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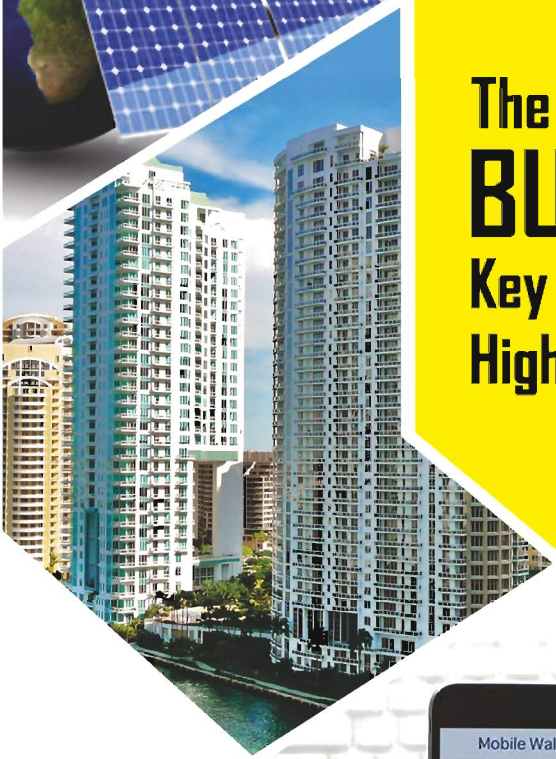

The Union BUDGET 2017

Key Proposal Highlights

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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।
स्याच्चाम्नायपरो 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 sujects. (Manu Smriti 80)

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

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

In times of economic slowdown caused by demonetization and protectionist policies of developed countries (USA, UK etc.), the Finance Minister has presented a 'growth oriented' and "pragmatic" Budget. This Budget is also historical, given that this year there is no separate Rail Budget and the same has been merged with this General Budget. This Budget also has removed distinction between planned and un-planned expenditure.

The focus of this Budget is to push rural economy, skill development of the youth, increase expenditure on welfare measures of under-privileged & develop robust infrastructure. Incentivising "affordable housing" is one of the major thrust areas of this budget and various changes have been brought in for pushing this measure. Start-ups have also been given a helping hand.

Despite limited available room with the Finance Minister, the budget has given relief to small tax-payers by reducing the tax-rates. For small corporates, having a turnover in the range of less than INR 50 crores, tax rate has been slashed to 25% from the earlier rate of 30%. This would positively affect ~96% of all the companies. This Budget has shown streak for "vertical equity", with a move towards redistributing the income, by increasing surcharge on income of well-off tax payers.

Even though there is increased outlay on building infrastructure and on welfare measures, the Finance Minister has kept the fiscal deficit at 3.2% of GDP. The "revenue deficit" and the 'current account deficit' have been considerably reduced, which shows that our economy is in good health.

With a view to strike at the root of black-economy and to bring transparency in the system, donations in cash from anonymous sources for political funding are now permitted to the extent of INR 2,000/- instead of earlier limit of INR 20,000/-. The

political parties have to file return of income if they intend to claim tax exemption. Further, for reducing menace of cash in the economy, path-breaking reforms have been undertaken. Cash transactions over INR 3,00,000/- will now be visited with stiff penalty. The limits of permissible revenue expenditure in cash, have been lowered. At the same time similar restriction, has been put for capital expenditure. In short, focus is to increase digitization & reduce use of cash in the economy.

This Budget has also rationalized and simplified various provisions with a view to remove the roadblocks to developments and reduce the burden of tax compliance. Though this Budget did not bring down general corporate tax rates as expected, it eschewed from bringing in draconian laws such as estate duty, inheritance tax and tax on long term capital gains on listed shares, which were feared by markets. The averment that GST implementation is on target and most of the contentious issues have been resolved, gave a positive signal to the market.

Overall, the Budget promises to stimulate growth with a tilt towards rural growth. However, it is for the industry and bureaucracy to gear itself up and implement the reforms brought in by the Budget.

Shailesh Bhuta
Managing Partner
Bhuta Shah & Co LLP

Mumbai, 2nd February 2017

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2.1. INCOME TAX:

- Marginal rate of tax in the income bracket between INR 2,50,000/- to INR 5,00,000/- reduced from 10% to 5%
- Rebate u/s 87A reduced from INR 5,000 to INR 2,500 for resident individuals whose total income does not exceed INR 3,50,000
- Reduction in corporate tax rate from 30% to 25% for domestic companies whose total turnover or gross receipts in a FY does not exceed INR 50 crores
- Surcharge introduced for every individual / HUF /AOP / BOI having total income exceeding INR 50,00,000 but not exceeding INR 1 crore, at 10% of such income tax
- Period of holding of Immovable property is reduced from the existing 36 months to 24 months to qualify as long term capital asset
- Set off of losses from House Property against any other head of income restricted to INR 2,00,000
- Capital gains for individual/HUF under Joint Development Agreement deferred till project completion certificate is obtained subject to fulfilment of certain condition
- The base year for cost inflation index and determination of cost of acquisition has been updated to April 1, 2001 as against April 1, 1981
- Limit for disallowance of cash payment has been reduced to INR 10,000 from INR 20,000
- Disallowance of depreciation and capital expenditure incurred in cash
- Lower presumptive tax rate of 6% of turnover/gross receipts for non-cash receipts as against 8% for cash receipts.
- Dividend Income in excess of INR 10 Lakh received by all categories of resident assessees except domestic company and certain funds, trusts, institution, etc. is taxable at the rate of 10%.
- All Individuals / HUFs are required to deduct TDS at the rate of 5% of the rent paid to a resident, if the amount of rent paid exceeds INR 50,000/- for a month or a part of a month.
- No notional income on property held as inventory by real estate developer for 1 year from end of the F.Y in which Project Completion Certificate is received.

- Increase in time limit for carry forward and set off of MAT/ AMT to 15 Assessment Years from 10 Assessment Years
- Introduction of Penalty for all cash receipts received of INR 3,00,000/- or more by cash.
- Domestic TP regulations will only apply in situations where one of the parties is claiming specified tax incentives
- Changes in time limits to finalise assessment, reassessment, re-computation and time for filing Revised Returns.
- Exemption on long term capital gain u/s 10(38) only on such equity shares or equity oriented fund on which STT was chargeable at the time of acquisition subject to exceptions notified by Central Government.
- Fair Market Value of Unlisted share deemed to be full value of consideration for transfer of such unlisted shares.
- Taxability of cash gift / asset for inadequate or NIL consideration extended to all categories of recipient assessees.
- Introduction of Secondary Adjustment in Indian Transfer Pricing regulations.
- It is proposed to levy fee in case of delay in filing the return, in order to ensure timely filing of returns of income.
- Amendment in MAT provisions for IND AS compliant financial statement and first time adoption of IND AS.

2.2. CUSTOMS:

- The person in charge of the conveyance that enters India from any place outside India shall be responsible to provide to the proper officer information about passenger and crew arrival.
- It is proposed to mandatorily file bill of entry within next day following the day on which the aircraft or vessel arrives at the customs.

2.3. SERVICE TAX:

- Under the Regional Connectivity Scheme (RCS), exemption from service tax is being provided in respect of the amount of viability gap funding.
- Services provided by Indian Institutes of Management (IIMs) by way of two year full time PGP, PGDM are now exempted from levy of Service tax for all.

DIRECT TAX RATES

3.1. INCOME TAX RATES :

The Finance Bill, 2017 ("the Bill") proposes a change in the tax rates for various assessees for the FY 2017-18.

Further, the Bill proposes to levy a surcharge on the income-tax computed in the case of every individual or Hindu Undivided Family or Association of Persons or Body of Individuals having total income exceeding INR 50,00,000 but not exceeding one crore rupees at 10% of such income tax.

