund (registered with SEBI) paying interest income to an investor being a Non-resident, not being a company, or to a Foreign company under section 194LBB shall be liable to deduct tax as per "rates in force" instead of a mandatory 10%. Also section 197 is now to include section 194LBB in the list of sections for which lower or no TDS certificate can be obtained.*
- 15. Section 194K regarding income in respect of units and Section 194L regarding payment of compensation on acquisition of capital asset shall be omitted w.e.f. 1 June 2016.*

DIRECT TAX PROPOSALS

4.1. Amendments in definitions:

- a. Definition of deposit certificates amended to now exclude deposit certificates issued under the Gold Monetisation Scheme, 2015 and thereby, exempt it from levy of capital gains tax.
- b. Definition of “hearing” amended to include communication of data and documents through electronic mode w.e.f. 1 June 2016.
- c. Definition of income amended to exclude subsidy or grant received by a trust or institution established by the Central Government or a State Government from the Central Government, and will apply for financial year commencing 1 April 2016 onwards.

4.2. Section 6 – Place of Effective Management (“POEM”) Rules

In respect of implementation of POEM based rule of residence the following amendments are made:

- a. The applicability of POEM based residence test has been deferred and the same will be applicable from 1 April 2017. The Central Government is empowered to notify provisions relating to POEM.
- b. This shall apply in a case where a foreign company is said to be resident in India due to its POEM being in India for the first time.
- c. These transitional provisions would also cover any subsequent previous year upto the date of determination of POEM in assessment proceedings. However, once the transition is complete, normal provision of the Act would apply.
- d. The conditions laid down in the said notification are to be complied with, failing which, the benefit of such notification would not be available to the foreign company.

4.3. Section 9 – Income accruing or arising in India:

It is proposed that the income derived by a foreign company engaged in the business activities confined to the display of uncut and un-assorted diamonds in any special zone notified by the Central Government will not form part of income deemed to accrue or arise in India and accordingly, will not be taxed in India.

4.4. Section 9A – Eligible investment funds – clarifications issued:

- a. An eligible investment fund which is a resident as per section 9A that deals with certain activities which do not constitute as a business connection in India, has been amended to include an eligible

investment fund established or incorporated or registered outside India in a country or a specified territory notified by the Central Government in this behalf.

- b. It is also proposed to provide that the condition of fund not controlling and managing any business in India or from India shall be restricted only in the context of activities in India.
- c. The amendments will take effect from financial year commencing 1 April 2016 onwards.

4.5. Rationalisation of provisions relating to retirement funds:

Presently, the retirement benefit funds, be it, recognized provident funds, superannuation funds, government funds and National Pension System (NPS) fund are taxed differently. With a view to bring parity in tax treatments of these funds, w.e.f. 1 April 2016:

- i. Withdrawals from the recognized provident and superannuation funds, will be exempt to the extent of 40% of the accumulated balance of such funds.
- ii. Payment in commutation of an annuity will be exempt to the extent of 40% of the annuity.
- iii. Similarly, payment from the NPS trust to an employee, to the extent of 40% of amount payable to the employee at the time of closure or opting out from the scheme will be exempt. However, payments made at the time of death of assessee shall be fully exempt.

4.6. Section 10: Exemptions from income:

4.6.1. Gold Monetization Scheme, 2015:

On lines of exemption of Capital Gains Tax available to shares and securities subject to securities or commodities transaction tax, the capital gains on transfer of deposit certificates issued under the Gold Monetisation Scheme, 2015 is proposed to be made exempt from income tax. Similarly, interest earned on the above deposit certificates is also proposed to be exempted from income tax.

4.6.2. Income of a business trust:

In addition to the interest received or receivable from a special purpose vehicle (SPV), w.e.f. 1 June 2016, dividend received from the SPV by the trust is also proposed to be made exempt from levy of income tax subject to certain conditions.

4.6.3. Income received by investor from securitization trust

Section 115BBDA is introduced w.e.f. 1 June 2016 to exempt the securitization trusts from levy of dividend distribution tax. Accordingly, the dividends received by the investor from such securitization trust will not be exempt.

4.6.4. Tax Incentives to International Financial Services Centre (IFSC):

W.e.f. financial year commencing 1 April 2016, LTCG on transaction undertaken in foreign currency on a recognised stock exchange located in an IFSC will be exempt even when STT is not paid.

4.6.5. Others:

- a. The income received on account of storage of crude oil by a foreign company in India in Indian currency is exempt.
- b. Since, the income received by a non-resident having permanent establishment from a resident of India by way of providing specified services is made subjected to an "equalisation levy", such income is being made exempt in the hands of resident recipient.

4.6.6. Section 10AA – Sunset date for exemption:

The Finance Bill, 2016 proposes a sunset date for deduction u/s. 10AA to units that commence manufacture or production of article or thing or start providing services on or after 1 April 2020.

4.7. Section 14A r.w. Rule 8D: Disallowance w.r.t. exempt income

Disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed under rule 8D of Section 14A of the Act.

4.8. Section 17 : Taxability of Perquisites:

- a. The amount of contribution made by an employer to an approved superannuation fund is taxable to the extent it exceeds INR 1,00,000. It is proposed to amend and increase the said limit of employer's contribution to INR 1,50,000.
- b. This amendment will take effect from financial year commencing 1 April 2016 onwards.

4.9. Section 24 : Amendment with respect to House Property

W.e.f. financial year commencing 1 April 2016 onwards, the time period for acquisition or construction of self-occupied house property

for claiming deduction of interest is increased from 3 years to 5 years.

4.10. Sections 25A, 25AA and 25B – Unrealised rent and arrears – Consolidation of provisions:

W.e.f. financial year commencing 1 April 2016, in order to simplify and rationalize the provisions relating to taxation of unrealised rent and arrears of rent, it is proposed to merge the above sections under a new section 25A and bring uniformity in tax treatment of arrears of rent and unrealised rent, which shall be taxed in the year in which they are received or realized, whether the assessee is the owner or not. Further, a deduction of 30% of arrears of rent or the unrealised rent realized will be allowed.

4.11. Section 28: Non-compete fees in case of Profession:

- a. Earlier income received in cash or in kind under an agreement for not carrying out any activity in relation to any “business” was taxed as income from business and profession. It is proposed to amend the said clause and include income received under non-compete agreement in relation to profession also within the ambit of “profits and gains from business and profession”.
- b. This amendment is applicable for financial year commencing 1 April 2016 onwards.

4.12. Section 32: Additional Depreciation - scope expanded:

Additional depreciation at the rate of 20% of the cost of any new plant or machinery purchased was available to the assessee engaged in ‘generation’ or ‘generation and distribution’ of power. The same is now available to the assessee engaged in ‘generation’ or ‘distribution’ or ‘transmission’ of power.

4.13. Section 32AC: Investment in new plant or machinery

Deduction of 15% in investment in new plant and machinery will be allowed u/s 32AC where new plant and machinery are acquired during any previous year exceeding value of INR 25,00,00,000 and installed on or before 31 March 2017 as against the earlier requirement to be acquired and installed in the same previous year.

4.14. Section 35: Phasing out of incentives, deductions or allowances:

In furtherance to the proposed phasing out plan of tax incentives, following changes are proposed:

4.14.1. Reduction in weighted average deductions:

- a. for amounts paid to specified scientific research associations or university or college or other institution:
 - i. W.e.f. financial year commencing 1 April 2017, reduction from 175% to 150% of sum paid, and
 - ii. W.e.f. financial year commencing 1 April 2020, further reduction from 150% to 100% of sum paid;
- b. for sum paid to a specified company to be used by it for scientific research, w.e.f. financial year commencing 1 April 2017, reduction from 125% to 100% of the sum paid;
- c. for amounts paid to specified social science or statistical research association or to a university, college or other institution, w.e.f. financial year commencing 1 April 2017, reduction from 125% to 100% of the sum paid;
- d. for amount paid to a National Laboratory or a University or an Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research undertaken under a program approved in this behalf by the prescribed authority:
 - i. W.e.f. financial year commencing 1 April 2017, reduction from 200% to 150%, and
 - ii. W.e.f. financial year commencing 1 April 2020, further reduction from 150% to 100% of sum paid;
- e. for amount incurred by an by any company engaged in the business of bio-technology or in any business of manufacture or production of any specified article or thing, (not being expenditure in the nature of cost of any land or building) on in-house research and development facility as approved by the prescribed authority:
 - i. W.e.f. financial year commencing 1 April 2017, reduction from 200% to 150%, and
 - ii. W.e.f. financial year commencing 1 April 2020, further reduction from 150% to 100% of sum paid;
- f. for deduction of capital expenditure (other than expenditure on land, goodwill and financial assets) incurred by a cold chain facility, warehousing facility for storage of agricultural produce, an affordable housing project, production of fertilizer and hospital, w.e.f. financial year commencing 1 April 2017 reduction from 150% to 100% of the sum incurred;
- g. for expenditure incurred by an assessee on notified agricultural extension project, w.e.f. financial year commencing 1 April 2017

- reduction from 150% to 100% of the sum incurred;
- h. for expenditure incurred by a company (not being expenditure in the nature of cost of any land or building) on any notified skill development project, w.e.f. financial year commencing 1 April 2017 reduction from 150% to 100% of the sum incurred.

