



INDIA

BUDGET

2017

NANUBHAI DESAI & CO.

FOREWORD.....

India's Union Budget 2017-18 is historic in many ways. Departing from the colonial-era tradition of presenting the Union Budget on the last working day of February, the Honourable Finance Minister (FM), Mr. Arun Jaitley presented it on a much earlier date of 1st February. For the first time, in 92 years the Railway Budget is not a separate event but merged with the Union Budget and the Plan and Non-Plan expenditure have been abolished.

The Budget 2017 is also unique in view of few unprecedented events. The decision of the government to implement demonetisation and embark on digitalisation at rapid pace coupled with implementation of Goods and Services Tax (GST) during the ensuing fiscal year would be close on the heels of the shake-up because of uncertain and politically charged environment.

The recent events, both at India as well as in major trading partners globally, the expectations from various stake holders from the government to present opportune Budget policies were also rising high.

The Budget makes a serious effort to soothe nerves coming as it does in the aftermath of demonetisation, Brexit & Donald Trump's surprise election as U.S President.

Prime Minister Mr. Narendra Modi stated that the pro-poor Budget presented by Honourable Finance Minister, is an 'Uttam' Budget, devoted to strengthening the hands of the poor and has focussed on all sectors and classes.

Amidst huge expectations and following the theme for good governance and clean political system, the FM tried to stimulate the economy by boosting a key demand driver: real estate, lowered the rate at entry-level income-tax to 5 per cent from 10 per cent and taxed the rich with a 10 per cent surcharge on incomes between Rs. 50 lakh and Rs. 1 crore and maintaining the super-rich tax at the existing level, energizing youth to reap benefits of growth and many reforms for the farmers, youth, poor and unprivileged. He has also made huge allocations to credit to farmers, construction of roads, improvisation of railways, etc. The total budgeted expenditure is 25.40 per cent higher as compared to immediately preceding year.

Belying market speculations, the Finance Minister left the long-term capital gains tax on equity investment, STT and other taxes untouched, relieved the domestic transfer pricing rules and also exempted some FPIs from indirect transfer provision.

Boosting investor confidence, the FM also proposed to abolish the FIPB, while FDI is getting a big makeover and the FPI category 1 and 2 investors have been exempted from indirect transfer provisions. Budget will help small businesses to become competitive in the global market with reduced corporate tax rate for MSME's. Transparency in political funding, reduced customs duty to 2.5 per cent for LNG, limit of cash donation for charitable trusts, MAT to carry forward and restriction on cash transactions are few of the tax administration proposals of the Budget. The Government's commitment to eliminate corruption and black money is reflected in the Budget.

With the imminent arrival of GST, the Finance Minister preferred not to make many changes in current regime of Excise & Service Tax as the same are to be replaced by GST soon.

Additionally, the government also received recommendations from the panel [appointed to review and implement government's fiscal plans under Fiscal Responsibility and Budget Management Act (FRBM)] against following an 'aggressive fiscal consolidation path' and meet the productive spending needs, particularly on infrastructure, housing and social sectors. Govt pegs fiscal deficit target at 3.2 per cent for 2017-18 and 3 per cent for next year considering the recommendations of the panel.

Great art is always a balancing act. But all art has both – an emotional content and an intellectual content. The Finance Minister pulled off a good balancing act in the Union Budget for 2017-18 and the first impression of it seems to have left people euphoric. The Budget attempts to pave a path for the transformative shift towards growth following the overarching agenda of 'Transform, Energise and Clean India'.

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INDIA



INCOME TAX

Personal Tax

The tax rate for individual has been decreased from 10 per cent to 5 per cent for the income slab of Rs. 2,50,001/- (or Rs. 3,00,001/- as the case may be) to Rs. 5,00,000/-.

Accordingly, the revised slabs are as under:

(i) For individuals, HUFs, Association of Persons, Body of Individuals [Not covered in (ii) below]

Income	Existing Rates (%)			Proposed Rates (%)		
	Tax	Edu. Cess	Total	Tax	Edu. Cess	Total
Rs. NIL to Rs. 2,50,000	-	-	-	-	-	-
Rs. 2,50,001 to Rs. 5,00,000	10.00	0.30	10.30	5.00	0.15	5.15
Rs. 5,00,001 to Rs. 10,00,000	20.00	0.60	20.60	20.00	0.60	20.60
Rs. 10,00,001 and above	30.00	0.90	30.90	30.00	0.90	30.90

(ii) For resident senior individuals (attained age of 60 years but less than 80 years)

Income	Existing Rates (%)			Proposed Rates (%)		
	Tax	Edu. Cess	Total	Tax	Edu. Cess	Total
Rs. NIL to Rs. 3,00,000	-	-	-	-	-	-
Rs. 3,00,001 to Rs. 5,00,000	10.00	0.30	10.30	5.00	0.15	5.15
Rs. 5,00,001 to Rs. 10,00,000	20.00	0.60	20.60	20.00	0.60	20.60
Rs. 10,00,001 and above	30.00	0.90	30.90	30.00	0.90	30.90

(iii) For resident super senior individual (attained age of 80 years or above), the rates are unchanged

Surcharge (for Individuals)

Surcharge is proposed to be levied at 10 per cent on income exceeding Rs. 50 lacs but not exceeding Rs. 1 crore. The same shall be in addition to the existing surcharge at 15 per cent on the income exceeding Rs. 1 crore. Marginal Relief shall be available for the existing as well as the proposed surcharge.

Corporate Tax

- The rate of tax for domestic companies with turnover or gross receipts not exceeding Rs. 50 crores during financial year 2015-16 will be 25 per cent. For other domestic companies, the rate of 30 per cent shall continue to apply.
- The rate of tax payable by Foreign Companies has not been changed and remains at 40 per cent.
- Surcharge remains unchanged at 7 per cent and 12 per cent for domestic companies and 2 per cent and 5 per cent for foreign companies.



A. Provisions affecting Non-Residents

Foreign Exchange Regulations

- The Foreign Investment Promotion Board (FIPB) offered a single window clearance for applications on Foreign Direct Investment (FDI) in India that are under the approval route.
- The FIPB has successfully implemented e-filing and online processing of FDI applications.
- The sectors under automatic route did not require any prior approval from the FIPB and are subject to only sectoral laws & caps. A stage has been reached where FIPB can be abolished.
- The Budget proposes to abolish the FIPB in 2017-18 and create a new framework. A roadmap for the same will be announced in the next few months.
- In the meantime, further liberalization of FDI policy is under consideration and necessary announcements will be made in due course.

International Taxation

Section 9: Indirect transfer provisions not to apply to Category I and Category II Foreign Portfolio Investors

New explanation 5A has been inserted to section 9 to clarify that Explanation 5 to section 9 shall not apply to any asset or capital asset mentioned therein being investment held by non-resident, directly or indirectly, in a Foreign Institutional Investor registered as Category-I or Category-II Foreign Portfolio Investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as these entities are regulated and broad based. Finance Act, 2012 has inserted provisions relating to indirect transfer and whereby an asset or capital asset, being any share or interest in a company or entity registered or incorporated outside India is deemed to be situated in India, if the share or interest derives, directly or indirectly, its value substantially from the assets located in India. This amendment to section 9 will apply retrospectively from assessment year 2012-13 onwards.

Section 9A: Corpus threshold condition shall not apply to off shore funds in year of winding up

In order to avail benefit of section 9A, an offshore investment fund, amongst other conditions, needs to have an average monthly corpus fund of rupees hundred crores. Section 9A is amended to provide that this eligibility condition shall not apply to an offshore investment fund in the previous year in which the fund is being wound up. This amendment will retrospectively apply from assessment year 2016-17 onwards.

Section 47: Capital gain on transfer of Rupee Denominated Bonds issued outside India by one non-resident to another exempt

New clause (viiia) has been inserted in section 47 to provide that any transfer of capital asset, being rupee denominated bond of Indian company issued outside India, by a non-resident to another non-resident shall not be regarded as transfer for the purposes of computation of capital gains.

Further in fifth proviso to section 48 it was provided that gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company to secondary holders shall be ignored for the purposes of computation of full value of consideration in respect of bonds subscribed by the non-resident. It is now clarified that the benefit of the proviso shall be available in respect of bonds held by the non-resident and shall not be limited to bonds subscribed only. These amendments will take effect from 1st April, 2018.



Sections 90 and 90A: Clarification with regard to interpretation of 'terms' used in an agreement entered into under section 90 and 90A

With a view to bring in more clarity in the Act and to avoid litigation in respect of interpretation of 'terms' used in an agreement entered under Sections 90 and 90A, new Explanations to the sections 90 and 90A are inserted. It provides that where any 'term' used in an agreement entered into under Section 90 and 90A of the Act, is defined under the said agreement, the term shall be assigned the meaning as provided in the said agreement. Further, if the said 'term' is not defined in the agreement, but it is defined in the Act, it shall be assigned the meaning as defined in the Act or given under explanation issued by the Central Government.

This amendment will take effect from 1st April, 2018.

Section 94B: Restriction on deduction in respect interest paid/payable to associated enterprise (thin capitalization)

New section 94B has been introduced to provide that where an Indian company or permanent establishment of foreign company in India, being borrower pays interest or similar consideration exceeding rupees one crore, which is deductible in computing income chargeable under the head "Profits and gains from business and profession" shall be limited to 30 per cent of EBITDA (earnings before interest, taxes, depreciation and amortization) or interest paid to associated enterprise, whichever is less. Further, for the purpose of determining borrowings from associated enterprises, the funds borrowed from a non-associated lender shall also be deemed to be borrowed from an associated enterprise if such borrowing is based on implicit or explicit guarantee of non-resident associated enterprise. It is however provided that excessive interest which is not deductible shall be allowed to be carry forward for 8 assessment years immediately succeeding the assessment year in which the interest was first computed to be set-off against income of that respective year subject to overall limit as explained above.