The surcharge rate of 15% on the income-tax computed in case of a person having a total income exceeding INR 1 crore remains unchanged.

Also benefit of Rebate u/s 87A of the Income Tax Act, 1961 ("the Act") to Resident Individual taxpayer having total income not exceeding INR 3,50,000 (Previously INR 5,00,000) is decreased from INR 5,000 to INR 2,500.

3.1.1. 1.1.Individuals (less than 60 years), HUFs, AOPs, BOIs:

The Bill proposes a change in the tax rates for Individuals (less than 60 years), HUFs, AOPs and BOIs for the FY 2017-18.

The revised tax rates are as follows:

Income Slabs	FY 2017-18[1]
0 – 2,50,000	Nil
2,50,001 – 5,00,000	5%
5,00,001 - 10,00,000	20%
10,00,001 and above [2]	30%

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

The Bill proposes a change in the tax rates for Senior Citizens for the FY 2017-18.

The tax rates for Senior Citizens are as follows:

Income Slabs	FY 2017-18[1]
0 – 3,00,000	Nil
3,00,001 – 5,00,000	5%
5,00,001 - 10,00,000	20%
10,00,001 and above [2]	30%

3.1.3. Individuals (80 years or more):

The Bill proposes no change in the tax rates for Very Senior Citizens for the FY 2017-18.

The tax rates for Very Senior Citizens are as follows:

Income Slabs	FY 2017-18[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 50,00,000 but not exceeding INR 1 crore and for a total income exceeding INR 1 crore, be increased by a surcharge calculated at the rate of 10% and 15% respectively of such income-tax.*

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 2017-18.

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

Income Slabs	FY 2017-18
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. The above tax rates are further to be increased by educations cess of 3%

3.1.6. Companies:

- **Domestic companies:**

In case of domestic company, the rate of income-tax shall be **25%** of the total income if the total turnover or gross receipts of the FY 2015-16 does not exceed **INR 50 crore** and in all other cases the rate of income-tax shall be **30%** of the total income.

As such, the effective normal tax rates and MAT rates for domestic companies for FY 2017-18 are as follows:

Income Slabs (INR)	FY 2017-18			
	Turnover or Gross Receipts > INR 50 crore		Turnover or Gross Receipts > INR 50 crore	
	Effective Normal Tax[4]	Effective MAT[4]	Effective Normal Tax[4]	Effective MAT[4]
0 - 1,00,00,000	30.90%	19.055%	25.75%	19.055%
1,00,00,001 – 10,00,00,000[5]	33.063%	20.390%	27.553%	20.390%
10,00,00,001 and above[5]	34.608%	21.342%	28.84%	21.342%

4 *The above rates are inclusive of education cess at the rate of 3%. Surcharge at the rate of 7% shall continue to be levied in case of a domestic company if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% shall continue to be levied if the total income of the domestic company exceeds ten crore rupees.*

5 *Subject to Marginal Relief.*

- **Foreign Companies:**

  The Bill proposes no change in the existing tax rates of foreign companies for the FY 2017-18

  As such, the effective normal tax rates and MAT rates for foreign companies for FY *2017-18* are as follows:

Income Slabs (INR)	FY 2017	
	Effective Normal Tax[6]	Effective MAT[6]
0 - 1,00,00,000	41.20%	19.055%
1,00,00,001 – 10,00,00,000[7]	42.024%	19.436%
10,00,00,001 and above[7]	43.26%	20.008%

6 *The above rates are inclusive of education cess at the rate of 3%. Surcharge at the rate of 2% shall continue to be levied in case of a foreign company if the total income of the foreign company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 5% shall continue to be levied if the total income of the foreign company exceeds ten crore rupees.*

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 Threshold for Deduction	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 p.a.	10%
3.	Interest other than interest on securities [Notes 8 and 9]	194 A	Payment in excess of INR 5,000/10,000 p.a.	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%

Sr. No.	Nature of Payment	Section	Proposed Threshold for Deduction	Proposed Rate at which Tax is to be Deducted
6.	Payments to contractors [Note 9]	194 C	Payment in excess of INR 30,000 per contract or INR 1,00,000 p.a. in aggregate	2% (1% for individual and HUFs)
7.	Insurance commission [Note 9]	194 D	Payment in excess of INR 15,000	5%
8.	Non Exempt payment under L.I.C.	194 DA	Payment in excess of INR 1,00,000	1%
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 p.a.	5%
12a.	Rent of Land / Building / Furniture [Note 9]	194 I	Payment in excess of INR 1,80,000 p.a.	10%
12b.	Rent of Plant, Machinery or Equipment [Note 9]	194 I	Payment in excess of INR 1,80,000 p.a.	2%

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Sr. No.	Nature of Payment	Section	Proposed Threshold for Deduction	Proposed Rate at which Tax is to be Deducted
13.	Consideration for transfer of immovable property (other than agricultural land)	194 IA	Payment in excess of INR 50,00,000	1%
14.	Individuals or HUF (other than those covered under 44AB of the Act), responsible for paying to a resident any income by way of rent.	194 IB	Payment in excess of INR 50,000 per month or part of month	5%
15.	Any monetary consideration is payable under the specified agreement under section 45(5A)	194 IC		10%
16.	Professional and technical services / royalty [Notes 9,11,14]	194 J	Payment in excess of INR 30,000 p.a.	10% (2% for call centre business)[14]
17.	Payment of Compensation on acquisition of certain Immovable Property other than under section 96 of RFCTLARR Act, 2013	194 LA	Payment in excess of INR 2,50,000	10%

Sr. No.	Nature of Payment	Section	Proposed Threshold for Deduction	Proposed Rate at which Tax is to be Deducted
18.	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%
19.	Certain income from units of a specified business trust	194LBA		Resident - 10% Non Resident – 5% or the rates in force as the case may be
20.	Income in respect of specified units of investment fund	194LBB		10%
21.	Income payable to an investor, in respect of an investment in a specified securitisation trust.	194LBC		i. For Resident, 25%(Individual and HUF) 30% (For other) ii. For non-resident – rates in force

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Sr. No.	Nature of Payment	Section	Proposed Threshold for Deduction	Proposed Rate at which Tax is to be Deducted
22.	Income by way of interest from Indian Company payable to non-resident, not being a company or to a foreign company by a specified company i. in respect of monies borrowed by it in foreign currency from a source outside India subject to certain conditions ii. to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government	194LC		5%
23.	Income by way of interest(as specified) on certain bonds and government securities for paying 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

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 31 July, 31 October, 31 January and 31 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 16 August, 15 November, 15 February and 15 June 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 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 or15H, 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*

13. *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 section194LBB 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.*

14. *The limit under section 194J is reduced from 10% to 2% in case of payments received or credited to a payee, being a person engaged only in the business of operation of call centre.*

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

DIRECT TAX PROPOSALS

4.1. General Tax Incentives

4.1.1. Reduction in slab rates

- The Finance Act 2017 proposes to reduce the marginal rate of tax in the income bracket between INR 2,50,000/- to INR 5,00,000/- from 10% to 5%.

4.1.2. Revision in amount of Rebate allowable to a resident individual

- The existing provisions of section 87A provide for a rebate upto INR 5,000 from the income tax payable to a resident individual if his total income does not exceed INR 5,00,000.
- Now, rebate can only be claimed upto INR 2,500 by a resident individual whose total income does not exceed INR 3,50,000.

4.1.3. Reduction in corporate tax rates

- Corporate tax rate in case of a domestic company whose total turnover or gross receipts in a FY does not exceed INR 50 crores reduced to 25%

4.1.4. Incentives for promoting Investment in immovable property

- Under the existing provisions, an immovable property being land or building or both is considered as long term asset if the asset is held for a period of more than 36 months.
- Now, with a view to promote the real-estate sector and make it more attractive for investment, the period of holding to qualify as a long term capital asset is reduced from 36 months to 24 months.