4.14.2. Deletion of certain allowances:

- a. The benefit of deduction under Section 35 claimed by amalgamated company on transfer of assets by amalgamating company has now been deleted.
- b. The benefit of deduction u/s. 35AC of the amount of expenditure incurred by an assessee by way of payment of any sum to a public sector company or a local authority or to an association or institution approved by the National Committee for carrying out any eligible project or scheme now stands repealed.

4.15. Section 35ABA introduced – Telecom Services:

A new section 35ABA is inserted w.e.f. from 1 April 2017, which provides that any expenditure in the nature of capital expenditure incurred for acquiring any right to use spectrum for telecom services either before the commencement of business or at any time during any previous year for which payment has been actually been made, shall be allowed for each of the relevant previous year:

- i. in case where it is incurred before commencement of business, deduction shall be allowed starting from the date on which business has commenced or previous year in which it is incurred,
- ii. in any other case, a deduction shall be allowed in equal installments over the period for which the right to use spectrum remains in force.

4.16. Section 35AD – Extension of eligible business activities:

- a. It is proposed to extend the benefit of deduction u/s. 35AD of the Act will now be extended to prescribed entities for developing or operating and maintaining or developing, operating and maintaining, a new infrastructure facility being:
- i. a road including toll road, a bridge or a rail system;
- ii. a highway project including housing or other activities being an integral part of the highway project;
- iii. a water supply project, water treatment system, irrigation project, sanitation and sewerage system or solid waste management

system;

iv. a port, airport, inland waterway, inland port or navigational channel in the sea.

- b. This amendment is applicable for financial year commencing 1 April 2016 onwards.

4.17. Section 36(1)(viiA) – Provision for doubtful debts:

- a. NBFC's will be allowed a deduction of an amount not exceeding 5% of the total income (before deduction under Chapter VIA) in respect of provision for bad & doubtful debts made.
- b. This amendment is applicable for financial year commencing 1 April 2016 onwards.

4.18. Introduction of Equalisation Levy:

- a. To address the challenges in terms of taxation of specified digital transactions, it is proposed to provide for an equalisation levy of 6% of the amount of consideration for specified services received or receivable by a non-resident not having permanent establishment ('PE') in India, from a resident in India who carries out business or profession, or from a non-resident having permanent establishment in India.
- b. Further, in order to reduce burden of small players in the digital domain, it is provided that no such levy shall be made if the aggregate amount of consideration for specified services received or receivable by a non-resident from a person resident in India or from a non-resident having a permanent establishment in India does not exceed INR 1,00,000 in any previous year.
- c. To ensure compliance with the provisions of the equalisation levy, it is proposed to provide that the expenses incurred by the assessee towards specified services chargeable under this Chapter shall be allowed as deduction, only if the assessee deducts and deposits the equalisation levy to the credit of Central government before filing the return of income u/s. 139(1).

4.19. Section 43B: Certain payments allowed as deduction only on payment basis:

The Finance Bill, 2016 proposes to amend the scope of section 43B, to provide for deduction of any sum payable by the assessee to the Indian Railways for the use of Railway assets only on payment basis.

4.20. Section 44AB: Maintenance of books of account and Audit:

- a. The Finance Bill, 2016 proposes to amend section 44AB to state that the assessee will be required to maintain books of account only if:
 - i. his income exceeds the maximum amount not chargeable to tax, and
 - ii. section 44AD is not applicable to the assessee.
- b. The threshold limit for auditing the books of account u/s. 44AB are revised as under:

Particulars	Existing Threshold	Proposed Threshold
Gross turnover in case of assessees carrying on any business	INR 1,00,00,000	INR 2,00,00,000
Gross receipts in case of individuals carrying on profession	INR 25,00,000	INR 50,00,000

- c. These amendments are applicable for financial year commencing 1 April 2016 onwards.

4.21. Section 44AD: Presumptive taxation for persons having business income:

- a. It is proposed to increase the threshold limit of turnover for presumptive taxation of persons having business income from INR 1,00,00,000 to INR 2,00,00,000.
- b. It is proposed that the expenditure payable to a partner as per section 40(b) shall no longer be deductible while computing income under section 44AD.
- c. It is also proposed that where an eligible assessee declares profit for any PY in accordance with the provisions of section 44AD and declares profit for any of the 5 consecutive AYs relevant to the PY succeeding such previous year not in accordance with the provisions of sub-section (1), he shall not be eligible to claim the benefit of the provisions of this section for 5AYs subsequent to the AY relevant to the previous year in which the profit has not been declared in accordance with the provisions of sub-section(1).

4.22. Section 44ADA: Presumptive income provisions for professionals introduced:

- a. Section 44AD of the Act provided for presumptive income provisions for assesseees carrying on eligible business only not for professionals.

- b. In order to rationalize the presumptive taxation scheme, and to reduce the compliance burden on small tax payers, the Finance Bill, 2016 proposes to provide for presumptive taxation schemes for professionals by introducing Section 44ADA.
- c. Accordingly, professionals, being Individuals, HUFs & Partnership Firm (excluding LLPs), whose total gross receipts from the profession does not exceed INR 50,00,000 in a financial year, shall be covered under the presumptive taxation scheme, and will have an option to pay tax for only 50% of his total gross receipts.
- d. The deemed allowance of expenditures covered u/s. 30 to 38 and other provisions are similar to those provided u/s. 44AD.
- e. These amendments are applicable for financial year commencing 1 April 2016 onwards.

4.23. Section 47 : Exempt Transfers - Scope Expanded

- a. Exemption shall be available in case of transfer of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015 by any individual.
- b. Exemption shall be available in case of transfer of capital asset or intangible asset by a private company or unlisted public company to a limited liability partnership provided the total value of the assets as appearing in the books of account of the company in any of the three previous years preceding the previous year in which the conversion takes place does not exceed INR 5,00,00,000.

4.24. Section 48 : Mode of Computation

- a. Any gains arising to Non-Resident on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company subscribed by him, shall be ignored for the purposes of computation of full value of consideration.
- b. Indexed cost of acquisition and indexed cost of improvement will not be available in case of transfer of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015.

4.25. Section 50C : Full Value Of Consideration

- a. In case of transfer of capital asset being land or building or both, where the date of the agreement fixing the amount of consideration and the date of registration for the transfer of the capital asset are not the same, the value adopted or assessed or assessable by the stamp

valuation authority on the date of agreement may be taken for the purposes of computing full value of consideration for such transfer.

4.26. Section 54EE - New section for exemption if capital gain are invested in units of specified funds to provide an impetus to start ups

- a. Exemption of long term capital gain, in case of transfer of a long term capital asset, where capital gain proceeds are invested in units of such specified fund, as may be notified by the Central Government.
- b. Investment should be made within a period of 6 months from the date of such transfer.
- c. Lock-in period of investment is 3 years.
- d. Investment made on or after the 1 April 2016, in the long-term specified asset by an assessee during any financial year does not exceed INR 50,00,000.
- e. Investment made by an assessee in the long-term specified asset, from capital gains arising from the transfer of one or more original assets, during the financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed INR 50,00,000.
- f. For the above section, if the cost of the long-term specified asset is more than the capital gain arising from the transfer of the original asset then the whole of such capital gain is exempted.
- g. For the above section, if the cost of the long-term specified asset is less than the capital gain arising from the transfer of the original asset then the exemption from capital gain will be available proportionately.
- h. If assessee takes any loan or advance on the security of such specified asset, he shall be deemed to have transferred such specified asset on the date on which such loan or advance is taken.

4.27. Section 54GB : Investment in eligible start-ups

- a. In case of an investment in eligible start-up, the provisions of this sub-section shall be extended to 31 March 2019 from 31 March 2017.
- b. For the purpose of this section, new asset shall include computer or computer software in case of a technology driven start-up so certified by the Inter-Ministerial Board of Certification notified by the Central Government.

4.28. Section 55 - Cost Of Acquisition / Cost of Improvement

- a. Under the current provision, cost of improvement in relation to a capital asset being goodwill of a business or a right to manufacture, produce or process any article or thing or right to carry on any business is taken as NIL.
- b. However, the same has been amended to include word “profession” in above provision.