The provisions of this section shall not apply to entities engaged in Banking or Insurance business. This amendment will apply from assessment year 2018-19 onwards.

B. Provisions relating to Transfer Pricing

Section 92CE: Secondary adjustments introduced with respect to transfer pricing

The Finance Bill has introduced a new section 92CE to provide that a secondary adjustment shall be made by the assessee where there is a primary adjustment made suo motu by the assessee in his return of income; or made by the Assessing Officer which has been accepted by the assessee; or determined by an advance pricing agreement entered into by the assessee under section 92CC; or made as per the safe harbour rules framed under section 92CB; or arising as a result of resolution of an assessment by way of the mutual agreement procedure under an agreement entered under section 90 or 90A for avoidance of double taxation.

Where as a result of the primary adjustment, there is an increase in the total income or reduction in the loss of the assessee, the assessee is required to repatriate the excess money available with the associated enterprise to India, as may be prescribed. If the repatriation is made within the prescribed time, the excess money shall be deemed to be an advance made by the assessee to such associated enterprise and the interest on such advance, shall be computed as the income of the assessee, in the manner as may be prescribed.

This section shall not apply where the primary adjustment made in any previous years does not exceed one crore rupees and where the primary adjustment is made in respect of an assessment year commencing on or before 1st April, 2016.



For this purpose the terms “excess money”, “primary adjustment” and “secondary adjustment” has been defined in the said section.

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

Section 92BA and 40A: Provisions relating to specified domestic transaction

Clause (i) of section 92BA of the Act has been omitted which implies that any expenditure incurred in respect of which payment has been made by the assessee to certain “specified persons” covered under section 40A(2) (b) is out of the ambit of section 92BA and therefore not to be treated as specified domestic transaction.

A consequential amendment has been made in section 40A whereby for all the assessment year commencing on or after 1st day of April 2017 the proviso to clause (a) of sub section 2 of section 40A shall not be applicable and therefore any expenditure made in respect of which payment has been made by the assessee to certain “specified persons” covered under section 40A(2)(b) may be disallowed by the assessing officer if he is of the opinion that such expenditure is excessive or unreasonable having regard to the fair value of such transaction.

C. Provisions affecting Individuals

Section 71: Limit on the set off of loss under the head income from house property against any other head of income

Section 71 deals with set off of losses from one head against income from other head. A new subsection (3A) is inserted in section 71, restricting the set off of loss from Income from house property against any other head of Income to Rs. 200,000/- for any assessment year.

This amendment will apply from assessment year 2018-19 onwards.

Section 80CCD: Deduction in respect of contribution to pension scheme of Central Government

In order to provide parity between an individual who is an employee and an individual who is self-employed, Section 80CCD has been amended to include persons other than salaried persons to be able to claim deduction in respect of contribution made under a pension scheme as notified by the Central Government, up to 20 per cent of gross total income from the existing 10 per cent.

This amendment will take effect from 1st April, 2018 and, will accordingly apply in relation to assessment year 2018-19 and subsequent years.

Section 80CCG: Non allowability of deduction for amount invested on or after 1st April, 2017 in shares or units eligible for deduction u/s. 80CCG

Section 80CCG, allows deduction to the extent of 50 per cent of amount invested in equity shares as specified therein provided the deduction does not exceed Rs. 25,000/-. Further the deduction was allowed for 3 consecutive assessment years beginning with the assessment year relevant to the previous year in which the listed equity shares or listed units of equity oriented funds are first acquired.

A new sub section (5) has been inserted to section 80CCG to provide that no deduction in respect of investment made under an equity savings scheme under sec 80CCG shall be allowed from Assessment year 2018-19 onwards. However, assessee who has acquired shares/ units under the scheme and claimed deduction u/s 80CCG on or before Assessment year 2017-18 shall be allowed deduction till Assessment year 2019-20, if he is otherwise eligible to claim the deduction in accordance with the other provisions of under this Section.

This amendment will apply from assessment year 2018-19 onwards.



Section 80G: Restricting Cash Donations

Section 80G has been amended to provide that no deduction shall be allowed in respect of any donation exceeding Rs. 2,000/- if paid in cash.

Section 87A: Rebate of income-tax in case of certain individuals

The existing provisions of the section 87A allowed a resident individual a rebate of upto Rs. 5,000/- from the income-tax payable if the total income did not exceed Rs. 5,00,000/- which is now amended to allow a maximum amount of rebate of Rs. 2,500/- if the total income on which tax is payable does not exceed Rs. 3,50,000/-.

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

Section 234C: Rationalization relating to advance tax

Section 234C has been amended to provide that if there is a shortfall in the payment of advance tax on account of under-estimation or failure in estimation of such income referred to in section 115BBDA, interest under section 234C shall not be levied if the assessee makes good the shortfall by 31st March of the financial year.

D. Provisions relating to Small Businesses

Section 44AA: Increasing the threshold limit for maintenance of books of accounts in case of Individuals and HUF

Section 44AA was amended to provide that individuals and HUFs carrying on business or profession, other than those carrying on certain specified professions, will be required to maintain books of account only if income from such business or profession exceeded Rs. 2.5 lakhs (increased from Rs. 2.5 lakhs), or the total sales, turnover or gross receipts exceeded Rs. 25 lakhs (increased from Rs. 10 lakhs). For other class of persons, the earlier limits would continue to be applicable.

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

Section 44AB has been amended to provide that for taxpayers declaring income in accordance with section 44AD (i.e. on a presumptive basis), and total sales, turnover or gross receipts of the business does not exceed Rs. 2 crores, are exempted from having their books of account audited.

Section 44AD: Measures for promoting digital payments in case of small unorganized businesses

Section 44AD has been amended to provide that while computing the deemed income of on a presumptive basis will be calculated at a lower rate of 6 per cent of such amounts that are received by an account payee cheque or bank draft or use of electronic clearing system through a bank account. For other manner of receipts, the rate of 8 per cent would continue to apply.

Section 211 & 234C: Rationalization relating to advance tax

Section 211 has been amended to provide that those assesseees who declare profits and gains in accordance with presumptive taxation regimes under section 44AD or section 44ADA shall be liable to pay advance tax in only one annual instalment on or before the 15th of March of that year, instead of in quarterly instalments.

Section 234C has been amended to provide that assesseees that are liable to pay advance tax in a single annual instalment would have to pay simple interest at the rate of 1 per cent on the shortfall between the amount of advance tax paid and the actual tax due on returned income.



E. Provisions affecting Corporates

Section 43B: Extension of scope to include payments of interest to Co-operative Banks

Section 43B of the Act provides for admissibility of certain deductions only on payment basis. Now, considering amendment under section 43D of the Act, corresponding amendment is made under section 43B of the Act to provide that any sum payable by the assessee as interest on any loan or advance from a co-operative bank (other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank) shall be allowed as deduction if it is actually paid on or before the due date of furnishing the return of income of the relevant previous year.

Section 47(vic): Cost of acquisition in Tax neutral demerger of a foreign company

Under section 47(vic) of the Act, transfer of shares of an Indian company by a demerged foreign company to a resulting foreign company is not regarded as transfer. In respect of shares of such Indian Company, section 49 of the Act is amended so as to provide that, the cost of acquisition of shares of such Indian company referred to in section 47(vic) of the Act, shall be the same as it was in the hands of demerged foreign company.

This amendment will take effect from 1st April, 2018

Section 47, 49 and 2(42A): Transfer by way of conversion of preference shares into equity shares

A new clause to Section 47 of the Act is amended by inserting a new clause which provides that any transfer by way of conversion of preference shares into equity shares will not be regarded as a transfer

Further, consequential amendments are also made in section 49 and section 2(42A) in respect of cost of acquisition and period of holding.

Section 49 has been amended to provide that the cost of acquisition of preference shares shall be the cost of acquisition for equity shares so acquired pursuant to conversion.

A new sub clause in explanation 1 to Clause (i) of section 2(42A) has been inserted to provide that the period of holding for equity shares acquired by way of conversion of preference shares shall also include period for which the preference shares were held by the assessee prior to the conversion.

These amendments are applicable with effect from 1st day of April, 2018

Section 50CA: Fair Market Value to be full value of consideration in case of unquoted shares

Under the existing provisions of the Act, income chargeable under the head 'Capital Gains' is computed by taking into account the amount of full value of consideration received or accrued on transfer of a capital asset. In order to ensure that the full value of consideration is not understated, the Act also contained provisions for deeming of full value of consideration in certain cases such as deeming of stamp duty value as full value of consideration for transfer of immovable property in certain cases.

In order to rationalise the provisions relating to deeming of full value of consideration for computation of income under the head 'Capital Gains', a new sec. 50CA is inserted to provide that where consideration for transfer of share of a company (other than quoted share) is less than the Fair Market Value (FMV) of such share determined in accordance with the prescribed manner, the FMV shall be deemed to be the full value of consideration for the purposes of computing income under the head 'Capital Gains'.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent assessment years.



Section 112: Clarification regarding the applicability of section 112

Amendment has been made in section 50 of the Finance Act, 2016 in order to clarify that the amendment made by finance Act 2016 shall apply retrospectively from 1st April, 2013 instead of 1st April, 2017.