4.1.5. Shifting base year from 1981 to 2001 for computation of capital gains

- Presently, while computing capital gains in respect of assets acquired on or before 01 April 1981, the assessee was allowed an option to either take the fair market value of the assets as on 01 April 1981 or the actual cost of

the assets as cost of acquisition. The cost of improvement incurred after 01 April 1981 was also allowed as deduction.

- The base year of cost inflation index has now been updated to 01 April 2001 for computing cost of acquisition of an asset. Further, the cost of improvement shall include only those capital expenses which are incurred after 01 April 2001 for the computation of capital gain.

4.1.6. Loss from House property allowed to be set-off upto INR 2,00,000

- Presently, the losses from house property are allowed to be set-off against any other head of income without any limitations.
- Now, the losses from house property are allowed to be set-off against any other head of income upto INR 2,00,000 only. However, any losses in excess of INR 2,00,000 shall be allowed to carried forward to the subsequent years.

4.1.7. Special provisions for computation of capital gains in case of joint development agreement (JDA) for Individuals and HUFs

- Presently land owners are subject to capital gains tax pursuant to JDAs at the time of transfer of possession of immovable property to the developer for development of a project. It is proposed to defer the payment of capital gains tax to the year in which the competent authority issues a project completion certificate.
- Capital gains tax will be computed by deeming the stamp duty value of the landowner's share in the project as on the date of issuance of the project completion certificate, as increased by any monetary consideration received by the land owner, as the full value of consideration. The benefit of the deferral will not be available to the landowner if he transfers his share in the project prior to the date of issuance of the project completion certificate.

4.1.8. Expanding the scope of long-term bonds under 54EC

- Presently, long term capital gain is exempt if the whole or any part of capital gain has been invested in certain specified bonds like National Authority of India (NHAI) or Rural Electrification Corporation Ltd within a specified time. The ceiling limit of exemption is INR 50,00,000/-.
- Now it is proposed to also allow exemption in respect of amount invested in any bond which has been notified by the Central Government and which is redeemable after three years.

4.1.9. Notional income for property held as stock-in-trade:

- Presently, there is no clarity for taxing notional rent in case of vacant house property held as stock-in-trade in case of real estate developer.
- In order to bring clarity, it is now proposed that annual value of such property or part of the property shall be considered as NIL for a period of one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority.

4.1.10. Increase in deduction limit in respect of provision for bad and doubtful debts

- Presently, certain specified banks can claim deduction of 7.5% of the total income in respect of provision for bad and doubtful debts and an amount not exceeding 10% of the aggregate average advances made by the rural branches of such bank.
- Now, it is proposed to increase the existing rate from 7.5% to 8.5% of the amount of the total income.

4.1.11. Promotion of Affordable Housing:

- Presently, profits and gains derived from developing and building housing projects is 100% exempt subject to specified conditions.
- Now the specified conditions are relaxed as under:

Sr No	Condition	Existing	Proposed
1	**Limit on size of residential unit**	30 sq. mts (Mumbai, Delhi, Kolkata, Chennai) or 60 sq. mts. (rest of India) **Built-up area**	30 or 60 sq. mts. –**"built-up area"** replaced with **"carpet area"**
2	**Project Location**	Mumbai, Delhi, Kolkata, Chennai or within 25 kms from the municipal limits of these four cities	The restriction of 30 square meters on the size of residential units **shall not** apply to the place located within a distance of 25 kms from the municipal limits of the Chennai, Delhi, Kolkata or Mumbai
3	**Time limit for completion of project**	The project should be completed within a period of 3 years.	Project should be completed within a period of **5 years.**

4.1.12. Impact of change in shareholding on tax losses of start-ups:

- Currently, a closely held company loses its right to carry forward its previous years' tax losses if there is a change in its shareholding in excess of 49%. It is proposed to allow an eligible start-up, to carry forward previous years' losses for a period of seven years from its incorporation, even where there is a change in its shareholding (whether or not in excess of 49%) provided that the old shareholders continue in the company.

4.1.13. Extension of period for claiming deduction by eligible start-ups

- Under the existing provisions, an eligible start-up is allowed a deduction of an amount equal to 100% of the "profits and gains derived from eligible business" for three consecutive assessment years out of five years. Now, it is proposed to allow deduction for any three consecutive assessment years out of seven years.

4.1.14. Income from transfer of Carbon credits.

- Divergent decisions have been given by the courts on the issue as to whether the income received or receivable on transfer of carbon credit is revenue receipt or capital receipt.
- In order to bring clarity on the issue and to encourage measures to protect the environment, it is proposed to tax such income at concessional rate of 10% on the gross amount of such income. No expenditure or allowance in respect of such income shall be allowed.

4.2. Promoting Digital Economy

4.2.1. Measures to discourage cash transactions

- Presently, if any expenditure for which cash payment or aggregate of payments to a person in a day is made otherwise than by account payee cheque / bank draft exceeds INR 20,000/-, it is not allowable as deduction.
- Now, the threshold limit has been further reduced from INR 20,000 to INR 10,000 for any expenditure made by cash or otherwise than by accounts payee cheque / bank draft /electronic clearing system (ECS) through a bank account.

4.2.2. Disallowance of depreciation and capital expenditure made in cash

- Presently, the revenue expenditure incurred in cash exceeding certain threshold limit is not allowed as deduction. However there is no similar provision to disallow the capital expenditure incurred in cash.
- Now, it is proposed that if the capital asset is acquired in cash exceeding INR 10,000/-, then such expenditure shall be ignored for the determination of actual cost of such assets.

4.2.3. Lower presumptive tax rate in case of non-cash receipts:

- Presently, under presumptive income scheme for an eligible assessee, deemed profit under the head "profits and gains of business or profession" is computed at the rate of 8% of the total turnover /gross receipts.
- Now in order to promote digitalization, the deemed profit rate is reduced from 8% to 6% of the turnover / gross receipts received by an account payee cheque / account payee bank draft / ECS through a bank account during the previous year or before the due date specified in section 139(1) in respect of that previous year.
- For cash receipts, existing deemed profit @ 8% will continue to apply.

4.2.4. Bar on cash transactions in excess of INR 3,00,000

- In order to promote a cashless economy and to reduce generation and circulation of black money, it is proposed that a person shall not receive an amount of INR 3,00,000/- or more otherwise than by an account payee cheque/bank draft or ECS through a bank account.
  - in aggregate from a person in a day;
  - in respect of single transaction; or
  - in respect of transactions relating to one event or occasion from a person.
- Contravention of this provision will result in levy of penalty being 100% of the amount received unless it is proved that that there were good and sufficient reasons for such contravention.

4.2.5. Restricting cash donations.

- In order to provide cashless economy and transparency, limit of each cash donation is reduced from INR 10,000/- to INR 2,000/-.

4.2.6. Restricting Donations received by Political parties

- Presently, the donations received by political parties are exempt from income tax provided that the parties submit a report to the Election Commission of India furnishing the details of donations received in excess of INR 20,000 from any person.
- Now, the following two additional conditions for claiming the aforesaid exemption have been proposed:
  i. Cash donations from one person does not exceed INR 2,000; and
  ii. A return of income has been filed on or before due date.
- Further, the issuance of Electoral Bonds has been proposed which can be purchased by donors against Account Payee cheques and digital payments only. Such bonds shall be redeemable in the Account of a registered political party. The political parties shall not be required to disclose the names and address of such donors making donations by way of electoral bonds.

4.3. Anti Avoidance Measures

4.3.1. Anti-abuse provision relating to long term capital gains exemption.

- Currently, long term capital gains derived from the transfer of a long term capital asset, being equity shares of a company or a unit of an equity oriented fund, is exempt from capital gains tax u/s 10(38).
- In order to curb the misuse of this exemption, it is proposed that the exemption will be available only if the acquisition of shares is chargeable to securities transaction tax or the acquisition of shares falls under the category of transfers that are specifically notified by the Central Government. Transfers that are likely to be specifically notified include genuine cases such as IPO issuances, rights or bonus issue etc.