4.29. Income From Other Sources – Scope Expanded

For the purpose of this section, any shares received by an individual or HUF as a consequence of demerger or amalgamation of a company shall not attract the provisions of clause (vii) of sub-section (2) of section 56.

4.30. Section 80 : Eligibility to carry forward Business loss relating to section 35AD

Business loss, of specified business referred to in section 35AD, now cannot be carried forward unless the return is filled within the due date of filling the return.

- 4.31.** Amount received from the National Pension System Trust, referred to in section 80CCD, by the nominee, on death of the assessee shall be exempt from tax.

4.32. Section 80EE : Incentive for promoting housing

- a. It is proposed to amend this section to provide deduction of INR 50,000 per annum till repayment of loan, with respect to a house property of a value less than INR 50,00,000 in respect of which a loan of an amount not exceeding INR 35,00,000 has been sanctioned during the period from the 1 April 2016 to 31 March 2017.
- b. This amendment is applicable for financial year commencing 1 April 2016 onwards.

4.33. Section 80GG : Increase in deduction allowable for rents paid

Maximum limit of deduction has been increased to INR 5,000 per month from earlier INR 2,000 per month for rent incurred by an individual in excess of ten per cent of his total income for accommodation occupied by him for the purposes of his own residence provided he is not getting any house rent allowance.

4.34. Section 80-IA, 80-IAB and 80-IB(9) : Phasing out of Deductions

Sr No	Section	Incentive currently available in the Act	Proposed phase out measures/ Amendment
1	80-IA: Development, operation and maintenance of an infrastructure facility (80-IA)	100 per cent profit linked deductions for specified period on eligible business carried on by industrial undertakings or enterprises referred in section 80IA, 80IAB, and 80IB(9)	No deduction shall be available if specified activity commences on or after 1 April 2017 (i.e. from previous year 2017-18 and Subsequent years)
2.	80-IAB: Development of special economic zone		
3.	80-IB(9): Production of mineral oil and natural gas		

4.35. Section 80-IAC : New section allowing deductions to Start-ups

- a. 100% of the profits and gains derived from eligible business by eligible start-up will be available for deduction subject to certain conditions. Said deduction will be available for any three consecutive assessment years out of the five assessment years beginning from the year in which eligible start-up is incorporated, at the option of the assessee.
- b. Start-ups should fulfill the following conditions:
 - i. Subject to certain exceptions, the business should not be formed by splitting up, or the reconstruction of an existing business.
 - ii. Subject to certain exceptions, the business should not be formed by the transfer of machinery or plant previously used for any purpose to a new business.
- c. Most of the provision of section 80-IA are applicable to this section.

4.36. Section 80-IBA: New section allowing deduction to housing projects

- a. 100% of profits and gains derived from the business of developing and building housing projects will be allowed as deduction subject to certain conditions.
- b. For availing above deductions, housing project should fulfill following conditions.

- i. The project should be approved by the competent authority after 1 June 2016 but on or before 31 March 2019, in accordance with prescribed guidelines
- ii. The project is completed within the period of three years from the date of approval. The project is deemed to be completed when the certificate of completion of project as a whole is obtained in writing from the competent authority. However project is not completed within three years, then amount so claimed under this section will be taxed as income from business or profession of the previous year in which the period of completion so expires.
- iii. The built up area of commercial establishments should not exceed 3% of total built up area.
- iv. The plot of land used for the project should not be less than 1,000 square metres where such project is located within Chennai, Delhi, Kolkata or Mumbai or within 25 kms. within municipal limits of these cities or 2,000 square metres within any other jurisdiction of any other municipality or cantonment board.
- v. The residential units comprised in the project should not exceed 30 square metres where such project is located within Chennai, Delhi, Kolkata or Mumbai or within 25 kms of municipal limits of these cities or 60 square metres within any other jurisdiction of any other municipality or cantonment board.
- vi. Where a residential unit in the housing project is allotted to an individual, no other residential unit in the housing project shall be allotted to the individual or the spouse or the minor children of such individual.
- vii. Floor area ratio as specified to be utilized.
- viii. Separate books of accounts to be maintained for housing project.
- c. This section will not apply to any undertaking which executes the housing project as a works-contract awarded by any person.
- d. Deduction so claimed and allowed in this section shall not be allowed under any other provisions of the act.

4.37. Section 80JJAA : Deduction now increased

- a. Amendment in the said section provides for deduction of an amount equal to 30% of additional employee cost incurred in the course of business or profession of the assessee to whom Tax Audit is applicable for three assessment years, subject to specified conditions. Earlier the said clause was applicable in the case of Indian manufacturing companies only.

- b. The following condition has been specified
 - i. Subject to certain exception the business should not be formed by splitting up, or the reconstruction of an existing business.
 - ii. Business should not be acquired by assessee by way of transfer from any other person or as a result of any business organization.
 - iii. Report must be furnished by accountant in prescribed form along with the return of income.
- c. For the purpose of this section eligible employee means
 - i. an employee who has been employed during the previous year and whose employment has the effect of increasing the total number of employees employed by the employer as on the last day of the preceding year,
 - ii. Whose total emoluments are less then equal to INR 25,000 per month,
 - iii. Employee employed for a period of 240 days or more,
 - iv. An employee who participate in the recognized provident fund.
- d. However employee for whom the entire contribution is paid by the Government under the Employees' Pension Scheme notified in accordance with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 will not be considered as eligible employee for this section.

4.38. Section 87A : Rebate for resident individuals increased

Maximum amount of rebate available, for resident individual whose total income is less then equal to INR 5,00,000, has been increased from INR 2,000 to INR 5,000.

4.39. Section 92CA (3A): Extension of time limit to Transfer Pricing Officer in certain cases

It is proposed that w.e.f. 1 June 2016, where assessment proceedings are stayed by any court or where a reference for exchange of information has been made by the competent authority, the time available to the Transfer Pricing Officer for making an order 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 sixty days, then such remaining period shall be extended to sixty days.

4.40. Section 92D : BEPS action plan - Country-By-Country Report and Master file requirements introduced

Country by Country ("CbC") reporting and master file requirements with effect from AY 2017-18 in line with the OECD report on Action 13 of BEPS Action plan.

Accordingly, any international group having an Indian parent is required to submit a CbC reporting on or before the due date of filing of ROI, if the consolidated revenue of the international group in the preceding year exceeds a threshold yet to be prescribed. The current international consensus is for a threshold of € 750 million (equivalent INR value to be determined based on exchange rate as on the last day of preceding year). Penalties provided for delay in reporting/ in inaccurate reporting.

4.41. Section 112(1)(c) : Unlisted securities – Clarified:

- a. It is clarified that unlisted securities mean capital assets being shares of company not being a company in which public are substantially interested.
- b. This amendment is applicable w.e.f. 1 April 2017 and accordingly applies in relation to AY 2017-18 and subsequent years.

4.42. Section 115BBDA – Dividend (in excess of limits) to be taxed in the hands of shareholder:

- a. The new section provides that where the total income of an assessee, being an individual, HUF or a firm, resident in India, includes any income exceeding INR 10,00,000 by way of dividends received from domestic companies, such excess shall be taxed @ 10%. Further, no expenditure or allowance or set-off of loss shall be allowed in respect of the said income.
- b. This amendment is applicable for financial year commencing 1 April 2016 onwards.

4.43. Section 115BBE : Clarification regarding set-off of losses against deemed undisclosed income

- a. In order to clarify the issue, it is expressly provided that no set-off of any loss shall be allowable in respect of cash credits or undisclosed investment or undisclosed money or unexplained expenditure or amount borrowed or repaid on hundi.
- b. This amendment is applicable for financial year commencing 1 April 2016 onwards.

4.44. Section 115BBF – Inserted to tax royalty income at 10%:

- a. The new section provides that any person resident in India, who is the true and first inventor of the invention and registered as the patentee in accordance with Patents Act, 1970 shall be taxable at the rate of 10% (plus applicable surcharge and cess) on the gross amount of royalty and no expenditure or allowance in respect of such royalty income shall be allowed under the Act.
- b. This amendment is applicable for financial year commencing 1 April 2016 onwards.

4.45. Exemption from Dividend Distribution Tax (DDT) on distribution made by an SPV to a Business Trust:

- a. The Finance act proposes to exempt the levy of DDT in respect of distributions made by SPV to REITs and INVITs regulated by SEBI, if the trust holds 100% of the share capital of the SPV. Dividend received by the trust and its investor shall not be taxable in the hands of trust or investors provided such dividend is declared out of current profits.
- b. The amendment is applicable w.e.f. 1 June 2016.