Section 115JAA and 115JD: Rationalization of MAT / AMT credit in case of foreign tax credit (FTC)

Section 115JAA and 115JD providing for carry forward of MAT and AMT has been amended to provide that the amount of MAT/ AMT credit shall not be allowed to be carried forward to subsequent year to the extent such credit relates to the difference between the amount of FTC allowed against MAT/ AMT liability and FTC allowable against the tax liability computed under normal provisions of the ITA.

Further, the time limit for carry forward of MAT / AMT credit has been increased to 15 years from 10 years.

Effective from AY 2018-19 and subsequent assessment years.

Section 155: Enabling claim of credit for foreign tax paid in cases of dispute

A new sub-section (14A) is inserted to section 155 to enable the assessee to claim the credit of income tax paid in any country outside India for which credit was denied to the assessee on the ground that the payment of such foreign tax was in dispute. It is now provided that the assessee can claim credit of such tax paid within six months from the end of the month in which the dispute is settled on submission of proof of settlement of such dispute and evidence that the foreign tax has been paid. Further, an undertaking that credit of such foreign tax paid has not been directly or indirectly claimed or shall not be claimed for any other assessment year is to be provided by the assessee.

This amendment will take effect from 1st April, 2018.

Promoting Digital Economy

Section 35AD & Section 43 – Disallowance of depreciation and capital expenditure on cash payment

Section 35AD has been amended to provide that no deduction will be allowed on any expenditure in respect of which payment exceeding Rs. 10,000/- is made to a person in a day, otherwise than by account payee cheque/ draft or electronic clearing system.

Section 43 has been amended to provide that any expenditure incurred for acquisition of any asset in respect of which payment exceeding Rs. 10,000/- is made to a person in a day, otherwise than by account payee cheque/ draft or electronic clearing system, shall be ignored for the purpose of determination of actual cost of asset.

section 43 of the Act has been amended to provide that where any capital asset in respect of which a deduction has been allowed under section 35AD is deemed to be the income of the assessee in accordance with the provisions of sub-section (7B) of the said section, the actual cost to the assessee shall be the actual cost to the assessee, as reduced by an amount equal to the amount of depreciation calculated at the rate in force that would have been allowable had the asset been used for the purposes of business since the date of its acquisition.

These amendments shall apply in relation to assessment year 2018-19 and subsequent years.

Section 40A – Measures to discourage cash transactions

Section 40A(3) has been amended to reduce the limit for disallowances of payments made in cash from Rs. 20,000/- to Rs. 10,000/-. This amendment shall apply in relation to assessment year 2018-19 and subsequent years.



Section 269ST – Restriction on cash transactions

Section 269ST has been introduced with effect from 1st April 2017, to provide that no person shall receive Rs. 3 lakhs or more in aggregate from a person in a day, in respect of a single transaction, in respect of transactions relating to one event/occasion from a person otherwise than by account payee cheque/draft or electronic clearing system. The said restriction shall not apply to Government, any banking company, post office, savings bank or co-operative bank.

Further, such other persons or class of persons or receipts may be notified by the Central Government, for reasons to be recorded in writing, on whom the proposed restriction on cash transactions shall not apply.

Section 271DA has also be inserted into the Act to provide for levy of penalty equal to the amount of money received in contravention of section 269ST on such persons receiving the money.

The said penalty shall however not be levied if the person proves that there were good and sufficient reasons for such contravention.

Transactions of the nature referred to in section 269SS and section 206C relating to tax collection at source on cash sale of jewellery are not covered by these sections.

F. Provision relating to Affordable Housing Scheme

Section 2(42A): Incentives for Promoting Investment in immovable property

Third proviso to section 2(42A) of the Act has been amended to provide that immovable property being capital asset shall be short term capital asset if it is held for a period less than 24 months instead of 36 months. Accordingly, any capital asset being immovable property shall be treated as long term capital asset if it is held for period more than 24 months.

This amendment will take effect from 1st April, 2018.

Section 80-IBA: Deduction in respect of profits and gains derived from developing and building housing projects

The existing provisions of section 80-IBA provides for 100 per cent deduction in respect of the profits and gains derived from developing and building certain housing projects subject to specified conditions. The conditions specified, include the limit of 30 square meters for the built-up area of residential unit in respect of project located in the Chennai, Delhi, Kolkata and Mumbai or within 25 kms from the municipal limits of these four cities. Further, in order to be eligible to claim deductions, the project is to completed within a period of three years.

It is provided to amend section 80-IBA to modify certain conditions specified for claiming deduction. For applying the condition relating to the area, unit of measurement has been modified to “carpet area” from the “built-up area”. Further, 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. It is now provided that benefit of the deduction shall be available to the projects completed within a period of five years instead of three years. This amendment will take effect from 1st April, 2018.

Section 10(37A): Tax Incentive for the development of capital of Andhra Pradesh

New section 10(37A) is inserted to exempt income from capital gains arising to Individual or HUF who was the owner of land as on 2nd June, 2014 which is notified under the provisions of Andhra Pradesh Capital Region Development Authority Act, 2014 on transfer of such land or building or both under land pooling scheme; or



sale of land pooling ownership certificates by the said persons received in lieu of land transferred under the scheme; or sale of reconstituted plot or land by said persons within two years from the end of the financial year in which the possession of such plot or land was handed over to the said persons. The aforesaid amendment will take effect retrospectively from A.Y. 2015-16.

Further, it is provided that in case of transfer of reconstituted plot or land after the expiry of two years from the end of the financial year in which the possession was handed to the assessee the cost of acquisition for calculating capital gains of reconstituted plot or land shall be deemed to be its stamp duty value on the last day of second financial year after the end of financial year in which the possession of such plot or land was handed over to the assessee.

This amendment will take effect from 1st April, 2018.

Section 45(5A): Special provisions for computation of capital gains in case of Joint development agreement

New sub-section (5A) in the said section is inserted to provide that where the capital gains arises to an assessee, being an individual or HUF, from the transfer of a capital asset, being land or building or both, under joint development agreement, the capital gains shall be chargeable to income-tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority. For the purpose of section 48 of the Act, the stamp duty value on the date of issuance of said certificate in respect of the share in the project as increased by consideration received in cash, if any, shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset.

It is further provided that provisions of this sub-section (5A) shall not apply where the individual or HUF transfer their share in the project to any other person on or before the date of issue of said certificate of completion and the capital gains shall be deemed to be the income of the previous year in which such transfer takes place in accordance with the other provisions of the Act so far as determination of the full value of consideration received or accruing as a result of such transfer is concerned.

New section 194IC has been inserted to provide that any person responsible for paying to a resident any sum by way of any consideration (other than consideration in kind) under joint development agreement shall at the time of credit of such amount or payment, whichever is earlier, deduct tax at source at the rate of 10 per cent.

This amendment will take effect from 1st April, 2017.

Section 55: Shifting base year from 1981 to 2001 for computation of capital gains

For the purpose of computation of long term capital gain under section 48 and section 49 of the Act, the term “cost of acquisition” and “cost of improvement” as defined in section 55 of the Act is amended to replace the base year of indexation as April 1st, 2001. Accordingly, for the capital assets purchased on or before 1st April, 2001 the cost of acquisition or cost of improvement (incurred before 1st April, 2001), shall be considered as the actual cost to the assessee or the fair market value of the asset as on April 1st, 2001, at the option of the assessee. The cost of improvement shall include only those capital expenses which are incurred after April 1st, 2001.

These amendments will take effect from 1st April, 2018.

Section 54EC: Expanding the scope of long term bonds

Under the existing provisions investment in bond issued by National Highways Authority of India or by the Rural Electrification Corporation Limited is eligible for exemption under this section. Now investment in any bond



redeemable after three years which has been notified by the Central Government would be also eligible for exemption under this section.

These amendments will take effect from 1st April, 2018.

Section 23: Notional income for house property held as stock-in-trade

New sub-section (5) inserted to provide that where the property consisting of any building and land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to 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, shall be taken to be Nil.

These amendments will take effect from 1st April, 2018.

G. Measures for Stimulating Growth

Section 194 LD: Extension of eligible period of concessional tax rate on interest

Section 194LD has been amended to provide that concessional rate of TDS @ 5 per cent on interest payment covered under this section will be available in respect of investments made till 1st July 2020 instead of 1st July 2017.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

Section 79 and 80-IAC: Relaxation in condition for carry forward and set off of loss in case of Start-up companies and extending breathing time to start-up companies to claim profit-linked deduction

The existing provisions of section 79 of the Act dealing with conditions for carry forward and set off of losses in case of change in shareholding pattern requires the dual condition to be satisfied, i.e., same shareholders as well as the stake of such same shareholders to be more than 51 per cent. The condition of maintaining the stake of 51 per cent by the same shareholders has been relaxed for start-up companies referred to in section 80-IAC. This benefit is available for carry forward of losses incurred during first 7 years of incorporation.

Further, the limiting period to get 100 per cent deduction of profit and gains for 3 years out of 5 years has been extended to 7 years.

Effective from AY 2018-19 and subsequent assessment years.

Section 43D: Extension of scope to Co-operative Banks

The existing provisions of section 43D of the Act, inter-alia, provides that interest income in relation to certain categories of bad or doubtful debts received by public financial institutions, scheduled banks, state financial corporations, state industrial investment corporations and certain public companies shall be chargeable to tax in the previous year in which it is credited to its profit and loss account for that year or actually received, whichever is earlier.