4.3.2. Capital Gains on Fair Market Value of Unquoted shares

- New Section 50CA is proposed to determine the full value of consideration of transfer of a share of a company (other than a quoted share) for computing capital gain. If the consideration for transfer of such share is less than the FMV (Fair market Value) determined in prescribed manner, in such a case the FMV of such share shall be deemed to be the full consideration for computing Capital gain.

4.3.3. Introduction of thin capitalisation rules

- Thin capitalisation rules have been introduced in line with recommendation of OECD BEPS Action Plan 4. It is now proposed that where an Indian company or a Permanent Establishment ("PE") of a foreign company in India pays interest in respect of any debt issued by a non-resident Associated Enterprise ("AE") exceeding INR 1 crore, which is otherwise a deductible business expenditure, the interest expense so deductible shall be restricted to 30% of its Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) or actual interest whichever is less

- Further, in case of debt provided by a lender (other than AE) will also de facto be considered as debt provided by an AE if such debt is implicitly or

explicitly guaranteed by the AE or the AE deposits corresponding and matching amount of funds with the lender. However, the carry forward of the aforementioned disallowed interest expense is permitted up to eight AYs immediately succeeding the AY for which the disallowance was first made and shall be allowed as a deduction against the profits and gains, if any, of any business or profession carried on by the taxpayer to the extent of maximum allowable interest expenditure .

- It is relevant to note that the proposed section will not apply to an Indian company or a PE of a foreign company which is engaged in the business of banking or insurance.

4.3.4. Widening scope of deemed income under Income from Other Sources

Upto 31 March 2017	W.e.f. 01 April 2017
▪ Receipt of any money or property without consideration or for inadequate consideration, in excess of INR 50,000 by Individual / HUF is chargeable to tax as Income from Other Sources. ▪ Receipt of Shares by a firm or a Company, in which public are not substantially interested, if in excess of INR 50,000 received without consideration or with inadequate consideration, is also chargeable to tax.	▪ Extended to include such receipts (in excess of INR 50,000) by <u>any person</u>, as chargeable to tax as Income from Other Source. ▪ Further, proposed to widen exception by including certain trusts / individuals and receipts by way of certain transfers not regarded as transfer u/s 47.

4.3.5. Disallowance for non-deduction of Tax

- Currently, disallowance is made for non-deduction of TDS u/s 40(a)(ia) while computing Income under head "Profits & Gains of Business". Such disallowance is being extended for computing "Income from Other Sources" also.

4.4. Transfer Pricing

4.4.1. Restricting scope of Specified Domestic Transactions

- It is proposed that domestic TP rules will apply only in situations where one of the parties is claiming specified tax incentives.

4.4.2. Introduction of Secondary Adjustment

- So as to align the transfer pricing provisions in line with OECD transfer pricing guidelines and international best practices it is proposed to introduce 'Secondary TP adjustment' in addition to the primary TP adjustment in the hands of the taxpayer.
- Secondary adjustment means an adjustment in the books of accounts of the taxpayer and its AE to reflect that the actual allocation of profits between the two entities is consistent with the transfer price determined as a result of primary adjustment.
- Where a primary TP adjustment results in an increase in total income or reduction in loss of the taxpayer, the excess money (difference between Arm's Length Price ("ALP") determined in the primary TP adjustment and actual price at which international transaction has been undertaken) which is available with the AE, will be deemed to be an advance made by the taxpayer to the AE.
- If such excess money is not repatriated to India within the prescribed time then interest on such advance shall be computed. The primary adjustment not exceeding INR 1 crore would not be subject to secondary TP adjustment

4.5. Cross Border Taxation

4.5.1. Taxation of Offshore Funds

- An offshore fund is deemed to be a non-resident and not have a permanent establishment in India if certain conditions are met. One such condition provides that the monthly average of the corpus of the fund shall not be less than INR 100 crores It is proposed to relax this condition for the year in which the fund is wound up since it is not practically feasible for a fund to meet this requirement at the stage of winding up.

4.5.2. Clarity with respect to Indirect Transfers by a Non Resident in FPI

- It has been proposed that the investment held by a Non-resident in a registered Category I or Category II Foreign Portfolio Investor shall not be deemed to be situated in India and thus the income earned on such investment shall be out of the tax net. This amendment is clarificatory in nature and shall be applicable w.e.f. FY 2011-12.

4.5.3. Concessional withholding tax rate of 5% on Foreign Debt

- Presently, concessional rate of TDS @ 5% is applicable on interest payable to a non-resident by a specified company on foreign currency denominated debt issued outside India under the External Commercial Borrowing guidelines or by way of long term bonds extended to rupee denominated bonds. The sunset date for such concessional rate also has been extended to borrowings made before 01.07.2020.
- Also presently, concessional rate of TDS of 5% is applicable on interest income of Foreign Institutional Investor (FII) or a Qualified Foreign Investor (QFI) on their investments in government securities and rupee denominated corporate bonds. Further, the sunset date for concessional withholding tax rate on interest payable has been extended to on or before 01.07.2020.

4.5.4. Extension of Capital Gain exemption to Rupee Denominated Bonds

- For the purpose of increasing acceptability and transferability of Rupee Denominated Bonds, from Non Resident to Non Resident it is now proposed that same shall not be regarded as transfer. Exemption will also be available to secondary holders.

4.5.5. Cost of acquisition in Tax neutral demerger of a foreign company

- Currently, the transfer of shares of an Indian company by a demerged foreign company to a resulting foreign company is tax exempt. It is proposed to amend the law to provide that the cost of acquisition and period of holding of the shares of the Indian company in the hands of the resulting foreign company will be the same as the demerged foreign company.

4.5.6. Enabling claim of credit for foreign tax paid in case of dispute

- Where the foreign tax paid is under any dispute, the credit of such foreign tax paid will be granted only when such dispute is settled.
- The Assessing Officer shall rectify the Assessment Order or an intimation u/s.143(1), within six months from the end of the month in which the dispute is settled only after the following conditions are satisfied:
  - i Proof of settlement of such dispute is submitted
  - ii Submission of evidence before the Assessing Officer that the foreign tax liability has been discharged and
  - iii Undertaking furnished that credit of such amount of foreign tax paid has not been directly or indirectly claimed or shall not be claimed for any other Assessment Year.

4.6. Amendments in search & seizure proceedings:

4.6.1. Disclosure of reasons for conduct of search not required:

- Presently, there is ambiguity over disclosure of reason for conduct of search as some court judgments provide for disclosure of the same.
- Now, to protect the confidentiality and sensitivity of the information the budget provides that such reasons shall not be disclosed. This amendment is retrospective in nature.

4.6.2. Attachment of property and reference to valuation officer:

- Presently, there is no provision for provisional attachment of property and no reference to valuation officer in case of search.
- Now, to protect the interest of the revenue and to safeguard the recovery in search cases, powers have been given to the authorized officer to attach any property of the assessee for the period upto six months from date of order.
- Further, to enable correct estimation and quantification of the undisclosed income of the assessee, powers have been given to authorized officer to make a reference to a valuation officer for estimation of fair market value of the property. The valuation officer shall furnish valuation report within sixty days of such reference.

4.6.3. Evidences of Undisclosed income found in Search Proceedings upto 10 years from year of search & seizure can be assessed

- Presently, Income Disclosure Scheme (IDS) provisions u/s 197(c) of the Act provided that if any undisclosed income/asset prior to commencement of IDS have not been disclosed then such undisclosed income/asset shall be deemed to have accrued, arisen or received in the year in which any proceedings initiated vide notice u/s 142(1) / 143(2) / 148 / 153A / 153C of the Act is issued by the Assessing Officer. These provisions had been inserted to protect the revenue against claims of undisclosed income/assets of assesses beyond 6 years from date of such notice.