4.46. Section 115TA, 115TB & 115TC : Tax on distributed income by Securitization Trusts:

- a. It is proposed to amend that Investors will pay tax on the income distributed by the trust; while there will be no tax on the securitization trust or the special purpose vehicle.
- b. TDS shall be deducted @ 25% in case of payment made to resident investors which are individual or HUF and @ 30% in case of others. The investors can get lower TDS orders for their incomes coming from the securitization trusts.
- c. The amendment is applicable w.e.f. 1 June 2016.

4.47. Section 115JB : Applicability of MAT on Foreign Companies, FIs & FPIs

- a. It is proposed to amend the section w.r.e.f. 1 April 2001 that the provisions of section 115JB will not be applicable to foreign companies, FIs, FPIs if:
 - i. the assessee is a resident of a country or a specified territory with which India has DTAA and the assessee do not have permanent establishment in India in accordance with the agreement, or

- ii. the assessee is a resident of a country with which India does not have DTAA and the assessee is not required to get registered under the law time being in force.
- b. This amendment is proposed to be made effective **retrospectively** from 1 April 2001 and accordingly shall apply for AY 2001-02 and for subsequent years.

4.48. Tax Incentive to International Financial Service Centre (IFSC):

- a. In order to incentivise the growth of IFSC, it is proposed to exempt LTCG on equity shares or equity oriented fund for transaction undertaken in foreign currency on a recognised stock exchange though STT is not paid.
- b. MAT rate for firms located in the centre would be set at 9% as against the prevailing 18.5%.
- c. It is proposed to provide that no tax on distributed profits shall be chargeable in respect of the total income of a company being a unit located in IFSC.
- d. This amendment is applicable for financial year commencing 1 April 2016 onwards.
- e. IFSCs will be exempt from securities and commodities transaction tax, the said amendment is applicable w.e.f. 1 June 2016.

4.49. Section 115QA : Tax to be levied on distributed income to shareholder on account of any buy back of unlisted shares

- a. It is proposed to amend the section to cover 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, thereby levying additional income tax @ 20% of the distributed income on account of such buyback.
- b. The amendment is applicable w.e.f. 1 June 2016.

4.50. Filing return of income:

- a. In order to rationalize the time allowed for filling of returns, completion of proceedings and reduce the compliance burden on taxpayer, it is proposed to amend the following provisions:
 - i. **Section 139(1) – Due date of filing return of income:**
It is proposed to amend the section that if a person earns any income exempt u/s 10(38), without considering the exemption, if

income of such person exceeds taxable limit, shall also be liable to file return of income within due date of filing return of income.

ii. Section 139(4) – Time limit of filing belated return:

Any person, who has not filed return of income within time limit, may file return of income at any time before the end of relevant assessment year or before the completion of assessment, whichever is earlier.

iii. Section 139(5) – Time limit of filing revised return:

Any person, who has filed return of income and discovers any omission or any wrong statement therein, may file a revised return of income at any time before the expiry of one year from the end of relevant assessment year or before the completion of assessment, whichever is earlier.

iv. Section 139(9) – Defective return:

Merely because self-assessment tax and interest payable thereon has not been paid by the taxpayer on or before the date of furnishing of the return, return of income filed which is otherwise valid would not be treated as defective.

- b. This amendment is applicable for financial year commencing 1 April 2016 onwards.

4.51. Section 143(1) : Mandatory processing before assessment:

- a. It is proposed to amend the section to provide that before making a regular assessment, a return shall be processed u/s 143(1).
b. This amendment is applicable for financial year commencing 1 April 2016 onwards.

4.52. Section 153 : Change in statutory time limit for competition of assessment, reassessment and recomputation

- a. The proposed changes in section 153 are tabulated as under:

Particulars	Existing time-limit	Proposed time-limit
Completion of assessment u/s 143 or 144	24 months from the end of assessment year	21 months from the end of assessment year
Completion of assessment u/s 147	12 months from the end of financial year in which notice u/s 148 was served	9 months from end of financial year in which notice u/s 148 was served
Recomputation in pursuance to order u/s	12 months from the end of financial	9 months from end of financial year in

254, 263 & 264, setting aside or cancelling an assessment	year in which order u/s 254 is received or the order u/s 263 or 264 is passed	which order u/s 254 is received or the order u/s 263 or 264 is passed
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For e.g., scrutiny assessment of AY 2014-15 will have to be completed on or before 31 December 2016 (non TP cases).

b. Section 250 or 254 or 260 or 262 or 263 or 264 or settlement commission order : Order giving effect due date introduced

The period for giving effect to an order otherwise than by making fresh assessment or reassessment shall be 3 months from the end of the month in which order is received or passed. In case where it is not possible for the assessing officer to give effect to such order within time period, for reasons beyond his control, may allow additional time period of 6 months to give effect of an order subject to such reasons in writing.

In respect of cases pending as on 1 June 2016, the time limit for passing such order is proposed to be extended to 31 March 2017.

c. Section 250 or 254 or 260 or 262 or 263 or 264 or an order of any court : Giving effect to finding or direction contained in an order

Where the assessment, reassessment or re-computation of an order otherwise than by way of appeal or reference to Income Tax Act shall be made on or before the expiry of 12 months from the end of the month in which order is received.

In respect of cases pending as on 1 June 2016, the time limit for taking requisite action is proposed to be 31 March 2017 or 12 months from the end of the month in which order is received, whichever is later.

d. Section 147 : Assessment of partner of a firm consequential to firm assessment

An assessment of partner of a firm in consequences of an assessment made on firm u/s 147 shall be made on or before the expiry of 12 months from the end of the month in which the assessment order of firm is passed.

In respect of cases pending as on 1 June 2016, the time limit for taking requisite action is proposed to be 31 March 2017 or 12 months from the end of the month in which the assessment order of firm is passed, whichever is later.

e. **Time limit for completion of assessment where Transfer Pricing assessment is carried out:**

It is proposed that time limit for completion of assessment or reassessment by the assessing officer where Transfer Pricing assessment is carried out is 33 months from the end of assessment year.

The period of passing assessment order available to the assessing officer shall be extended to 60 days from the date of receiving transfer pricing order.

f. The amendment is applicable w.e.f. 1 June 2016.

4.53. Section 153A or 153C : Change in statutory time limit for competition of assessment made under search cases:

a. The proposed changes in section 153B are tabulated as under:

Particulars	Existing time-limit	Proposed time-limit
Completion of assessment u/s 153A in respect of 6 assessment years	24 months from the end of financial year in which search is authorized	21 months from the end of financial year in which search is authorized
Completion of assessment in case of person referred u/s 153C	24 months from the end of financial year in which search is authorized or 12 months from the end of financial year in which books of accounts or documents seized handed over to jurisdictional AO, whichever is later	21 months from the end of financial year in which search is authorized or 9 months from end of financial year in which books of accounts or documents seized handed over to jurisdictional AO, whichever is later

For e.g., block assessments will have to be completed on or before 31 December 2016 (non TP cases).

b. The amendment is applicable w.e.f. 1 June 2016.

4.54. Jurisdiction of Assessing Officers:

a. In order to remove doubt, it is clarified that where search is initiated u/s 132 or books of accounts or documents requisitioned, no one shall be entitled to take a plea to question the jurisdiction of assessing officer after the expiry of 1 month from the date on which notice

u/s 153A or 153C or after the completion of the assessment, whichever is earlier.

- b. The amendment is applicable w.e.f. 1 June 2016.

4.55. Legislative framework to enable and expand the scope of electronic processing of information:

- a. In order to expedite verification and analysis of the information and documents, it is proposed to amend the section 133C to provide adequate legislative backing for processing information and documents so obtained.
- b. Adjustments to be made at the time of processing of return u/s 143(1):
 - i. In order to expeditiously remove the mismatch between return filed by the assessee and information available with the department, it is proposed that such adjustments can be made with the data available with the department in the form of audit report, Form 16, Form 16A, 26AS statement, return of earlier years.
 - ii. Before making such adjustments, in the interest of natural justice, intimation shall be given to the assessee. The response received, if any should be duly considered by the assessee. If no response received within 30 days of such intimation, the adjustment should be incorporated.
- c. The amendment is applicable w.e.f. 1 June 2016.

4.56. Income Declaration Scheme, 2016 : Reducing litigation and providing certainty in taxation

- a. One time compliance window available to domestic taxpayers to declare undisclosed income or such income represented in the form of any asset by paying tax at 30%, and surcharge at 7.5% and penalty at 7.5%, which is a total of 45% of the undisclosed income. There will be no scrutiny or enquiry regarding income declared in these declarations under the Income Tax Act or the Wealth Tax Act and the declarants will have immunity from prosecution. The scheme is proposed to be brought into effect from 1st June 2016 and will remain open up to the date to be notified by the Central Government in the official gazette. The scheme is proposed to be made applicable in respect of undisclosed income of any financial year up to 2015-16.
- b. The cases where notices have been issued under section 142(1) or 143(2) or 148 or 153A or 153C, or where a search or survey has been conducted and the time for issuance of notice under the

relevant provisions of the Act has not expired, shall not be eligible for the Income Declaration Scheme, 2016.