It is now provided that co-operative banks (other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank) shall fall within the purview of provisions of section 43D of the Act and would be entitled to take the advantage of offering interest income in respect of bad or doubtful debts in the year in which it is credited to the profit and loss account or received, whichever is earlier.



Section 36(1)(vii): Increase in deduction limit in respect of provision for bad and doubtful debts

In order to strengthen the financial position of the entities specified in sub-clause (a) of section 36(1)(vii) of the Act which inter alia includes a scheduled bank (not being a bank incorporated by or under the laws of a country outside India) or a non-scheduled bank or a co-operative bank (other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank), the said sub-clause is amended to enhance the present limit of deduction in respect of provision for bad and doubtful debts from 7.5 per cent to 8.5 per cent of the total income (computed before making any deduction under this clause and Chapter VIA).

H. Anti-abuse Measures

Section 10(38): Exemption of long term capital gain tax

Under the existing provisions of the sec. 10(38) of the Act, the income arising from a transfer of long term capital asset, being equity share of a company or a unit of an equity oriented fund, is exempt from tax if the transaction of sale is undertaken on or after 1st October, 2014 and is chargeable to Securities Transaction Tax ('STT')

Now, the section has been amended to provide that exemption for income arising on transfer of equity share acquired or on after 1st day of October, 2004 shall be available only if the acquisition of share is chargeable to Securities Transactions Tax to curb the malpractices of evasion of tax by many persons. However, to protect the exemption for genuine cases where the Securities Transactions Tax could not have been paid like acquisition of share in IPO, FPO, bonus or right issue by a listed company acquisition by non-resident in accordance with FDI policy of the Government etc. central government will notify transfers for which the condition of chargeability to Securities Transactions Tax on acquisition shall not be applicable.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent assessment years.

Section 50CA: Fair Market Value to be full value of consideration in case of unquoted shares

Under the existing provisions of the Act, income chargeable under the head 'Capital Gains' is computed by taking into account the amount of full value of consideration received or accrued on transfer of a capital asset. In order to ensure that the full value of consideration is not understated, the Act also contained provisions for deeming of full value of consideration in certain cases such as deeming of stamp duty value as full value of consideration for transfer of immovable property in certain cases.

In order to rationalise the provisions relating to deeming of full value of consideration for computation of income under the head 'Capital Gains', a new sec. 50CA is inserted to provide that where consideration for transfer of share of a company (other than quoted share) is less than the Fair Market Value (FMV) of such share determined in accordance with the prescribed manner, the FMV shall be deemed to be the full value of consideration for the purposes of computing income under the head 'Capital Gains'.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent assessment years.

Section 56(2): Widening scope of Income from other sources

Under the existing provisions, any sum of money or any property which is received without consideration or for inadequate consideration (in excess of the specified limit of Rs. 50,000/-) by an individual or Hindu undivided family is chargeable to tax under the head 'Income from other sources' subject to certain exceptions. Further, receipt of certain shares by a firm or a company in which the public are not substantially interested is also



chargeable to tax in case such receipt is in excess of Rs. 50,000/- and is received without consideration or for inadequate consideration.

These anti-abuse provisions are currently applicable only in case of individual or HUF and firm or company in certain cases. Therefore, receipt of sum of money or property without consideration or for inadequate consideration does not attract these anti-abuse provisions in cases of other taxpayers.

In order to prevent the practice of receiving the sum of money or the property without consideration or for inadequate consideration, a new clause (x) in sub-sec. (2) of sec. 56 is inserted so as to provide that receipt of the sum of money or the property by any person without consideration or for inadequate consideration in excess of Rs. 50,000/- shall be chargeable to tax in the hands of the recipient under the head 'Income from other sources'. It is also widens the scope of existing exceptions by including the receipt by certain trusts or institutions and receipt by way of certain transfers not regarded as transfer under sec.47.

Consequently, sec. 49 is amended for determination of cost of acquisition.

Further, as per newly inserted clause (x) to section 56(2) of the Act, certain receipts without consideration or with less consideration is chargeable to tax under the said section. In consequence to such amendment, section 49(4) of the Act is amended so as to provide that, cost of acquisition in respect of such receipts shall be the value which has been taken into account for the purpose of clause (x) of section 56(2) of the Act.

These amendments will take effect from 1st April, 2017 and accordingly, the said receipt of sum of money or property on or after 1st April, 2017 shall be chargeable to tax.

Section 58: Disallowance for non-deduction of tax from payment to resident

Existing section 58 of the Act provides for the amounts which shall not be deductible in computing the income chargeable under the head "Income from other sources". With a view to improve the compliance on provisions relating to tax deduction at source (TDS), section 58 is amended to provide that the provisions of section 40(a) (ia) (i.e. disallowances for non-deduction of tax from payment made to resident) shall apply while computing income chargeable under the head "Income from other sources" as they apply in computing income under the head "Profit and gains of business or Profession".

This amendment will take effect from 1st April, 2018.

Section 94B: Restriction on deduction in respect interest paid/payable to associated enterprise (thin capitalization)

New section 94B has been introduced to provide that where an Indian company or permanent establishment of foreign company in India, being borrower pays interest or similar consideration exceeding rupees one crore, which is deductible in computing income chargeable under the head "Profits and gains from business and profession" shall be limited to 30% of EBITDA (earnings before interest, taxes, depreciation and amortization) or interest paid to associated enterprise, whichever is less. Further, for the purpose of determining borrowings from associated enterprises, the funds borrowed from a non-associated lender shall also be deemed to be borrowed from an associated enterprise if such borrowing is based on implicit or explicit guarantee of non-resident associated enterprise. It is however provided that excessive interest which is not deductible shall be allowed to be carry forward for 8 assessment years immediately succeeding the assessment year in which the interest was first computed to be set-off against income of that respective year subject to overall limit as explained above.

The provisions of this section shall not apply to entities engaged in Banking or Insurance business. This amendment will apply from assessment year 2018-19 onwards.



I. Rationalisation Measures

Rationalisation of provisions of section 115JB in line with Indian Accounting Standard (Ind-AS)

With the advent of globalisation and multi-national corporations, there arose a need for common language of accounting which led to creation of IFRS. India has adopted a carved out version of the IFRS which are known as Ind AS. Central Government notified the Indian Accounting Standards (Ind AS) and the roadmap for implementation of these Ind AS. Central Board of Direct Taxes (CBDT) constituted a committee in June 2015 for suggesting the framework for computation of minimum alternate tax (MAT) liability under section 115JB for Ind AS compliant companies in the year of adoption. After taking into account all the suggestions/comments received, the Committee submitted its final report on 22nd December, 2016.

A new sub-section (2A) has been inserted in section 115JB to provide the framework for computation of book profit for Ind AS compliant companies in the year of adoption and thereafter.

Computation of MAT on Ind AS compliant financial statement

In case on Ind AS compliant companies, no further adjustments to the net profits before other comprehensive income is required, other than those already specified under section 115JB of the Act.

In case of non-Ind AS compliant companies which are getting aligned to Ind-AS, the other comprehensive income (referred as 'OCI') would include certain items that will permanently be recorded in reserves and hence never be reclassified to the statement of profit and loss included in the computation of book profits. These items shall be included in book profits for MAT purposes at the point of time as specified below:

- At the time of realisation, disposal, retirement or otherwise transfer in respect of changes in revaluation surplus of Property, Plant or Equipment (PPE) and Intangible assets (as per Ind AS 16 and Ind AS 38); and gains and losses from instruments designated at fair value through other comprehensive income (as per Ind AS 109)
- Every year as the gains and losses arise in the case of re-measurement of defined benefit plans (as per Ind AS 19) or any other item

Appendix A of Ind AS 10 provides that any distributions of non-cash assets to shareholders (for example, in a demerger) shall be accounted at fair value. The difference between carrying value of the assets and fair value is recorded in statement of profit and loss. Correspondingly, the reserves are debited at fair value to record distribution as a 'deemed dividend' to the shareholders. As there is a corresponding adjustment in retained earnings, clause (d) of Section 115JB(2A) specifies that this difference arising on demerger shall be excluded from the book profits. It also states that in the case of a resulting company, where the property and the liabilities of the undertaking(s) being received by it are recorded at values different from values appearing in the books of account of demerged company immediately before demerger, any change in such value shall be ignored for the purpose of computing book profit of the resulting company.

Computation of MAT on first time adoption

The adjustments (referred to as "transition amount") arising on account of transition to Ind AS from existing Indian GAAP is required to be recorded directly in 'other equity' at the date of transition to Ind AS in terms of Ind AS 101. Several of these items would subsequently never be reclassified to the statement of profit and loss / included in the computation of book profits. Accordingly, it is provided that the following treatment is to be adhered to in computation of MAT:



- Those transition amounts recorded in other comprehensive income and which would subsequently be reclassified to the profit and loss, shall be included in book profits in the year in which these are reclassified to the profit and loss;
- Those transition amounts recorded in other comprehensive income and which would never be subsequently reclassified to the profit and loss shall be included in book profits as specified hereunder-
 - At the time of realisation, disposal, retirement or otherwise transfer in respect of changes in revaluation surplus of Property, Plant or Equipment (PPE) and Intangible assets (as per Ind AS 16 and Ind AS 38); and gains and losses from instruments designated at fair value through other comprehensive income (as per Ind AS 109)
 - To be included in book profits equally over a period of five years starting from the year of first time adoption of Ind AS. in the case of Re-measurements of defined benefit plans (Ind AS 19) or any other item

All other transition amounts recorded in reserves and surplus (excluding capital reserve and securities premium reserve) as referred to in Division II of Schedule III of Companies Act, 2013 and which would otherwise never subsequently be reclassified to the statement of profit and loss, shall be included in the book profits, equally over a period of five years starting from the year of first time adoption of Ind AS.