- Now, the above provisions are omitted taking into consideration various representations received from stakeholders citing genuine hardships with effect from 01 June 2016. However, in order to protect the interest of revenue, in case where evidences are found during search operations and the same is undisclosed income, then the Notice u/s 153A can be issued for assessment years beyond sixth year upto tenth assessment year if such undisclosed income represented in the form of asset amounts to fifty lakhs or more in one year or in aggregate in relevant four assessment years (beyond sixth year).

4.7. Changes in Assessment time limits

4.7.1. Time limit to finalise assessment, reassessment, recomputation and time for filing Revised Returns:

Sr. No.	For completion of	Existing time limit upto AY 2017-18	Amended w.e.f. from AY 2018-19	Amende w.e.f from AY 2019-20 and onwards
1.	Regular Assessment u/s 143/144	21 months from end of relevant AY 2017-18	18 months from end of AY 2018-19	12 months from end of AY 2019-20
2.	Reopened Assessment / Reassessment / Recomputation u/s 147	Till 31 March 2019 9 months from end of financial year in which notice u/s 148 is served		W.e.f 01 April 2019 12 months from end of FY in which notice u/s 148 is served.
3.	Fresh Assessment pursuant to order u/s 254, 263 and 264	Till 31 March 2019 9 months from end of FY (upto 2018-19) in which order u/s 254 received by PCIT / CIT or 9 months from end of FY in which order u/s 263 / 264 passed by PCIT / CIT.		W.e.f 01 April 2019 12 months from end of FY 2019-20 and onwards in which order u/s 254 received or order u/s 263/ 264 passed by PCIT/ CIT.
4.	Set aside / Proceedings in response to an order u/s 250, 254, 260, 262, 263, 264.	Same as point no (3) above. (9 months)		Same as point no (3) above. (12 months)
5.	Notice issued u/s 142 (1), 143(2), 148 before 01 June 2016, Asstt / Reasstt pending due to Expl. 1 of 153(9)	W.e.f. from 01 June 2016 Asstt / Reasstt to be completed as per time limits as it stood before the Finance Act, 2016.		

7.	Revised Return	Upto 31 March 2018 Time limit to file Revised Return is **upto one year** from the end of relevant AY or before completion of asstt, whichever is earlier.	W.e.f 01 April 2018 Time limit to file Revised Return available **only up the end** of relevant AY or before completion of asstt, whichever is earlier.

4.7.2. Amendments of Time Limits u/s 153 (Search / Requisition Cases)

Particulars	**Search Conducted in FY 2017-18**	**Search Conducted in FY 2018-19**	**Search Conducted in FY 2019-20**
Time Limit for completion of Assessment of Search and Seizure Cases (153A)	221 months from end of FY in which last authorisation u/s 132 or last requisition u/s 132A executed	Reduced to 18 months	Reduced to 12 months
Time limit for Asstt / Reasstt of other persons (153C)	12 months from end of FY in which books/assets seized/ requisitioned – handed over to Assessing Officer having jurisdiction over other person or time available for 153A Asstt, whichever is later.		
Settlement commission - Precedings abated u/s 245 HA	Period of Limitation for Asstt/Reasstt shall be deemed to be one year. [After exclusion of period u/s 245 HA(4)]		

- If notice u/s 153A or 153C issued prior to 01 June 2016, and Asstt pending due to Explanation to 153B then the time limit for completion of such Asstt shall be the same as that stood prior to its substitution by Finance Act, 2016.

4.8. Rationalization Measures

4.8.1. Rationalization of taxation of income by way of dividend

- Presently, income received by a resident individual, Hindu undivided family or firm by way of dividend in excess of INR 10 lakhs is taxable at the rate of 10% on gross basis.
- Now it is proposed to include all the categories of resident assessee's except domestic company and certain funds, trusts, institution, etc.

4.8.2. Rationalisation of advance tax provisions for professional

- Presently, the benefit of paying advance tax in single installment i.e before 15th March was only given to eligible businesses referred in S.44AD of presumptive taxation.
- Now, it is proposed to widen the ambit of such benefit to professionals also who opt for presumptive regime.

4.8.3. Rationalisation of Section 234C relating to advance tax for dividend.

- Presently, interest is not levied for delay if shortfall in payment of advance tax installment was on account certain uncertain nature of income.
- Now, it is proposed to allow same benefit for underestimation of dividend income chargeable u/s 115BBDA.

4.8.4. Capital Gains exemption for conversion of preference shares to equity shares

- Presently, although conversion of bond / debenture of a company to share / debenture is not considered as a taxable transfer and not liable for capital gains tax, there is no specific capital gains tax exemption for conversion of preference shares to equity shares.
- Now, to provide tax neutrality, it has been proposed that conversion of preference shares of a company into equity shares of that company shall not be regarded as transfer and not be liable for capital gains.
- Cost of Acquisition (COA) of such equity shares shall be COA of preference

shares and Period of holding shall include the period for which preference shares were held.

4.8.5. Retrospective application of concessional long term capital gains tax rate of 10% for non-residents transferring shares of private limited companies:

- On 01 April 2012 a concessional tax rate of 10% was introduced for long term capital gains arising from transfer of unlisted securities in case of non-residents.
- The Finance Act, 2016 clarified that the above provisions are applicable to transfer of shares of private company w.e.f. 01 April 2016. As the concessional rate was provided with effect from 01 April 2012, there was uncertainty about the applicability of the amendment to the intervening period (i.e. from 01 April 2012 to 31 March 2016).
- Now, it is clarified that the amendment made by Finance Act, 2016 shall also apply to the period from 1 April, 2012 to 31st March, 2016.

4.8.6. Period of Holding and Cost of Units in Consolidated Plan of Mutual Fund (MF) Scheme:

- Presently, there is no provision in the Act to determine the cost of acquisition of units in consolidated plan of MF Scheme.
- Now, it is provided that cost of units in consolidated plan of mutual fund scheme shall be cost of units in consolidating plan of MF scheme and period of holding shall include period for which the units in consolidating plan of MF scheme were held by the assessee.

4.10. Amendment in MAT provisions:

4.10.1. Rationalisation of provisions relating to tax credit for Minimum Alternate Tax and Alternate Minimum Tax

- Under the existing provisions, MAT and AMT can be carried forward and set off up to 10 assessment years.
- Now it is proposed to allow the carry forward and set off up to 15 assessment years.
- It is also proposed that MAT/ AMT shall not include credit relates to the difference between the amount of foreign tax credit (FTC) allowed against MAT/ AMT and FTC allowable against the tax computed under regular provisions of Act.

4.10.2. Harmonization of MAT provisions with Indian Accounting Standards (IND-AS) AS Compliant Financials

- It is proposed to harmonise the provisions of MAT with Ind-AS in order to provide a framework for computation of MAT liability for Ind-AS compliant companies in the year of adoption and thereafter as below:

Particulars	Amount	Amount
Net profit before Other Comprehensive Income (OCI)		xxxx
Additions in book profit as per current MAT provision	xxxx	
Reduction in book profit as per current MAT provision	(xxxx)	
Adjustments related to OCI (amended as per Budget 2017)		
ADD:		
a) Revaluation Surplus of PPE and Intangible assets (Note 1)	xxx	
b) Gains and losses from investments in equity instruments at Fair Value (Note 1)	xxx	
c) Remeasurement of defined benefit plans (Note 1)	xxx	
d) Amount debited to statement of Profit and loss on distribution of non-cash assets to shareholders in demerger	xxx	
e) Any other item credited to OCI	xxx	xxx

(Less) : a) Amount credited to statement of Profit and loss on distribution of non-cash assets to shareholders in demerger	(xxx)	(xxx)
Net effect in book profit after MAT adjustments		xxxx

Note 1

Adjustments to be made at the time of realization/ disposal/ retirement or otherwise transferred.