4.57. New Dispute Resolution Scheme, 2016

- a. The scheme is available for appeals pending before CIT(A) and disputes arising out of retrospective amendment. Not applicable to Search cases, Foreign undisclosed income, etc.
- b. Tax payable by declarant:

Disputed tax arising out of	Tax Payable
Pending appeals	
Tax dispute upto INR 10,00,000	Tax and interest upto assessment
Tax dispute > INR 10,00,000	Tax, interest upto assessment & 25% of penalty
Penalty appeals	25% of penalty leviable
Retrospective amendments	Tax amount (no interest /penalty)

- c. Post declaration, all pending appeals shall be withdrawn; immunity from all proceedings under the Act

4.58. Omission of certain TDS Provisions

- a. TDS under section 194K : Income in respect of units
Earlier income of resident in respect of mutual funds specified under section 10(23D) or of the unit trust of India, when exceeds INR 2,500 was subject to deduction of tax at source at 10% This provision now stands withdrawn.
- b. TDS under section 194L : Payment of compensation on acquisition of capital asset
Earlier payment made to resident of any sum in nature of compensation or enhanced compensation or the consideration or enhanced consideration on account of compulsory acquisition, under any law for the time being in force, of any capital asset, when exceeds INR1,00,000 was subject to deduction of tax at source at the rate of 10%. This provision now stands withdrawn.

4.59. Section 194LBC : Insertion of new section relating to TDS

- a. TDS provision becomes applicable for income payable to an investor, being a resident, in respect of an investment in a specified securitisation trust. Rates are prescribed as follows
 - i. 25% if the payee is an individual or a Hindu undivided family;
 - ii. 30% if the payee is any other person.

- b. Where any income is payable to an investor, being a non-resident (not being a company) or a foreign company, in respect of an investment in a specified securitisation trust, deduct income-tax thereon, at the rates in force.

4.60. Certificate of lower deduction of tax can also be applied for TDS to be deducted under section 194LBB and 194LBC

4.61. Section 197A : Self-declaration for non-deduction of tax at source now applicable for rental income as well

The existing provisions of section 197A of the Income-tax Act, inter alia provide that tax shall not be deducted, if the recipient of certain payments on which tax is deductible furnishes to the payer a self-declaration in prescribed Form no. 15G/15H declaring that the tax on his estimated total income of the relevant previous year would be nil. However the said remedy was not available for rental income. The said provision is amended so as to include rental income. Hence now recipients of payment 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.

4.62. Section 206AA : Relaxation to non-residents in furnishing PAN:

- a. In order to reduce compliance burden, the Finance Bill, 2016 proposes to amend the section 206AA so as to provide that the provisions of section 206AA shall not be applicable:
 - i. to a non-resident, not being a company, or
 - ii. to a foreign company,in respect of payments other than interest. This will be further subject to certain prescribed conditions.
- b. This amendment shall come into effect from 1 June 2016.

4.63. Section 206C : Widening of tax base by tax collection at source

- a. The Finance Bill, 2016 proposes to cover the following additional items under the purview of tax collection at source:
 - i. Sale of motor vehicle value exceeding INR 10,00,000
 - ii. Sale of any other goods other than jewelry or bullion exceeding INR 2,00,000
 - iii. Sale of any other services exceeding INR 2,00,000
- b. The prescribed rate of TCS will be 1%. Further, it will not apply to :
 - i. amount on which TDS is deducted, and

ii. any sale of goods or providing any services to such class of buyers who fulfill the prescribed conditions.

c. This amendment shall come into effect from 1 June 2016.

4.64. Section 211 : Harmonising provisions relating to Advance Tax

a. Previously, non-corporate assesseees were required to pay advance tax in 3 installments i.e. 30% by September, 60% by December and 100% by March. As per the proposed amendment, the said relaxation is withdrawn and the non-corporate assesseees also will have to pay advance tax in 4 installments i.e. 15% by June, 45% by September, 75% by December and 100% by March.

b. Accordingly, all the assesseees, except for assesseees covered under presumptive taxation provisions, will be liable to pay advance tax as under:

Due date for payment of advance tax	Amount of tax to be paid as advance tax
15 June	15%
15 September	45%
15 December	75%
15 March	100%

c. The applicability of advance tax provisions is also widened by covering assesseees under the presumptive taxation u/s 44AD. These assesseees will now have to pay entire advance tax by 15 March every year.

d. This amendment shall come into effect from 1 June 2016.

4.65. Section 220(2A) : Providing time limit for disposing application for reducing or waiving the amount of interest

a. The Finance Bill, 2016 proposes to amend the time limit for disposal of application for waiver of interest. Such application as accepting or rejecting fully or partly shall be disposed-off within 12 months from the end of month in which the application is received. No order rejecting the application shall be passed without giving an opportunity to assessee.

b. This amendment shall come into effect from 1 June 2016.

4.66. Section 234C : Harmonising provisions relating to interest on deferment of advance tax

a. The Finance Bill, 2016 proposes to amend the rate of interest under section 234C at the rate of 3% for the quarter ending 31March

instead of 1% earlier (in case of Non Corporate assessees). This amendment is in respect of deferment of advance tax to bring it in line with amendment proposed u/s 211. It will not apply to eligible assessee u/s 44AD and assessee having business income for first time.

- b. This amendment shall come into effect from 1 June 2016

4.67. Section 244A : Payment of Interest on refund

- a. Where refund is out of tax collected or advance tax paid or treated as paid under section 199, interest will be calculated at the rate of 0.5% for every month or part thereof :
 - i. from the 1st day of April of the assessment year to the date on which the refund is granted, if the return of income has been furnished on or before the due date; or
 - ii. from the date of furnishing return of income to the date on which refund is granted (for cases not covered in (i) above).
- b. In case of refund out of payment of self-assessment tax under section 140A, interest shall be calculated at the rate of 0.5% per month or part thereof from date of furnishing return of income or payment of tax whichever is late to the date on which the refund is granted. If the refund is less than 10% of tax determined, no interest shall be paid.
- c. Where the refund arises as a result of giving effect of appeal order wholly or partly otherwise than making fresh assessment, the assessee shall be entitled to interest at the rate of 9% per annum instead of 6% per annum from the date of expiry of time allowed u/s. 153(5) to the date on which refund has been granted.
- d. This amendment shall come into effect from 1 June 2016.

4.68. Section 249: Form of Appeal and Limitation

As per Finance bill 2016, if the assessee has applied under section 270AA seeking immunity from penalty and prosecution then in such case the period beginning from the date on which such application is made to the date on which order rejecting the application is served to the assessee shall be excluded for calculation of 30 days [time limit for filing appeal before Commissioner of Income Tax (Appeals)]. This provision is applicable with effect from 1 June 2016.

4.69. Section 253: Appeals to the Appellate Tribunal

- a. It has been proposed to provide that if any assessee is aggrieved by the order passed by Commissioner (Appeals) or Principal Commissioner or Commissioner under section 270A he may appeal

to Appellate Tribunal against such order. This provision is applicable with effect from 1 April 2017.

- b. It is proposed to omit sub-sections (2A) and (3A) of section 253, to do away with the filing of appeal by the Assessing Officer against the order of the Dispute Resolution Panel.
- c. It is now proposed that no fee is to be paid for an appeal under subsection (2A) as it existed before the commencement of Finance Act 2016.

4.70. Section 254: Orders of Appellate Tribunal

This section provides that Appellate Tribunal may rectify any mistake apparent from the record within four years from the date of order. Now it has been proposed that Appellate Tribunal can do so only within six months from the end of the month in which the order was passed. This provision is applicable with effect from 1 June 2016.

4.71. Section 255: Procedure of Appellate Tribunal

A single member bench may dispose of any case which pertains to an assessee whose total income computed by Assessing Officer doesn't exceed INR 50,00,000. This was earlier INR 15,00,000. This amendment is applicable with effect from 1 June 2016.

4.72. Section 270A: Penalty for under-reporting and misreporting of Income

- a. The proposed new section states that an Assessing Officer, Commissioner (Appeals) or the Principal Commissioner or Commissioner may have the power to levy penalty if a person has under-reported his income. The section lays down the conditions which, if exists, shall be considered to have under-reported of income. The method to determine the amount of under-reported income is also laid down in the section.
- b. The rate of penalty is 50% of the tax payable on under-reported income. The cases of under-reported income falling under misreporting of income shall be liable for penalty at the rate of 200% of the tax payable on such misreported income.
- c. Section 271(1)(c) is now not applicable on penalty on such under-reporting/misreporting of income.
- d. These amendments will take effect from the financial year beginning on 1 April 2016.