For this purpose, the term 'transition amount' has been defined to mean the amount or aggregate of the amounts adjusted in the other equity (excluding equity component of compound financial instruments, capital reserve, and securities premium reserve) on the convergence date, but not including the following:

- amount or the aggregate of the amounts adjusted in other comprehensive income on the convergence date which shall be subsequently re-classified to the statement of profit or loss.
- revaluation surplus for assets in accordance with the Ind AS 16 and Ind AS 38 adjusted on the convergence date.
- gains or losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with Ind AS 109 adjusted on the convergence date.
- adjustment relating to items of property, plant and equipment and intangible assets recorded at fair value as deemed cost in accordance with paragraph D5 and D7 of Ind AS 101 on convergence date.
- adjustments relating to investments in subsidiaries, joint ventures and associates recorded at fair value as deemed cost in accordance with paragraph D15 of Ind AS 101 on convergence date.
- adjustment relating to cumulative translation differences of a foreign operation in accordance with paragraph D13 of Ind AS 101 on convergence date.

Reference year for first time adoption adjustments

In the first year of adoption of Ind AS, the companies would prepare Ind AS financial statement for reporting year with a comparative financial statement for immediately preceding year. As per Ind AS 101, a company would make all Ind AS adjustments on the opening date of the comparative financial year. The entity is also required to present equity reconciliation between previous Indian GAAP and Ind AS amounts, both on the opening date of preceding year as well as on the closing date of the preceding year.

It is provided that for the purposes of computation of book profits under section 115JB of the year of adoption and the proposed adjustments, the amounts adjusted as of the opening date of the first year of adoption shall



be considered. For example, companies which adopt Ind AS with effect from 1 April 2016 are required to prepare their financial statements for the year 2016-17 as per requirements of Ind AS. Such companies are also required to prepare an opening balance sheet as of 1 April 2015 and restate the financial statements for the comparative period 2015-16. In such a case, the first time adoption adjustments as of 31 March 2016 shall be considered for computation of MAT liability for previous year 2016-17 (Assessment year 2017-18) and thereafter. Further, in this case, the period of five years above shall be previous years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21.

As the Ind-AS is required to be adopted by certain companies for financial year 2016-17 mandatorily in terms of the roadmap as laid down, these amendments will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-18 and subsequent assessment years.

J. Amendments relating to Procedural matters and Penalty provisions

Section 12A: Procedure in respect of change or modifications of object and filing of return of income in case of entities exempt under sections 11 and 12

The existing provisions of section 12A lack clarity with respect to the procedure to be followed by the trust or institution for fresh registration in the event of adoption or modifications of the objects of the trusts/institution after the registration has been granted in cases wherein modifications of the objects do not conform to the conditions of registration. Section 12A has now been amended to clarify that, in such cases trust can obtain fresh registration by making an application within a period of 30 days from the date of such adoption or modifications of the objects in the prescribed form and manner.

Further, the ambiguity with respect to due date for filing of return of income by a trust or institution has been resolved by clarifying that return of income has to be filed within the time allowed under section 139.

Effective from AY 2018-19 and subsequent assessment years.

Section 132(1) and Section 132(1A): Reason to believe to conduct a search, etc. not to be disclosed

Under the existing provisions, specified income-tax authority, based on the 'reason to believe' or 'reason to suspect' of circumstances mentioned therein, may authorize search and seizure operation in respect of any person or authorise requisition from some other authority to deliver books of account, documents or assets of the assessee to the income-tax authority so authorised.

It has now been clarified that these specified authorities need not disclose, the 'reason to believe' or 'reason to suspect', as the case may be, to any person or any authority or the Appellate Tribunal.

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

Sub-section 9B, 9C and 9D to section 132: Power of provisional attachment and to make reference to Valuation officer

In case of search and seizure cases, power has been given to authorised officer to attach provisionally any property belonging to the assessee with the prior approval of Principal Director General or Director General or Principal Director or Director which shall have effect for a period of six months from the date of order of such attachment.



Further, the power has been given to the authorised officer to make a reference to the valuation officer of investment and property seized in search and seizure operation. The Valuation Officer shall furnish the valuation report within sixty days of receipt of such reference.

These amendments will take effect from 1st April, 2017.

Section 133: Rationalisation of the provisions in respect of power to call for information

Power under section 133 to call for information for the purpose of any inquiry or proceeding under the Act has been extended to the Joint Director, the Deputy Director and the Assistant Director who may exercise this power without seeking approval of higher authorities.

These amendments will take effect from 1st April, 2017.

Section 133A: Extension of the power to survey

The power to survey under section 133A has been extended to include any place, at which an activity for charitable purpose is carried on.

This amendment will take effect from 1st April, 2017.

Section 133C: Legislative framework to enable centralised issuance of notice and processing of information

In order to expedite verification and analysis of the information and documents which are in the possession of income-tax authority, section 133C has been amended to empower the Central Board of Direct Taxes to make a scheme for centralised issuance of notice in order to call for information and documents for the purpose of verification of such information, processing of such documents and making the outcome thereof available to the Assessing Officer for necessary action.

This amendment will take effect from 1st April, 2017.

Section 139: Mandatory furnishing of return by certain exempt entities

Section 139(4C) has been amended to provide that any person referred to in clause (23AAA), Investor Protection Fund referred to in clause (23EC) or clause (23ED), Core Settlement Guarantee Fund referred to in clause (23EE) and Board or Authority referred to in clause (29A) of section 10 shall also be mandatorily required to file return of income.

This amendment is effective from AY 2018-19.

Section 139: Revised Return

From now onwards the time limit for furnishing revised return of income u/s. 139(5) shall be upto the end of the relevant assessment year or before the completion of assessment, whichever is earlier.

This amendment is effective from AY 2018-19.

Section 143 and 241A: Processing of return within the prescribed time and enable withholding of refund in certain cases

In order to expedite the issuance of refund in cases routinely selected for scrutiny assessment, provisions of section 143(1D) has been relaxed w.e.f. AY 2017-18 to provide that the return shall be processed even in cases wherein notice under section 143(2) of the Act has already been issued.



To address the concern of recovery of revenue in doubtful cases, a new section 241A has been inserted which provides that for returns filed for AY 2017-18 and onwards wherein the assessing officer is of the opinion that grant of refund may adversely affect the recovery of revenue, he may, with the previous approval of the Principal Commissioner or Commissioner, withhold the refund up to the date on which the assessment is made even after processing of return under section 143(1).

Effective from AY 2017-18 and subsequent assessment years.

Section 153: Time limits for completion of assessment and reassessment

It is proposed to insert proviso to sub-section (1) of the said section to provide that for the assessment year 2018-2019, the time limit for making an assessment order under section 143 or 144 shall be reduced from existing twenty-one months to eighteen months from the end of the assessment year, and for the assessment year 2019-2020 and onwards, the said time-limit shall be twelve months from the end of the assessment year in which the income was first assessable.

It is further proposed to insert proviso to sub-section (2) of the said section to provide that the time-limit for making an order of assessment, reassessment or re-computation under section 147, in respect of notices served under section 148 on or after the 1st day of April, 2019 shall be twelve months from the end of the financial year in which notice under section 148 was served.

It is also proposed to insert proviso to sub-section (3) of the said section to provide that the time-limit for making an order of fresh assessment in pursuance of an order passed or received in the financial year 2019-2020 and onwards under section 254 or 263 or 264 shall be twelve months from the end of the financial year in which order under section 254 is received or order under section 263 or 264 is passed by the authority referred therein.

These amendments will take effect from 1st April, 2018.

Sec 153B: Time limit for completion of assessment u/s. 153A

Provisions of section 153B of the Act are amended to provide that the time limit for completion of assessment of FY in which search or requisition is conducted shall be as per section 153B. For the FY 2018-19, the time limit for completion of assessment u/s. 153A shall be reduced from existing twenty one months to eighteen months from the end of the FY in which the last of the authorisations for search u/s 132 or for requisition u/s 132A was executed. Further, search and seizure cases conducted in the FY 2019-20 and onwards, the said time limit shall be further reduced to twelve months from the end of the financial year.

It is also provided that period of limitation for making the assessment or reassessment in case of other person referred to in section 153C, shall be the period available to make assessment or reassessment in case of person on whom search is conducted or twelve months from the end of the FY in which books of account or documents or assets seized or requisitioned are handed over u/s 153C to the Assessing Officer having jurisdiction over such other persons, whichever is later.

However, if the reference u/s. 92CA of the ITA is made, the above time limit shall be extended by twelve months.

Further, new proviso has been inserted under Explanation to section 153B providing that in cases where a proceeding before the Settlement Commission abates u/s. 245HA, the period of limitation available under this section for assessment or reassessment shall after the exclusion of the period under sub-section (4) of section 245HA shall not be less than one year; and where such period of limitation is less than one year, it shall be deemed to have been extended to one year.

These amendments will take effect from 1st April, 2017.



The above provisions will not apply to the cases where a notice u/s 153A or section 153C has been issued prior to 1st June, 2016 and the assessment has not been completed by such date due to exclusion of time referred to in the Explanation then such cases will be governed by the provisions of this section as it stood immediately before its substitution by the Finance Act, 2016. This amendment will take effect retrospectively from 1st June, 2016.