- **First time adoption of IND AS**

(i) Items recorded in other equity (Reserves) reclassified to statement of Profit and loss shall be included in computing book profits in the year of reclassification.

(ii) Treatment of Items recorded in other equity (Reserves) not reclassified to statement of Profit and loss as per the table is encapsulated below:

Particulars	Amount	Amount
Net profit before Tax		xxxx
Add:		
a) Revaluation Surplus of PPE and Intangible assets (Note 1)	xxx	
b) Gains and losses from investments in equity instruments at Fair Value (Note 1)	xxx	
c) Remeasurement of defined benefits (Note 2)	xxx	
e) Any other item (Note 2)	xxx	xxx
Net effect in book profit after MAT adjustments		xxxx

Note 1

Adjustments to be made at the time of realization/ disposal/ retirement or otherwise transferred.

Note 2

Adjustments to be made equally over a period of five years starting from the year of first adoption of IND AS.

4.9. Other Notable Measures

4.9.1. Fee for delayed filing of Income Tax return:

- It is proposed to levy a fee in case of delay in filing the return.
- Fee of INR 5,000 shall be payable if return of income is filed after due date but before 31 December of relevant A.Y.
- Fee of INR 10,000 shall be payable if return of income is filed after 31 December of relevant A.Y.
- Fee of Maximum INR 1,000 shall be payable if total income does not exceeds INR 5,00,000.

4.9.2. Monetary threshold limits for maintenance of books of accounts for Individual/HUF:

- Any Individual/HUF carrying on business or profession is required to maintain books of accounts provided it exceeds the below mentioned threshold limits:

Particulars	Present Limit (INR)	Proposed Limit (INR)
Income from business or profession	1,20,000	2,50,000
Sales/Turnover/Gross receipts of any of the preceeding 3 financial years	10,00,000	25,00,000

4.9.3. Monetary threshold limit for audit of accounts u/s 44AB:

- An eligible assessee carrying on business is not required to get its accounts audited if the profits are declared as per the provisions of presumptive taxation scheme and the sales/ turnover/gross receipts from the business do not exceed the below mentioned threshold limits:

Particulars	Present Limit	Proposed Limit
Sales/ Turnover/ Gross receipts	1 crore	2 crores

4.9.4. Penalty on Professionals for furnishing incorrect information:

- It is proposed that a penalty of INR 10,000 may be levied by Assessing officer or Commissioner (Appeals) on an accountant, merchant banker or a registered valuer for every report or certificate, where incorrect information have been furnished in a report or a certificate.

4.9.5. Filing of Form 15G/15H for insurance commission:

- Presently, payment of Insurance commission exceeding INR 15,000 in a year is subject to deduction of tax at source.
- Now, it has been proposed that the individuals/HUFs who are in receipt of aforesaid commission can file self-declaration in Form 15G/H for non-deduction of tax at source, if the tax on the estimated total income of the relevant year would be Nil.
- This amendment shall be applicable w.e.f. 1 June 2017.

4.9.6. Interest on refund due to deductor

- Presently, there is no provision for allowing granting of interest on delay in payment of refund to TDS deductor.
- Now, it is proposed to allow interest on such refund. If delay is attributable to deductor, interest shall not be allowed.

4.9.7. TDS on professional fees:

- Presently, payment of professional fees exceeding INR 30,000 is subject to deduction of tax @ 10%.
- It has been proposed that the rate of deduction shall be 2% where the payee is a person engaged in the business of operation of call centre.

4.9.8. Deduction of tax at source in the case of certain Individuals and Hindu undivided family

- Presently, individuals and HUF (who are covered under tax audit in

preceding A.Y) are liable to deduct TDS on rent paid beyond a threshold limit.

- Now it is proposed to cover other Individuals / HUF to deduct TDS at the rate of 5% of the rent paid to a resident, if the amount of rent paid exceeds INR 50,000/- for a month or a part of a month.
- The payer shall deduct tax at the time of credit or payment of rent, for the last month of the year or last month of tenancy in case the property is vacated during the year. The amount of tax shall not exceed the amount of rent payable for the last month of the year or tenancy.
- Further, the payer is not required to obtain Tax deduction Account Number.
- The above provision is applicable w.e.f. from 1st June, 2017.

4.9.9. Amendments to the structure of Authority for Advance Rulings:

- With a view to promote ease of doing business, it has now been proposed by the Government to merge the Authority for Advance Ruling (AAR) for income tax, Customs duty and service tax under Chapter XIX-B of the Act.

4.9.10. Tax-Exemption for partial withdrawal from NPS (National Pension System):

- Presently, deduction is not available on payment received on partial withdrawal from NPS (National Pension System).
- Now, the deduction will be available on partial withdrawal from NPS not exceeding 25% of total contribution made by an employee.

4.9.11. Rationalisation for deduction of amount deposited in NPS:

- Presently, an assessee can claim deduction for amount deposited in NPS (National Pension System) up to 10% of salary for employees contribution and in addition to that 10% of salary for employers contribution and in case of other individuals up to 10% of gross total income. Hence the total deduction allowed to employee is 20% whereas for self-employed person the deduction is 10%.

- Now, to avoid differential benefit of deduction rate in case of employees and employers contribution with other individuals, the limit of 10% of gross total income is raised to 20% of the gross total income.

4.9.12. Clarification of applicability of deduction under section 10AA:

- It is clarified that the amount of deduction referred to in section 10AA shall be allowed from the total income of the "assessee" computed in accordance with the provisions of the Act (and not from the total income of the "undertaking", as per the view taken by the courts in matters pertaining to section 10A).

4.9.13. Clarity on time limit for filing Return of Income and fresh registration procedure to be adopted in case of modification of Objects in case of entities claiming exemption u/s 11 and 12:

- Presently, there is no clarity on time limit for filing Return of Income and fresh registration procedure to be adopted in case of modification of objects subsequent to registration for entities claiming exemption u/s 11 and 12.
- Now, it is provided that in case of modification of objects subsequent to registration, the said entities shall be required to obtain fresh registration within a period of 30 days from the date of modification of objects in prescribed form and manner. Further it is clarified that for the said entities, time limit for filing return of income shall be the time limit allowed u/s 139 of the Act.

4.9.14. Requirement to furnish PAN by the collectee:

In order to strengthen the PAN mechanism, it is proposed to insert new section 206CC to provide the following:

- any person paying any sum, on which tax is collectable at source under Chapter XVII BB (hereafter referred to as collectee) shall furnish his PAN to the person responsible for collecting such tax (hereafter referred to as collector), failing which tax shall be collected at the twice the rate mentioned

or at the rate of five percent, whichever is higher.

- The declaration filed u/s 206C(1A) shall not be valid unless the person filing the declaration furnishes his PAN.
- In case any declaration becomes invalid, the collector shall collect the tax at twice the abovementioned rate.

4.9.15. Phasing out of deduction u/s 80CCG:

- Presently, u/s 80CCG, deduction for three consecutive assessment years is allowed upto INR 25,000 to a resident individual for investment made in listed equity shares or listed units of an equity oriented fund, as may be notified by the Central Government, subject to fulfilment of certain conditions.
- It is now provided that such deduction be phased out from AY 2018-19.
- However, an assessee who has claimed deduction under this section for assessment year 2017-18 and earlier assessment years shall be allowed deduction under this section till the AY 2019-20.

4.9.16. Non-deduction of tax in case of exempt compensation:

- It has been proposed that tax is not liable to be deducted on compensation for compulsory acquisition of land which is exempt from income tax u/s 96 of RFCTLARR Act.
- This amendment shall be applicable from 01 April 2017.