4.73. Section 270AA: Immunity for imposition of penalty

- a. According to this section assessee may make an application to the assessing officer for grant of immunity against penalty u/s 270A and initiation of proceeding u/s 276C within one month from the date of passing the assessment/reassessment order provided the assessee does not file any further appeals and pays the tax and interest payable as per the order.
- b. It is proposed that assessing officer may grant immunity from imposition of penalty and initiation of proceeding where penalty is not initiated on account of misreporting of income.
- c. It is also proposed that the assessing officer is required to pass the order, whether to reject or accept the application within one month from the end of the month when such application is received after giving assessee an opportunity of being heard.

4.74. Section 271: Amount of tax sought to be evaded for the purposes of penalty for concealment of income

Sub-section (7) has been inserted which states that the provisions of section 271 shall not apply to and in relation to any assessment for the assessment year commencing on or after 1 April 2017 and penalty shall be levied under newly inserted section 270A.

4.75. Section 271AA: Penalty for failure to keep and maintain information, documents etc. in respect of certain transactions

W.e.f 1 April 2017, if any person fails to furnish the information and documents required under section 92D(4), the prescribed income-tax authority may levy penalty of INR 5,00,000.

4.76. Section 271 AAB(1)(c): Penalty where search has been initiated

To reduce discretion available to the AO, the erstwhile penalty rate ranging between 30% to 90% of undisclosed income is now proposed to be levied at a flat rate of 60% of undisclosed income w.e.f 1 April 2017.

4.77. Section 271GB – Penalty for failure to furnish report or for furnishing inaccurate report under section 286

- a. For non-furnishing of the report by an entity which is obligated to furnish it, a graded penalty structure would apply:-
 - i. if default is upto a month, penalty of INR 5000 per day.

- ii. if default is more than a month, penalty of INR 15,000 per day for the period exceeding one month.
- b. For failure to produce the information and documents within the prescribed period, penalty may be levied up to INR 5,000 per day during which the failure continues.
- c. Any default that continues even after service of order levying penalty either under (a) or under (b), then the penalty for any continuing default beyond the date of service of order shall be INR 50,000 per day from the date of service of such order.
- d. Penalty of INR 5,00,000 may be levied, if reporting entity provides inaccurate information under section 286(2).

4.78. Section 272A – Penalty for failure to answer questions, sign statements, furnish information, returns or statements, allow inspections, etc

The scope of this section is proposed to be expanded to levy penalty of INR 10,000 for each default or failure to comply with a notice issued under section 142(1) or 143(2) or failure to comply with a direction issued u/s 142(2A).

4.79. Section 273A(4A)– Power of Principal Commissioner or Commissioner to reduce or waive penalty

W.e.f 1 June 2016, the order under section 273A(4) shall be passed within 12 months from the end of the month in which the application is received by the Principal Commissioner or the Commissioner. An opportunity of being heard should be given before passing any order rejecting the application.

4.80. Section 273AA(3A) – Power of Principal Commissioner or Commissioner to grant immunity from penalty

W.e.f 1 June 2016, the order under section 273AA(3) shall be passed within 12 months from the end of the month in which the application is received by the Principal Commissioner or the Commissioner. An opportunity of being heard should be given before passing any order rejecting the application.

4.81. Section 281B – Provisional attachment to protect revenue in certain cases

It is proposed that provisional attachment of property could be substituted by a bank guarantee subject to fulfillment of certain

conditions. The Assessing Officer shall revoke provisional attachment of property in a case where the assessee furnishes a bank guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue. In order to help the Assessing Officer to determine the fair market value of the property, he may, make a reference to the Valuation Officer. The following amendments are applicable with effect from 1 June 2016.

4.82. Section 286 – Furnishing of report in respect of International Group

- a. Every constituent entity resident in India, which is constituent of an international group, the parent entity of which is not resident in India, should report, in the form and manner as may be prescribed, whether:
 - i. it is an alternate reporting entity of the international group; or
 - ii. details of the parent entity or the alternate reporting entity, if any, of the international group.
- b. Every parent entity or alternate reporting entity, resident in India, for every reporting year, in respect of the international group of which it is a constituent, furnish a report in the form and manner as may be prescribed on or before due date under section 139(1) .
- c. A designated constituent entity of an international group, resident in India, other than the entity referred to in section 286(2), shall furnish the report, in respect of the international group, if the parent entity is resident of a country or territory,—
 - i. with which India does not have an agreement providing for exchange of the report of the nature referred to in 286(2); or
 - ii. there has been a systemic failure of the country or territory and the said failure has been intimated by the prescribed authority to such constituent entity:
- a. The provisions of this section shall not apply in respect of an international group for an accounting year, if the total consolidated group revenue, as reflected in the consolidated financial statement for the preceding accounting year does not exceed the amount, as may be prescribed.

INDIRECT TAX PROPOSALS

5.1. THE CUSTOMS ACT, 1962:

- a. Substantial changes made to warehouse provisions.
 - i. Bond value increased to thrice the duty (earlier twice).
 - ii. Time period of warehousing:

Particulars	Nature of Goods	Time period
EOU / EHT / STP wherein manufacture or other operations have been permitted.	Capital Goods	Till the clearance from warehouse
	Other than Capital Goods intended for use	Till their consumption or clearance from warehouse
Other Cases		1 year (as earlier)

- b. Interest rate in case of delay in payment of Customs duty revised to 15% p.a.
- c. Limitation period for issue of Show cause notice is increased to 2 years (from existing 1 year) from relevant date; in cases other than fraud, collusion or misstatement or misrepresentation etc.
- d. Deferred payment of customs duties for certain class of importers and exporters.
- e. Baggage rules are simplified and allowed multiple slabs of duty free allowance for various category passengers.
- f. In order to reduce litigation and providing certainty in taxation, 'Indirect Tax Dispute Resolution Scheme, 2016' has been introduced and is applicable to pending cases of Customs Duty.

g. Proposed Changes in the Rates of Customs Duty:

Sr. No.	Particulars	Existing Provisions	New Provisions
I	BENEFICIAL		
	Chemicals and Petrochemicals		
1	Acyclic and cyclic hydrocarbons	5% / 2.5%	2.5%
2	Denatured ethyl alcohol (Ethanol) subject to actual user condition	5%	2.5%
3	SAD on Orthoxylene for manufacturing	4%	2%
4	Electrolysers, membranes and their	2.5%	NIL

Sr. No.	Particulars	Existing Provisions	New Provisions
	parts required by caustic soda / potash unit using membrane cell technology		
	Ores and concentrates		
5	Iron ore fines with Fe content below 58%	10%	NIL
6	Iron ore lumps with Fe content below 58%	30%	NIL
7	Chromium ores and concentrates, all sorts	30%	NIL
8	Bauxite (natural), not calcined or calcined	20%	15%
	Electronics/Hardware		
9	Polypropylene granules / resins for the manufacture of capacitor grade plastic films	7.5%	NIL
10	E-Readers	NIL	7.5%
11	Parts of E-readers	Applicable BCD	5%
12	Magnetron of capacity of 1 KW to 1.5 KW for use in manufacture of domestic microwave ovens subject to actual user condition.	10%	NIL
13	Machinery, electrical equipment and instrument and parts thereof	Applicable BCD, SAD	NIL BCD, SAD
14	Charger / adapter, battery and wired headsets / speakers for manufacture of mobile phone	Applicable BCD, CVD, SAD	BCD, CVD – 12.5% SAD – 4%
15	Inputs, parts and components, subparts for manufacture of Point No. 14 and Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets]	Applicable BCD, CVD, SAD	NIL BCD, CVD, SAD
16	Magnetic items	NIL BCD	Applicable BCD
17	Specified telecommunication equipment	NIL BCD	10%

Sr. No.	Particulars	Existing Provisions	New Provisions
18	Preform of silica for manufacture of telecom grade optical fibre /cables	NIL	10%
19	BCD on Specified capital goods and inputs	Applicable BCD	NIL
20	BCD on Neodymium Magnet and Magnet Resin	Applicable BCD	2.5%
21	Populated PCBs for manufacture of A- Personal computers (laptop or desktop), B- Mobile phone/tablet computer	NIL	A- 4% B- 2%
II	ADVERSE		
	Metals, glass and ceramics		
22	Silica sand	5%	2.5%
23	Brass scrap	5%	2.5%
24	Other aluminium products	7.5%	10%
25	Primary aluminium	5%	7.5%
26	Zinc alloys	5%	7.5%
	AUTOMOBILES		
27	Golf cars	10%	60%
28	CVD on Specified parts of electric and hybrid vehicles	6% Upto 31 March 2016	6% Without time limit
29	Aluminium Oxide	7.5%	5%
30	Engine (hybrid electric vehicle)	Applicable BCD and CVD	Nil BCD 6% CVD
	Jewellery		
31	CVD on Gold dore bars	8%	8.75%
32	CVD on Silver dore	7%	7.75%
33	Duty on Imitation jewellery	10%	15%
	Capital Goods		
34	CVD on Specified machinery required for construction of roads	NIL	12.5%
35	Increase in the effective tariff rate for certain goods under chapter 84, 85 and 90.	7.5%	10%
	Paper, Paperboard and newsprint		