Section 197A: Filing of Form 15G/15H in case of commission payments mentioned u/s. 194D

Section 197A is amended to make individual insurance agent eligible to file self-declaration in Form 15G/15H for non-deduction of TDS in respect of insurance commission as mentioned in section 194D if their income is below taxable limit.

This amendment will take effect from 1st June, 2017

Section 206CC: Strengthening of PAN quoting mechanism in the TCS regime

A new section i.e. 206CC has been introduced in order to strengthen the PAN quoting mechanism in respect of TCS provisions. The provisions of section 206CC are as follows:

- Any person paying any sum on which tax is collectible at source under Chapter XVII BB (collectee) shall furnish his PAN to the person responsible for collecting such tax (collector), failing which tax shall be collected at twice the rate mentioned in the relevant section under Chapter XVII BB or at the rate of 5%, whichever is higher.
- Declaration filed under sub section (1A) of section 206C shall be invalid if PAN is not furnished.
- In case the declaration u/s 206C (1A) becomes invalid, collector shall collect tax in accordance with provisions of sub-section (1).
- No certificate under sub section (9) of section 206C shall be granted unless it contains PAN of the applicant.
- The collectee shall furnish his PAN to the collector, and the collector shall indicate the same in all its correspondence, bills, vouchers and other documents which are sent to each other.
- Where the PAN is invalid or it does not belong to the collectee, then it shall be deemed that PAN has not been furnished and the collector shall collect tax in accordance with provisions of sub-section (1).
- The new section 206CC shall not apply to a non-resident who does not have permanent establishment in India.

The amendment will take effect from 1st April, 2017.

234F: Fee for delay filing of return of income

In order to ensure that returns are filed within the time prescribed u/s. 139(1) of the ITA, a new section 234F has been inserted which provides for fees for delay in filing return of income within the time specified u/s. 139(1). If return is furnished after the due date but on or before 31st day of December of the assessment year then Rs. 5,000/- shall be levied and in any other case Rs. 10,000/- shall be levied. Such delayed fees shall not exceed Rs. 1000/-, if the total income does not exceed Rs. 5,00,000/-.

In addition to the above, consequential amendment is made u/s. 140A (Self assessment tax and section 143(1) (Intimations) which provides that in case of delay in furnishing of return of income there shall be levied a fee payable as per this section.



Further, penalty u/s. 271F for failure to furnish return of income shall not apply from AY 2018-19 and for subsequent assessment years.

This amendment is effective from AY 2018-19.

Section 244A: Interest on refund due to deductor

A new sub-section, namely (1B) has been inserted in section 244A to provide that where a deductor of tax at source (as per the provisions of Chapter XVII-B of the Act), is due a refund with respect to the TDS deducted and paid by him, the deductor will now be entitled to simple interest at the rate of 1.5% (per month or part thereof) in addition to the refund due to him.

Section 245N and Section 245Q: Merger of Structure of Authority for Advance Rulings

With a view to promote ease of doing business, it has been decided to merge the Authority for Advance Ruling (AAR) for Income-Tax, Central Excise, Customs Duty and Service Tax. Accordingly, definition of 'applicant' has been modified and similarly, scope of the application to AAR has been widened to include the application under Chapter V of the Customs Act, 1962 or under Chapter IIIA of the Central Excise Act, 1944 or under Chapter VA of the Finance Act, 1994.

These amendments will take effect from 1st April, 2017

Section 245-O: Modifications to eligibility for Chairman of Authority for Advance Rulings

The qualifications for appointment of person to be Chairman of Authority for Advance Rulings has been amended to include the person who has been former Chief Justice of a High Court or a person who has been a High Court Judge for at least seven years.

These amendments will take effect from 1st April, 2017

Section 253: Appeals to the Appellate Tribunal

Section 253 has been amended to the effect that the orders passed by Commissioner of Income-tax (Exemptions) in respect of approval granted under section 10(23C)(iv) and 10(23C)(v) are appealable before the Income Tax Appellate Tribunal.

This amendment will take effect from 1st April, 2017.

Section 271J: Penalty on professionals for furnishing incorrect information in statutory report or certificate

Section 271J is inserted into the Act with effect from 1st April 2017, to provide that where an accountant or a merchant banker or a registered valuer furnishes incorrect information or in a report or a certificate, a penalty of Rs. 10,000/- for every such incorrect report or certificate may be levied. Section 273B has been consequentially amended to provide that where reasonable cause is shown for furnishing incorrect information, penalty shall not be imposed.

K. Deductions /Exemptions for Business

Section 10(12B): Tax-exemption to partial withdrawal from National Pension System (NPS)

In order to provide further relief to an employee subscriber of NPS, a new sub-section 12B to section 10 has been inserted to provide exemption to partial withdrawal not exceeding 25 per cent of the contribution made by an employee in accordance with the terms and conditions specified under Pension Fund Regulatory and Development Authority Act, 2013 and regulations made there under.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent assessment years.

Section 10(23C) and 11: Corpus Donation by entities covered under section 10(23C) and 11

Under the existing provision donations given by entities exempt under section 10(23C) and section 11 of the Act to other entities, enjoying the same exemption under the said sections, out of its current year income, is treated as 'application of income.'

Section 10(23C) and section 11 have been amended to provide that where any donations is made by entities exempt under these sections to other entities availing the same exemption under the said sections with the specific direction that they shall form part of the corpus, then such donation shall not be allowed as 'application of income' in the hands of the donor.

Effective from AY 2018-19 and subsequent assessment years.

Section 10(23C): Income of Certain Funds or Institutions

The Chief Minister's Relief Fund and the Lieutenant Governor's Relief Fund have been added to the list of exempt funds under section 10(23C). As a result, the income of these funds will be exempt under section 11 and section 12 without the requirement to obtain registration under section 12A of the Act.

This amendment will take effect retrospectively from the 1st April, 1998, and will, accordingly, apply in relation to assessment year 1998-99 and subsequent years.

Section 10(38): Exemption of long term capital gain tax

Under the existing provisions of the sec. 10(38) of the Act, the income arising from a transfer of long term capital asset, being equity share of a company or a unit of an equity oriented fund, is exempt from tax if the transaction of sale is undertaken on or after 1st October, 2014 and is chargeable to Securities Transaction Tax ('STT').

Now, the section has been amended to provide that exemption for income arising on transfer of equity share acquired or on after 1st day of October, 2004 shall be available only if the acquisition of share is chargeable to Securities Transactions Tax to curb the malpractices of evasion of tax by many persons. However, to protect the exemption for genuine cases where the Securities Transactions Tax could not have been paid like acquisition of share in IPO, FPO, bonus or right issue by a listed company acquisition by non-resident in accordance with FDI policy of the Government etc. central government will notify transfers for which the condition of chargeability to Securities Transactions Tax on acquisition shall not be applicable.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent assessment years.

Section 10(48B): Exemption of income of Foreign Company from sale of leftover stock of crude oil from strategic reserves at the expiry of agreement or arrangement

Section 10(48A) provides that any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall be exempt, if the said storage and sale is pursuant to an agreement or an arrangement entered into by the Central Government; and having regard to the national interest, said foreign company and the said agreement or arrangement are notified by the Central Government in that behalf. New clause 48B is inserted in section 10 to extend the exemption benefit to sale of the leftover stock of crude after the expiry of said agreement or the arrangement subject to conditions to be notified. This amendment will apply from assessment year 2018-19.



L. Miscellaneous Provisions

Section 10(4): Correct reference to FEMA instead of FERA

The proviso to section 10(4) contained a reference to a clause of the defunct Foreign Exchange Regulation Act, 1973, (FERA), which defined 'a person resident outside India'. This reference has now been updated to refer to the relevant clause of the Foreign Exchange Management Act, 1999 (FEMA).

This amendment will take effect retrospectively from 1st April, 2013, and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent years.

Section 10AA: Rationalisation of provision of section 10AA

Section 10AA of the Act is amended to include new Explanation to sub-section (1) of section 10AA of the Act so as to provide that, the amount of deduction shall be allowed from the total income of the Assessee computed in accordance with the provisions of the Act, before giving effect to the provisions of this section and the deduction under this section shall not exceed such total income of the Assessee.

This amendment will take effect from 1st April, 2018

Section 13A: Transparency in political funding

In order to discourage cash transactions and to bring transparency in the source of funding to political parties, section 13A is amended to provide that no donation exceeding Rs. 2000/- should be received otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system or through electoral bond and return of income is to be furnished u/s. 139(4B) of the Act on or before the due date.

Further, where the contribution is by way of electoral bond, the political parties shall not be required to furnish the name and address of the donors.

This amendment will take effect from 1st April 2018.

Section 115BBDA – Rationalization of taxation of income by way of dividend

Section 115BBDA has been amended to provide that include all categories of resident taxpayers, except domestic companies and certain funds, trusts, institutions etc., earning income by way of dividend declared by domestic companies shall be taxed at 10 per cent on the amount of dividend exceeding Rs. 10 lakhs.

Section 115BBG – Income from transfer of Carbon Credits

Section 115BBG has been inserted into the Act with effect from 1st April, 2018, to provide that income from the transfer of Carbon Credits shall be taxed at a concessional rate of 10 per cent plus applicable surcharge and cess. Further no expenditure or allowance shall be available in respect of such income.