4.9.17. Exemption from TCS for certain specified persons:

- Presently, a seller who receives consideration for sale of a motor vehicle exceeding INR 10 lacs shall collect 1% of the sale consideration as tax from the buyer.
- It has been proposed to exempt the following class of buyers from the applicability of the above provision:

  i.the Central Government, State Government and an embassy, a High Commission, legation, commission, consulate and the trade

representation of a foreign State;

ii. Local Authority

iii. A public sector company engaged in the business of carrying passengers

4.9.18. Processing of return within the prescribed time and enable withholding of refund in certain cases.

- Presently, pursuant to provisions of S.143(1D) where a scrutiny notice is issued processing of a return (i.e summary assessment or intimation) shall not be necessary. However, w.e.f AY 2017-18 processing shall be done before passing of assessment order.
- Such provision resulted in delay in issuance of refund in genuine cases which are routinely selected for scrutiny.
- Accordingly, it is proposed that provision of S. 143(ID) shall cease to apply in respect of return furnished for AY 2017-18 and onwards i.e even after issue of scrutiny notice recourse to summary assessment is available and delay in grant of refunds can be minimized.
- If A.O is of opinion that grant of refund may adversely affect the recovery of revenue (eg: outstanding demand of prior years is unpaid), he is empowered to hold the refund upto date on which assessment is made.
- These amendments are effective from AY 2017-18 and subsequent years.

4.9.19. Restriction on exemption in case of corpus donation

- A new explanation to Section 11 of IT Act to be inserted to provide that any donation /contribution paid or credited, out of income generated u/s 11(1)(a) or 11(1)(b) of IT Act, with specific direction that they shall from the part of the corpus of the recipient trust or institution, shall not be treated as application of income.

INDIRECT TAX PROPOSALS

5.1. THE CUSTOMS ACT, 1962 :

5.1.1. The CBEC has been empowered to notify Foreign Post Offices and International Courier Terminals.

5.1.2. The Bills has proposed for refund of duty paid in excess by the importer, permitting clearance of goods for home consumption where –

i. Excess payment is evident from the bill of entry in the case of self-assessed bill of entry; or

ii. Duty actually payable is reflected in the reassessed bill of entry in the case of reassessment.

5.1.3. Application fee for seeking advance ruling has been increased from 01 February 2017 to INR 10,000 from INR 2,500

5.1.4. A new section 30A is being introduced whereby, the person in charge of the conveyance entering India from any place outside India, shall be responsible to provide to the proper officer information about passenger and crew arrival manifest and passenger name record information before the arrival in case of an aircraft or a vessel and upon arrival in case of a vehicle, failing which a penalty not exceeding fifty thousand rupees shall be imposed.

5.1.5. A new section 41A is being introduced whereby, the person in charge of the conveyance that departs from India to a place outside India, shall be responsible to provide to the proper officer information about passenger and crew departure manifest and passenger name record information before the departure, failing which a penalty not exceeding fifty thousand rupees shall be imposed.

5.1.6. Presentation of Bill of entry

- Presently, a bill of entry may be presented at any time after the delivery of import manifest provided that it may be presented before 30 days of arrival of vessel or aircraft in which the goods have been shipped. Now, bill of entry should be mandatorily filed within next day following the day on which the aircraft or vessel arrives at the customs subject to charges for late presentation of bill of entry.

5.1.7. Payment of import duty and interest thereon:

- Presently, the due date for the importer fails to pay the import duty is five days (excluding holidays) from the day when the bill of entry is returned to him for payment of duty otherwise he shall be liable to pay interest at the rate not less than 10% and not exceeding 36% p.a till payment of such duty.
- Now, it is provided that the importer has to pay the import duty:
  i. In case of self- assessment, on the date of presentation of bill of entry
  ii. In case of assessment, reassessment or provisional assessment, within one day from the day on which the bill of entry is returned for payment of duty

5.1.8. Storage facilities for imported goods:

Presently, only imported goods entered for home consumption which cannot be cleared within reasonable time are permitted to be stored in a public or private warehouse. Now, it is provided to extend storage facilities to all the imported goods.

5.1.9. Application to settlement commission:

Presently, only the importer, exporter or applicant could make an application to the Settlement Commission to have the case settled. Now, it is provided that any person other than the applicant can also make an application to the Settlement Commission.

5.1.10. Proposed changes in the Rates of Customs Duty:

Sr. No.	Particulars	Existing Rates	Proposed Rates
I	**BENEFICIAL**		
	Mineral fuels and Mineral oils		
1	Liquefied Natural Gas	5%	2.5%
	Chemicals & Petrochemicals		
2	O-Xylene	2.5%	Nil
3	Medium Quality Terephthalic Acid (MTA) & Qualified Terephthalic Acid (QTA)	7.5%	5%
4	2-Ethyl Anthraquinone [29146990] for use in manufacture of hydrogen peroxide, subject to actual user condition	7.5%	2.5%
5	Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors, subject to actual user condition	7.5%	5%

6	Vinyl Polyethylene Glycol (VPEG) for use in manufacture of Poly Carboxylate Ether, subject to actual user condition	10%	7.5%
	Textiles		
7	Nylon mono filament yarn for use in monofilament long line system for Tuna fishing, subject to certain specified conditions	7.5%	5%
	Finished Leather, Footwear and Other Leather Products		
8	Vegetable tanning extracts, namely Wattle extract and Myrobalan fruit extract	7.5%	2.5%
	Metals		
9	Nickel	2.5%	Nil
10	MgO coated cold rolled steel coils [7225 19 90] for use in manufacture of CRGO steel, subject to actual user condition	10%	5%
11	Hot Rolled Coils [7208], when imported for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306, subject to actual user condition	12.5%	10%
	Capital Goods		
12	Ball screws, linear motion guides and CNC systems for use in manufacture of all CNC machine tools, subject to actual user condition	Ball screws and liner motion guides 7.5% CNC systems 10%	2.5%
	Renewable Energy		
13	Solar tempered glass for use in the manufacture of solar cells/panels/modules subject to actual user condition	5%	Nil
14	Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition	CVD – 12.5%	CVD – 6%

15	Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user condition	7.5%	5%
16		CVD – 12.5%	CVD – Nil
17		SAD – 4%	SAD – Nil
18	All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes, subject to certain specified conditions	10% / 7.5%	5%
19		CVD – 12.5%	CVD – 6%
20	All items of machinery required for balance of systems operating on biogas / bio-methane/ by-product hydrogen, subject to certain specified conditions	10% / 7.5%	5%
21		CVD – 12.5%	CVD – 6%
	Miscellaneous		
22	Membrane Sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	CVD – 12.5%	CVD – 6%
23	All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable BCD	5%
24		Applicable CVD	CVD – 6%
25	All inputs for use in the manufacture of LED Driver and MCPCB for LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable BCD	5%
26	De-minimis customs duties exemption limit for goods imported through parcels, packets and letters	Duty payable not exceeding Rs.100 per consignment	CIF value not exceeding Rs.1000 per consignment
27	Miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner	Applicable BCD	Nil
28		Applicable CVD	CVD – Nil
29		Applicable SAD	SAD – Nil
30	Parts and components for manufacture of miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards	Applicable BCD	Nil
31		Applicable CVD	CVD – Nil

32	version 1.5.1, Finger Print Reader / Scanner Iris Scanner, subject to actual user condition	Applicable SAD	SAD – Nil
II	**ADVERSE**		
	Commodity		
33	Cashew nut, roasted, salted or roasted and salted	30%	45%
34	RO membrane element for household type filters	7.5%	10%
	Ores and concentrates		
35	Other aluminium ores and concentrates	Nil	Export Duty - 30%
36	Other aluminium ores, including laterite	Nil	Export Duty - 15%
	Finished Leather, Footwear and Other Leather Products		
37	Limit of duty free import of eligible items for manufacture of leather footwear or synthetic footwear or other leather products for use in the manufacture of said goods for export	3% of FOB value of said goods exported during the preceding financial year	5% of FOB value of said goods exported during the preceding financial year
	Metals		
38	Co-polymer coated MS tapes / stainless steel tapes for manufacture of telecommunication grade optical fibres or optical fibre cables, subject to actual user condition	Nil	10%
	Electronics / Hardware		
39	Populated Printed Circuit Boards (PCBs) for the manufacture of mobile phones, subject to actual user condition	SAD – Nil	SAD – 2%
	Miscellaneous		
40	Silver medallion, silver coins having silver content not below 99.9%, semi-manufactured form of silver and articles of silver	CVD - Nil	CVD – 12.5%