Sr. No.	Particulars	Existing Provisions	New Provisions
36	Wood in chips or particles	5%	NIL
37	Plans, drawings and designs	NIL	10%
	Textiles		
38	Specified fibres and yarns	5%	2.5%
39	BCD on Specified fabrics	Applicable BCD	NIL
	Articles of rubber		
40	Natural latex rubber	10%	20%
	Renewable Energy		
41	Industrial solar water heater	7.5%	10%
	Food Processing		
42	Cashew nuts in shell	NIL	5%
43	Cold chain	10%	5%
44	Refrigerated containers	10%	5%
	Mineral fuels and Mineral oils		
45	Coal	2.5% / 10%	2.5%
46	Lignite, whether or not agglomerated, excluding jet	10%	2.5%
47	Peat (including peat litter)	10%	2.5%
48	Coke and semi-coke of coal, of lignite or of peat	5% / 10%	5%
49	Gases other than petroleum gases and other gaseous hydrocarbons	10%	5%
50	Tar distilled from coal, from lignite or from peat and other mineral tars	10%	5%
51	Oils and other products	2.5% / 5% / 10%	2.5%
	Petroleum exploration and production		
52	Goods required for exploration & production of hydrocarbon activities	Applicable BCD and CVD	BCD - Nil CVD – Nil
	Defence Production		
53	Direct imports of specified goods by Government of India or State Governments, with effect from 01.4.2016	BCD Nil CVD – Nil SAD – Nil	Applicable BCD, CVD and SAD
54	Imports of specified goods for	BCD Nil	Applicable

Sr. No.	Particulars	Existing Provisions	New Provisions
	defence purposes by contractors of the Government of India, PSUs or sub-contractors of PSUs, with effect from 01.4.2016	Applicable CVD and SAD	BCD, CVD and SAD
	Maintenance, repair and overhaul [MRO] of aircrafts		
55	Tools and tool kits	Applicable BCD, CVD and SAD	Nil BCD Nil CVD Nil SAD
	Ship Repair Units		
56	Capital goods and spare thereof, raw materials, parts, material handling equipment and consumable for repairs of ocean-going vessels by a ship repair unit	Applicable excise duty	NIL
	Miscellaneous		
57	Braille paper	10%	NIL
58	Disposable sterilized dialyzer and micro barrier of artificial kidney	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD
59	Solar tempered glass	NIL	5%
60	Medical Use Fission Molybdenum-99 imported by Board of Radiation and Isotope Technology (BRIT)	7.5%	NIL
61	Pulp of wood for manufacture of sanitary pads, napkins & tampons	5%	2.5%
62	Super Absorbent Polymer	7.5%	5%
63	Specified goods required for exploration & production of hydrocarbon activities	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD
64	"Foreign Satellite data" on storage media when imported by National Remote Sensing Centre (NRSC), Hyderabad	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD

5.2. THE CENTRAL EXCISE ACT, 1944

- a. Excise duty increased on:
- Water, mineral / aerated / sugared /sweetening waters,
 - Cigar / cigarillos / cigarettes,
 - Gutkha, chowing tobacco,
 - Readymade garments and branded garments above MRP of INR 1,000,
 - Paper rolled biris,
 - Aviation turbine fuel,
 - Jewellery, refined Gold, silver, gold dore bar / silver dore bar,
 - Mobile charger / adapter / battery /wired headsets of mobile phone.
- b. Excise duty reduced on:
- Refrigerated containers,
 - Footwear and rubber sheets,
 - Parts on railway, tramway and traffic control equipment.
- c. Exemption granted to manufacture of:
- Solar lamp,
 - Disposable sterilized dialyzer.
- d. Infrastructure cess is levied on Motor vehicles ranging from 1 to 4% (depending on engine capacity) with immediate effect.
- e. **Infrastructure Cess:**
Infrastructure Cess will be levied on motor vehicles, of heading 8703, as under:

Sr. No.	Particulars	Rate of Cess
a.	Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc	1 %
b.	Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc	2.5%
c.	Other higher engine capacity motor vehicles and SUVs and bigger sedans	4%
d.	3-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, Cars for physically handicapped persons and Motor vehicles cleared as ambulances or registered for use solely as ambulance	-

However, **no credit** of this cess will be available, and **credit of no other duty can be utilized** for payment of this Infrastructure Cess.

- f. Clean cess is being renamed as “clean environment cess” and effective rate is increased to INR 400 per tonne.
- g. Interest rate in case of delay in payment of Central Excise Duty revised to 15% p.a.
- h. Total number of returns to be filed by an assessee reduced from 27 to 13 (12 monthly and 1 annually).
- i. Facility of revising excise returns will be available.
- j. Limitation period for issue of Show cause notice is increased to 2 years (from existing 1 year) from relevant date; in cases other than fraud, collusion or misstatement or misrepresentation etc.
- k. In order to reduce litigation and providing certainty in taxation, ‘Indirect Tax Dispute Resolution Scheme, 2016’ has been introduced and is applicable to pending cases of Central Excise Duty.

l. Proposed Changes in the Rates of Excise Duty:

Sr. No.	Particulars	Existing Provisions	New Provisions
	Amendments involving change in the rate of duty		
	Aerated Beverages		
1	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored.	18%	21%
	Tobacco and Tobacco Products		
2	Cigar and cheroots, Cigarillos, Cigarillos of tobacco substitutes, Others of tobacco substitutes	12.5% or INR 3,375 per thousand, whichever is higher	12.5%or INR 3,755 per thousand, whichever is higher
3	Cigarettes of tobacco substitutes	INR 3,375 per thousand	INR 3,755 per thousand
4	Gutkha, chewing tobacco(including filter khaini) and jarda scented tobacco	70%	81%
5	Unmanufactured tobacco	55%	64%
6	Paper rolled biris	INR 30 per thousand	INR 80per thousand

5.3. THE FINANCE ACT, 1994 (SERVICE TAX)

5.3.2. Rate of Service Tax:

- a. All taxable services will now be subject to levy of Krishi Kalyan Cess @ 0.5% of the value of taxable services with effect from 1 June 2016. Accordingly, the effective rate of service tax w.e.f. 1 June 2016 will be 15%.
- b. Service Tax rate on single premium annuity (insurance) policies is reduced from 3.5% to 1.4% in certain cases.
- c. Abatement schemes for calculation of Service tax is re-aligned and amended

5.3.3. Broadening of tax base:

In order to broaden the tax base, exemption provided to the following services earlier has now been removed and they are made taxable:

- i. service provided by senior advocate to advocates or firm of advocates and service provided by arbitrator (w.e.f. 1 April 2016);
- j. construction, erection, commissioning or installation of original works pertaining to monorail or metro (w.e.f. 1 March 2016) – abatement of 60% of value of taxable services available;
- k. services of transport of passengers by ropeway, cable car or aerial tramway (w.e.f. 1 April 2016);
- l. transportation of passengers by air conditioned stage carriage (w.e.f. 1 June 2016),
- m. transportation of goods by vessel from outside India to Customs station in India;
- n. any activity carried out by the lottery distributor or selling agent as per the provisions of the Lotteries (Regulation) Act, 1988;
- o. right to use Radio-Frequency spectrum.

5.3.4. Review of Negative List of Services/Exemptions:

Exemptions are provided to the following services:

- a. Services by way of construction for 'specified' housing projects (w.e.f. 1 April 2016)
- b. Service of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority (PFRDA) of India (w.e.f. 1 April 2016)
- c. Services provided by Employees Provident Fund Organisation (EPFO) to employees (w.e.f. 1 April 2016)
- d. Services provided by IRDA (w.e.f. 1 April 2016)
- e. Regulatory services provided by SEBI (w.e.f. 1 April 2016)

- f. Service of general insurance business under 'Niramaya' Health insurance scheme in case of specified persons (w.e.f. 1 April 2016)
- g. Services by National Centre for Cold Chain Development (w.e.f. 1 April 2016)
- h. Services provided by Biotechnology Industry Research Assistance Council (BIRAC)(w.e.f. 1 April 2016)
- i. Services provided by way of skill / vocational training under Deen Dayal Upadhyay Grameen Kaushalya Yojana (w.e.f. 1 April 2016)
- j. Services of assessing bodies empaneled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship (w.e.f. 1 April 2016).
- k. Service tax on the service of Information Technology Software on media bearing RSP (w.e.f. 1 June 2016).
- l. Service of construction of govt. schools, hospitals, ports, airports etc. for contracts which have been entered into prior to 01.03.2015.
- m. Services of construction, maintenance etc. of canal, dam or other irrigation works provided to bodies set up by Government during the period from the 1 July 2012 to 29 January, 2014 are being exempted from Service Tax with consequential refunds, subject to the principle of unjust enrichment.
- n. Services provided by Indian Institute of Management ('IIM') by way of 2 year full time PGPM, FPM are exempt from Service Tax (w.e.f. 1 March 2016).