Definitions

Section 2(42A): Consolidation of plans within a scheme of mutual fund

Section 47 of the Act exempts transfer of a unit(s) held in the consolidating plan of mutual fund scheme, if such transfer is made in consideration of the allotment of units(s) in the consolidated plan of that scheme of the mutual fund. In consequence to such amendment, clause (i) in Explanation 1 to section 2(42A) of the Act is amended to insert new sub-clause (hg) so as to provide that holding period of the unit(s) shall include the period for which the earlier unit or units in the consolidating plan of mutual fund scheme were held by the Assessee.

Further consequential amendment has been made to section 49 of the Act to provide that, cost of acquisition of such newly allotted units shall be deemed to the cost of acquisition of the earlier unit(s) in the consolidated plan of the scheme of the mutual fund.

These amendments will take effect from 1st April, 2017

Section 204: Definition of 'person responsible for paying' in case of payments covered under Section 195(6)

In the case of furnishing of information relating to payment to a non-resident, not being a company, or to a foreign company, of any sum, whether or not chargeable under the provisions of this Act as per section 195(6), 'person responsible for paying' would be the payer himself, or, if the payer is a company, the company itself including the principal officer thereof.

This amendment will take effect from 1st April, 2017.



PROVISIONS RELATED TO TDS/TCS

Section 194-IB: Deduction of tax on payment of rent made by Individual and HUF

A new section 194-IB is inserted to provide that an individual or HUF will be required to deduct TDS at 5 per cent on rent income if such payment of rent exceeds Rs. 50,000/- for a month or part of the month in the previous year even if such individual or HUF is not covered u/s. 44AB of the Act for the financial year immediately preceding the previous year in which payment of such rent is credited or made.

Further, TDS is to be deducted only once in the previous year, either the last month of the previous year or the last month of tenancy, if property is vacated during the year, as the case may be.

This amendment will take effect from 1st June, 2017

Section 194J: Reduction in rate of TDS for the payment made to person engaged in the business of operation of call centre for professional/technical services

Section 194J is amended to provide that TDS is to be deducted at 2 per cent instead of 10 per cent on payments made for professional services/fees for technical services to the person engaged in the business of operation of call center.

This amendment will take effect from 1st June, 2017

Section 194LA: Non- deduction of tax in case of exempt compensation under RFCTLAAR Act, 2013

Existing provision of section 194LA provides that any person required to pay compensation to a resident shall deduct tax at source at 10 per cent on account of compulsory acquisition of property.

The Central Government has enacted a new law namely Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013, ('RFCTLARR Act') on 26th September, 2013 which came into force on 1st January, 2014. Section 96 of the RFCTLARR Act inter-alia, provides that income-tax shall not be levied on award or agreement made subject to limitations mentioned in section 46 of the said Act. Therefore, compensation received for compulsory acquisition of land under the RFCTLARR Act (except those made under section 46 of RFTCLARR Act), is exempted from the levy of income-tax.

Accordingly, section 194LA is amended to provide that no deduction of tax at source shall be made in respect of any award or agreement which has been exempted from levy of income tax u/s. 96 of RFCTLARR Act.

This amendment is effective from AY 2018-19.

Section 194 LC: Extension of eligible period of concessional tax rate on interest

Section 194LC is amended to provide that concessional rate of TDS at 5 per cent on interest payment covered under this section will be available in respect of borrowings made till 1st July 2020 instead of 1st July 2017.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

Section 206C: Tax Collected at source

Existing provision of section 206C(1F) inter-alia provides that the seller who receives any amount as sale consideration for sale of a motor vehicle exceeding Rs.10Lakhs shall collect from the buyer a sum equal to 1 per cent of the sale consideration.

A new sub-clause (iii) in clause (aa) to Explanation to section 206C has been inserted which provides exemption to certain classes of buyers from provisions of aforesaid section namely Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; local authority as defined in explanation to clause (20) of Section 10, a public sector company which is engaged in the business of carrying passengers.

This amendment is effective from AY 2018-19.



TDS/TCS Rates

TDS RATES FOR ASSESSMENT YEAR 2018-19 (FINANCIAL YEAR 2017-18)

(A) On payments to Residents (subject to notes below)

Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
				Rate (%)**		
1	Pre-mature withdrawals from Employee Provident Fund Scheme (Note 1)	Payment in excess of Rs. 50,000/-	192A	-	-	10
2	Interest on Securities (Note 2)	No Threshold Limit	193	10	10	10
3	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office (Note 3)	Payment in excess of Rs. 10,000/-	194A	10	10	10
	Other Interest	Payment in excess of Rs. 5,000/-	194A	10	10	10
4	Winning From Lotteries crossword puzzles, card games and other games of any sort	Payment in excess of Rs. 10,000/-	194B	30	30	30
5	Winning From Horse Race	Payment in excess of Rs. 10,000/-	194BB	30	30	30
6	Payment to contractors (Note 4)	Payment in excess of Rs. 30,000/- per transaction or Rs. 1,00,000/- p.a.	194C	2	2	1
7	Insurance Commission (Note 5)	Payment in excess of Rs. 15,000/-	194D	10	5	5
8	Sum received for Life Insurance Policy including bonus [except exempt u/s 10(10D)]	Payment in excess of Rs. 100,000/- p.a.	194DA	1	1	1
9	Commission on Sale of Lottery Tickets	Payment in excess of Rs. 15,000/-	194G	5	5	5
10	Other Commission / Brokerage	Payment in excess of Rs. 15,000/-	194H	5	5	5
11	Rent for Land or Building/ Furniture and Fittings	Payment in excess of Rs. 1,80,000/- p.a.	194I (b)	10	10	10



	Rent for Plant & machinery, Equipments		194I (a)	2	2	2
	Income by way of rent from SPV distributed by REITs (Note 6)	No Threshold Limit	194I	-	-	-
12	Consideration for transfer of Immovable Property (other than agricultural land)	Sale Consideration must exceeds Rs. 50,00,000/-	194IA	1	1	1
13	Income by way of Rent (Note 6)	Rent exceeds Rs. 50,000/- p.m. or part thereof	194-IB	-		5
14	Monetary Payment in respect of Agreement referred to in Section 45 (5A) (Note 8)	No Threshold Limit	194-IC	-		
15	Professional Fees / Royalties / FTS (Note 9)	Payment in excess of Rs. 30,000/- p.a.	194J	10	10	10
16	Professional Fees (for certain payees) (Note 10)	Payment in excess of Rs. 30,000/- p.a.	194J	2		
17	Consideration for compulsory acquisition of Immovable Property (other than agricultural land)	Payment in excess of Rs. 2,50,000/- p.a.	194LA	10	10	10
18	Income by way of Interest from SPV distributed by Business Trusts i.e. REITs & Invits	No Threshold Limit	194LBA	10	10	10
19	Income other than business income distributed by an Alternate Investment Fund (Category I & II)	No Threshold Limit	194LBB	10	10	10
20	Income in respect of Investment in Securitization Trust	No Threshold Limit	194LBC	30	30	25
21	Payments in respect of deposits under National Savings Scheme, etc Central Govt Schemes	Payment in excess of Rs. 2,500/- p.a.	194EE	10	10	10



Notes

1. TDS to be deducted at maximum marginal rate in case PAN is not furnished by the deductee.
2. In case payment of interest on listed debentures to individuals or HUFs, TDS is required to be deducted on payments in excess of Rs. 5,000/-
3. For interest on Bank Deposits and Deposits with Post Office, the threshold limit is Rs. 10,000/-.
 - Also applicable on payment of Interest on time deposits by co-operative banks to its members and payment of interest on Recurring Deposit
 - Computation of interest income shall be made taking into account income credited or paid by the bank (including all branches) who has adopted core banking solutions.
4. No TDS on payment made to contractor who owns ten or less goods carriage at any time during the year and furnishes PAN to the person person paying or crediting such sum.
5. **No TDS where the deductee furnishes a self- declaration in Form 15G/ 15H for deduction of tax under Sections 194D.**
6. **No deduction shall be made under section 194-I of the Act where the income by way of rent is credited or paid to a Real Estate Investment Trust.**
7. **Provisions of Section 194-IB are applicable in cases where the deductors are individuals and HUFs other than those covered by Tax Audit u/s 44AB in immediately preceding financial year, subjects to the threshold and other conditions.**
 - **Deduction u/s. 206AA shall not exceed Amount of Rent payable for last month of previous year or last month of tenancy, as the case maybe**
8. **TDS is to be deducted u/s. 194-IC at 10 percent on any monetary consideration paid under the agreement referred to in Section 45(5A).**
9. Any payments to a director of a company other than those which are “salaries” are specifically covered u/s 194J.
10. **TDS is to be deducted u/s. 194J at 2 percent where the payee is only engaged in the business of operation of call center.**



(B) On payments to Non-Residents (subject to notes below)

Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	Section	Rate (%)
1	Tax on Short Term Capital Gains	On sale of shares or units of mutual funds where STT is paid	111A	15
		On sale of shares or units of mutual funds where STT is not paid	45	40
		(a) In case of companies		
		(b) In case of persons other than companies		
2	Tax on Long Term Capital Gains	"Not being long term capital gains referred to section 10(33), 10(36) and 10(38) ie. on listed shares, units of an equity oriented fund, or units of business trust i.e. REITs & Invits [Except for transactions covered u/s 112(1)(c)(iii)]"	112	20
		on income by way of long-term capital gains from unlisted securities u/s 112(1)(c)(iii) (Note 9)	112	10
3	Winning From Lotteries crossword puzzles, card games and other games of any sort	Payment in excess of Rs. 10,000/-	194B	30
4	Winning From Horse Race	Payment in excess of Rs. 10,000/-	194BB	30
5	Tax on royalty on copyrights or on fees for technical services matters included in industrial policy or under approved agreements by an Indian concern or by Government of India	Agreements made / entered after 31st March, 1976	115A(1) (b)	10
6	Tax on Interest	On borrowings in foreign currency:-		
		(a) by an Indian concern or by Government of India other than interest referred in (b) or (c) below	115A(1) (a)	20
		(b) On notified infrastructure debt fund	194LB	5
		(c) By Specified Companies or Business Trusts (REITs & Invits) under a loan agreement or any long term bond (Note 7)	194LC	5
7	Income by way of interest from SPV distributed by Business Trusts (REITs & Invits)	No Threshold Limit	194LBA	5