5.2. THE CENTRAL EXCISE ACT, 1944

- Proposed changes in the Rates of Excise and Additional Excise Duty:

Sr. No.	Particulars	Existing Rates	Proposed Rates
I	**Changes in the rate of Excise Duty**		
	Tobacco and Tobacco products		
1	Cigar and Cheroots, Cigarillos, Cigar of Tobacco substitutes, Others of Tobacco substitutes	12.5% or INR 3,755 per thousand, whichever is higher	12.5% or INR 4,006 per thousand, whichever is higher
2	Cigarettes of tobacco substitutes	INR 3,755 per thousand	INR 4,006 per thousand
3	Paper rolled biris – Hand made	INR 21 per thousand	INR 28 per thousand
4	Paper rolled biris – Hand made	INR 21 per thousand	INR 78 per thousand
	Renewable Energy		
5	Solar tempered glass	Nil	6%
6	Raw materials for manufacture of Solar tempered glass	12.5%	6%
7	Resin and Catalyst for manufacture of cast components for Wind Operated Energy generators (WOEG)	12.5%	Nil
8	All items of machinery required for fuel cell based power generating systems	12.5%	6%
9	All items of machinery required for systems operating on biogas/ bio-methane/ by-product hydrogen	12.5%	6%
	Miscellaneous		
10	All parts for manufacture of LED lights or fixtures, including LED lamps	Applicable duty	6%

11	Miniaturized POS card reader for m-POS, Micro ATM as per standard version 1.5.1, Finger Print Reader/Scanner	Applicable duty	Nil
12	Parts and components for manufacture of 'g' above	Applicable duty	Nil
13	Waste and scrap of precious metals; stripes, wires, sheets, plates and foils of silver; Articles of silver jewelry, other than those studded with precious stones; branded silver coins of purity 99.9% and above, on which appropriate duty of customs or excise has been paid.	Nil	Nil, if no CENVAT credit is taken.
II	**Changes in the rate of Additional Excise Duty**		
14	**Pan Masala**	6%	9%
	Tobacco and Tobacco Products		
15	Unmanufactured Tobacco	4.2%	8.3%
16	Non-filter cigarettes of length not exceeding 65mm	INR 215 per thousand	INR 311 per thousand
17	Non-filter Cigarettes of length exceeding 65mm but not exceeding 70mm	INR 370 per thousand	INR 541 per thousand
18	Filter Cigarettes of length not exceeding 65mm	INR 215 per thousand	INR 311 per thousand
19	Filter Cigarettes of length exceeding 65mm but not exceeding 70mm	INR 260 per thousand	INR 386 per thousand
20	Filter Cigarettes of length exceeding 70mm but not exceeding 75mm	INR 370 per thousand	INR 541 per thousand
21	Other Cigarettes	INR 560 per thousand	INR 811 per thousand
22	Chewing tobacco (including filter khaini)	10%	12%
23	Jarda scented tobacco	10%	12%
24	Pan Masala containing Tobacco (Gutkha)	10%	12%

- Time limit for granting remission of duty and approval of requests regarding transfer of CENVAT credit on shifting, sale, merger, etc. of the factory to be set to 3 months [further extendable by 6 months].
- Tariff rate on motor vehicles for transport of more than 13 persons to be 12.5% as against present tariff of 27% w.e.f. 01.01.2017.

5.3. THE FINANCE ACT, 1994 (SERVICE TAX)

The Finance Bill 2017 has not introduced many changes in current regime of Excise and Service Tax because the same are to be replaced by GST soon.

The Authority for Advance Ruling (AAR) for Income - Tax is to merge with AAR for Customs, Central Excise and Service Tax and create common AAR. It is also proposed to amend the qualifications for appointment of Chairman and Members.

Legislative Changes

- Services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption which were a part of Negative list are now made exempt.
- Taxable services provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government made exempt with effect from 10th day of September, 2004, the date when services of life insurance became taxable.
- One time upfront amount (called as premium, salami, cost, price, development charges or by whatever name) payable for grant of long-term lease of industrial plots (30 years or more) by State Government industrial development corporations/undertakings to industrial units made exempt with effect from 01.06.2007
- Value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include value of property in such land or undivided share of land with effect from 01.07.2007.

New Exemptions

- Services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the

Central Government is being exempted from service tax.

- Under the Regional Connectivity Scheme (RCS), exemption from service tax is being provided in respect of the amount of viability gap funding (VGF) payable to the selected airline operator for the services of transport of passengers, with or without accompanied belongings, by air, starting from or terminating in a Regional Connectivity Scheme (RCS) airport, for a period of one year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) airport as notified by Ministry of Civil Aviation.
- Services provided by Indian Institutes of Management (IIMs) by way of two year full time residential Post Graduate Programmes (PGP) in Management for the Post Graduate Diploma in Management (PGDM), to which admissions are made on the basis of the Common Admission Test (CAT), conducted by IIM are now exempted from levy of Service tax after omitting the word 'Residential'.

Rationalization measure

- It has been provided in the CENVAT Credit Rules, 2004 that value for the purpose of reversal of common input tax credit on inputs and input services used in providing taxable services and exempted services, shall not include the value of service by way of extending deposits, loans or advances against consideration in the form of interest or discount.

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
b.	In case of payments other than salary, at the time of making payment	Applicable	Applicable	

Sr. No.	Nature of Compliances	Person		
		Company	Partnership Firm / LLP	Individual and HUF
	or credit, whichever is earlier			preceding previous year (Note 2)
c.	Tax deducted must be deposited in the bank by 7th day of following month except tax deducted for payment or credit made in March must be deposited by 30th April	Applicable	Applicable	
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	31st July		
b.	TDS Quarterly Statement for quarter ended September	31st October		
c.	TDS Quarterly Statement for quarter ended December	31st January		
d.	TDS Quarterly Statement for quarter ended March	31st 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	30 October		

Sr. No.	Nature of Compliances	Person		
		Company	Partnership Firm / LLP	Individual and HUF
	September			
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 w.e.f. 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.*
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
AOP	Association of Persons
APA	Advance Pricing Agreement
AY	Assessment Year
BCD	Basic Customs Duty
BOI	Body of Individuals
CBDT	Central Board of Direct Taxes
CBEC	Central Board of Excise and Custom
CIT	Commissioner of Income Tax
CSR	Corporate Social Responsibility
CVD	Additional Duty of Customs levied under sec 3(1) of the Customs Tariff Act, 1975
DDT	Dividend Distribution Tax
DTA	Domestic Tariff Area
EC	Education Cess
EOU	Export Oriented Unit
FPI	Foreign Portfolio Investor
FTS	Fees for technical services
GAAR	General Anti Avoidance Rules
HUF	Hindu Undivided Family
INR	Indian Rupees
IPO	Initial Public Offer
JDA	Joint Development Agreement
LCD	Liquid Crystal Display
LED	Light Emitting Diode
MAT	Minimum Alternate Tax
NCCD	National Calamity Contingent Duty
PAN	Permanent Account Number
POS	Point-of-Sale
ROI	Return of Income
PCIT	Principal Commissioner of Income Tax
FPO	Follow-on Public Offer
RSP	Retail Sale Price
SAD	Special Additional Duty of Customs levied under sec 3(5) of the Customs Tariff Act, 1975

SCN	Show Cause Notice
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

Notes

Notes

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