5.3.5. Review of threshold limit:

The threshold exemption to available to performing artist in folk or classical art forms is enhanced from INR 1,00,000 to INR 1,50,000 charged per event.

5.3.6. Review of rate of interest:

Interest rate in case of delay in payment of Service Tax reduced to 15% p.a., except in case where tax is collected but not deposited, in which case rate of interest will be 24% p.a.

5.3.7. Benefits extended to 'One Person Company' (OPC) /HUF:

- a. Quarterly payment of Service Tax is being extended to OPC and HUF
- b. The facility of payment of Service Tax on receipt basis to 'One Person Company' ('OPC')

5.3.8. CENVAT:

- a. Time Limit for filing application of refund of CENVAT Credit under Rule 5 in case of export of services is extended to 1 year.
- b. Banks and Financial institutions are now allowed to reverse credit in respect of exempted services on actual basis with an option of 50% reversal.
- c. Rules for reversal of CENVAT credit of Inputs / Input Services which have been commonly used for providing taxable output service and activity which is not 'service' are being amended.
- d. Service Tax paid on amount charged for assignment of a natural resource is now allowed as CENVAT Credit.

5.3.9. Service Tax Procedures and Legislative changes:

- a. In addition to half yearly returns filed by assesseees, an 'annual return' will also now have to be filed.
- b. Limitation period for short levy / non levy / short payment / non-payment / erroneous refund of Service Tax has been increased from 18 months to 30 months.
- c. The power to arrest in Service Tax is being restricted only to situations where the tax payer has collected the tax but not deposited it to the exchequer above a threshold of INR 2,00,00,000.
- d. The monetary limit for launching prosecution is being increased from INR 1,00,00,000 to INR 2,00,00,000 of Service Tax evasion.
- e. In order to reduce litigation and providing certainty in taxation, 'Indirect Tax Dispute Resolution Scheme, 2016' has been introduced.

5.4. CENTRAL SALES TAX, 1956 :

It is clarified by inserting an Explanation to Section 3 of Central Sales Tax Act, 1956, that where the gas sold or purchased and transported through a common carrier pipeline or any other common transport or distribution system becomes co-mingled and fungible with other gas in the pipeline or system and such gas is introduced into the pipeline or system in one State and is taken out from the pipeline in another State, such sale or purchase of gas shall be deemed to be a movement of goods from one State to another. Consequently, the sale of gas will be termed as 'interstate sale'.

INCOME TAX COMPLIANCE CALENDAR

In this chapter we have provided an overview of the various direct tax compliances from the perspective of a Company, Partnership Firm (including LLP), Individual and HUF.

Sr. No.	Nature of Compliances	Person		
		Company	Partnership Firm / LLP	Individual and HUF
1.	Due dates for filing of Return of Income ('ROI') and obtaining Tax Audit Report (Note 1)			
1.1	Person covered under tax audit (other than those to whom transfer pricing is applicable)	30 September (Note 2)		
1.2	Person covered under transfer pricing (For furnishing of Transfer Pricing Report in Form 3CEB same due date is applicable)	30 November		
1.3	Other persons	30 September	31 July	31 July
2.	Advance Tax Payments for Income Tax (Note 3)			
a.	1st Installment - on or before 15 June	15%	15%	15%
b.	2nd Installment - on or before 15 September	45%	45%	45%
c.	3rd Installment - on or before 15 December	75%	75%	75%
d.	4th Installment – on or before 15 March	100%	100%	100%
3.	Tax Deducted at Source ('TDS')			
a.	Tax must be deducted at the time of payment, in case of salary	Applicable	Applicable	Applicable, only if person is covered under tax audit in the preceding previous year
b.	In case of payments other than salary, at the time of making payment or credit, whichever is earlier	Applicable	Applicable	
c.	Tax deducted must be deposited in the bank by	Applicable	Applicable	

Sr. No.	Nature of Compliances	Person		
		Company	Partnership Firm / LLP	Individual and HUF (Note 2)
	7th day of following month except tax deducted for payment or credit made in March must be deposited by 30th April			
4.	Tax Collected at Source ('TCS')			
	Tax collected must be deposited within one week from the end of month of tax collection	Applicable		
5.	Due dates for filing of TDS / TCS Returns			
a.	TDS Quarterly Statement for quarter ended June	15 July		
b.	TDS Quarterly Statement for quarter ended September	15 October		
c.	TDS Quarterly Statement for quarter ended December	15 January		
d.	TDS Quarterly Statement for quarter ended March	15 May		
6.	Due dates for issue of Form 16 (for Salaries) / Form 16A (for other than Salaries) and Form 27D (For TCS) (Note 4)			
a.	Issue of Form 16 annually	31 May		
b.	Issue of Form 16A / 27D for quarter ended June	30 July		
c.	Issue of Form 16A / 27D for quarter ended September	30 October		
d.	Issue of Form 16A / 27D for quarter ended December	30 January		
e.	Issue of Form 16A / 27D for quarter ended March	30 May		

Notes:

1. *In case of working partner of a partnership firm, whose accounts are required to be audited under section 44AB of the IT Act, the date of filing of ROI is 30 September.*
2. *The Bill propose to increase the threshold limit for presumptive taxation for business from INR 1,00,00,000 to INR 2,00,00,00 and introduced presumptive taxation for profession where gross receipts does not exceeds INR 50,00,000 at the rate 50% of gross receipts (excluding LLP). Consequently threshold limit is increased u/s 44AB for person having total turnover in case of business of INR 2,00,00,000 from INR 1,00,00,00 and gross receipts from profession of INR 50,00,000 from INR 25,00,000 i.e. 1 April 2017.*
3. *Advance tax payment for income-tax is applicable to every person where the amount of income-tax payable is INR 10,000 or more. The applicability of advance tax provisions is also widened by covering assesses under the presumptive taxation u/s 44AD. These assesseees will now have to pay entire advance tax liability by 15 March every year.*
4. *From 1 April 2011 (FY 2011-12) onwards it is mandatory for Companies and Banks to issue Form 16A, which is to be downloaded from the NSDL website (www.tin-nsdl.com).*
5. *Every person, being a non-resident having Liaison Office in India shall, in respect of its activities in a financial year, file a statement in Form No. 49C within 60 days from the end of the financial year i.e. 30 May to the Assessing Officer.*
6. *It is, proposed to amend that the return of income shall be regarded as defective unless the tax together with interest, if any, payable in accordance with the provisions of section 140A has been paid on or before the date of furnishing of the return.*

ABBREVIATIONS

ALP	Arm's Length Price
AMT	Alternate Minimum Tax
AO	Assessing officer
AOP	Association of Persons
AY	Assessment Year
BCD	Basic Customs Duty
BOI	Body of Individuals
CbC	Country by Country
CBDT	Central Board of Direct Taxes
CBEC	Central Board of Excise and Custom
CSR	Corporate Social Responsibility
CVD	Additional Duty of Customs levied under section 3(1) of the Customs Tariff Act, 1975
DDT	Dividend Distribution Tax
DTA	Domestic Tariff Area
DTAA	Double Taxation Avoidance Act
EC	Education Cess
EOU	Export Oriented Unit
FII	Foreign institutional Investors
FPI	Foreign Portfolio Investors
FTS	Fees for technical services
GAAR	General Anti Avoidance Rules
HUF	Hindu Undivided Family
IFSC	International Financial Services Centre
INR	Indian Rupees

INVIT	Infrastructure investment Trust
LCD	Liquid Crystal Display
LED	Light Emitting Diode
MAT	Minimum Alternate Tax
NCCD	National Calamity Contingent Duty
PAN	Permanent Account Number
POEM	Place of Effective Management
PY	Previous Year
REIT	Real Estate Investment trust
ROI	Return of Income
RSP	Retail Sale Price
SAD	Special Additional Duty of Customs levied under section 3(5) of the Customs Tariff Act, 1975
SCN	Show Cause Notice
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
SHEC	Secondary and Higher Education Cess
SPV	Special Purpose Vehicle
STT	Securities Transaction Tax
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TPO	Transfer Pricing Officer
VAT	Value Added Tax
W.E.F.	With effect from
W.R.E.F.	With retrospective effect from

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