8	Income by way of Rent from SPV distributed by REITs	No Threshold Limit	195	-
9	Income other than business income distributed by an Alternate Investment Fund (Category I & II)	No Threshold Limit	194LBB	Rate in force
10	Income in respect of Investment in Securitization Trust	No Threshold Limit	194LBC	Rate in force
11	Income by way of interest to FII or QFI (Note 8)	On Rupee denominated Bonds of Indian Company and Government Securities.	194LD	5
12	Payments to Non-Resident Sportsmen/Entertainer/Sports Association	Other than to a non-resident being an Indian citizen	194E	20
13	Other income	(a) In case of non-resident companies		40
		(b) In case of non-residents other than non-resident companies		30
14	Equalisation Levy	(Refer Note No.6 below)		

Notes:

1. Cess at 3 per cent shall be levied additionally.
2. Treaty rates will differ from Country to Country. Treaty rates will apply only if Tax Residency Certificate is produced.
3. NRI's opting to be taxed under chapter XII-A, tax shall be deductible at the rate of ten percent on long term capital gains referred to in section 115E and twenty percent on investment income.
4. W.e.f. 1st April, 2010, the rate of TDS will be deducted u/s. 206AA at 20 percent in all cases, if PAN is not quoted by the deductee. However, this condition is not applicable:
 - in respect of Royalties, FTS, Interest and Capital Gains on compliance of conditions in Rule 37BC
 - in respect of Interest covered u/s 194LC
5. TDS is to be deducted at "Rate in Force". The term "Rate in force" means rate as per Income Tax Act, 1961 or Relevant DTAA rate which is beneficial.
6. It may be noted that a new levy viz. Equalisation Levy has been introduced for online advertisement / digital advertising space services provided by a non-resident to a resident or a permanent establishment of non-resident in India. The rate for such levy shall be six percent of the consideration. The date of applicability is yet to be notified.
7. Concessional TDS rate on Interest Payments u/s. 194LC shall now be available in respect of borrowings made before 1st July, 2020.
8. Concessional TDS rate on Interest Payments u/s. 194LD shall now be available in respect of borrowings made before 1st July, 2020.



9. The beneficial provisions shall be applicable with retrospective effect from 1st April, 2013.
10. TDS is to be deducted at "Rate in Force". The term "Rate in force" means rate as per Income Tax Act, 1961 or Relavent DTAA rate whichever is beneficial.

TCS RATES FOR ASSESSMENT YEAR 2018-19 (FINANCIAL YEAR 2017-18)

Sr. No.	Nature of Goods/Contract/Licence/Lease	Criteria for Collection	Percentage*
1	Alcoholic Liquor for Human Consumption	No Threshold Limit	1
2	Tendu Leaves	No Threshold Limit	5
3	Timber obtained under a Forest Lease	No Threshold Limit	2.5
4	Timber obtained by any mode other than under a Forest Lease	No Threshold Limit	2.5
5	Any other Forest produce	No Threshold Limit	2.5
6	Scrap	No Threshold Limit	1
7	Minerals, being Coal or Lignite or iron ore	No Threshold Limit	1
8	Motor Vehicle (Note 1)	Payment in excess of Rs. 10,00,000/-	1
9	Cash Sale of Bullion	Payment in excess of Rs. 2,00,000/-	1
11	Cash Sale of any other goods (other than bullion and jewellery) or Providing any service for Cash	Payment in excess of Rs. 2,00,000/-	1
12	Transfer of right or interest in any Parking Lot or Toll Plaza or Mining and Quarrying (other than of mineral oil) under any contract, licence and lease	No Threshold Limit	2

Note 1 "No TCS shall be deducted where the buyer is the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; local authority as defined in explanation to clause (20) of Section 10; a public sector company which is engaged in the business of carrying passengers."

* In case of a non-resident Individual, HUF, AOP, BOI or Artificial Jurisdictional Person and the amount of deduction exceeds Rs. 1 crore, then surcharge will be applicable at the rate of 15 per cent.

In case of a non-resident Co-operative Society or Firm and the amount of deduction exceeds Rs 1 crore, then surcharge will be applicable at the rate of 12 per cent of such tax.

In case of a every company other than domestic company and the amount of deduction exceeds Rs 1 crore but upto 10 crores, then surcharge will be applicable at the rate of 2 per cent of such tax. If the amount of deduction exceeds Rs 10 crores, then the surcharge will be applicable at the rate of 5 per cent of such tax.

** In case of an Individual, HUF, AOP, BOI or Artificial Jurisdictional Person and the amount of deduction exceeds Rs. 1 crore, then surcharge will be applicable at the rate of 15 per cent subject to marginal relief.

In case of an Firm, Local Authority or Co-operative Society and the amount of deduction exceeds Rs. 1 crore, then surcharge will be applicable at the rate of 12 per cent subject to marginal relief.



In case of a every domestic company and the amount of total income exceeds Rs. 1 crore but upto 10 crores, then surcharge will be applicable at the rate of 7 per cent of such income-tax. If the amount of total income exceeds Rs. 10 crores, then the surcharge will be applicable at the rate of 12 per cent of such income-tax.

In case of a every company other than domestic company and the amount of total income exceeds Rs. 1 crore but upto 10 crores, then surcharge will be applicable at the rate of 2 per cent of such income-tax. If the amount of total income exceeds Rs. 10 crores, then the surcharge will be applicable at the rate of 5 per cent of such income-tax.

- ^ Certificate for deduction at lower rate can be applied for sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, 194LBB, 194LBC and 195.
- ^ ^ Certificate for nil rate of tax deduction can be applied for sections 194, 194EE, 192A, 193, 194A, 194DA, 194K, 194-I
- # No TDS where the deductee furnishes a self- declaration in Form 15G/ 15H for deduction of tax under Sections 194, 194EE, 192A, 193, 194A, 194D, 194DA, 194-I and 194K.



CENTRAL EXCISE

Harmonized System of Nomenclature some editorial changes have been made under Third Schedule.

	Commodity	Rate of Duty	
		From	To
I	Public Health		
1	Cigar and cheroots	12.50% or Rs.3,755 per thousand, whichever is higher	12.50% or Rs.4,006 per thousand, whichever is higher
2	Paper rolled biris-handmade	Rs.21 per thousand	Rs.28 per thousand
3	Paper rolled biris-machine made	Rs.21 per thousand	Rs.78 per thousand
II	Incentivizing domestic value addition, 'Make in India'		
1	All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen	12.50%	6.00%
2	All parts for use in the manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable duty	6.00%
III	To promote cashless transactions and domestic manufacturing of devices used there of		
1	a) Miniaturized POS card reader for m-POS (not including mobile phones or tablet computers), b) Micro ATM as per standards version 1.5.1, c) Finger Print Reader / Scanner, and d) Iris Scanner	Applicable duty	NIL
2	Parts and components for manufacture of: a) Miniaturized POS card reader for m-POS (not including mobile phones or tablet computers), b) Micro ATM as per standards version 1.5.1, c) Finger Print Reader / Scanner, and d) Iris Scanner	Applicable duty	NIL
IV	Changes in rate of additional duty levied under section 85 of the Finance Act, 2005		
1	PAN Masala	6.00%	9.00%
2	Unmanufactured Tobacco	4.20%	8.30%
3	Pan Masala containing Tobacco (Gutkha)	6.00%	12.00%



CUSTOMS

- Under section 47(2), The importer shall pay the import duty:
 - (a) On the date of presentation of the bill of entry in the case of self-assessment; or
 - (b) within one day (excluding holidays) from the date on which the bill of entry is returned to him by the proper officer for payment of duty in the case of assessment, reassessment or provisional assessment; or
 - (c) in the case of deferred payment from such due date as may be specified by rules made in this behalf.
- In case of failure to pay the duty within specified time, he shall pay interest on the duty not paid or short-paid till the date of its payment at the rate between 10.00 per cent p.a. to 36.00 per cent p.a. as may be fixed by the Central Government, by notification.
- The importer shall present the bill of entry before the end of the next day following the day (excluding holidays) on which the aircraft or vessel or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing or within thirty days of the expected arrival of the aircraft or vessel or vehicle by which the goods have been shipped for importation into India.
- For verification of self-assessment, the officer may require the importer, exporter or any other person to produce any document or information instead of any contract, broker's note, insurance policy, catalogue or other document, whereby the duty leviable can be ascertained.
- The person-in-charge of a conveyance shall deliver the proper officer the passenger and crew arrival manifest before arrival in the case of an aircraft or a vessel and upon arrival in the case of a vehicle; and the passenger name record information of arriving passengers, in the prescribed manner. In case no sufficient cause for delay in furnishing of such information is obtained the person in charge shall be liable for a penalty not exceeding fifty thousand rupees.

Definitions:

Under Section 2(16) "entry" in relation to goods would no longer include goods imported or to be exported by post and the entry referred to in section 82 (Label or declaration accompanying goods).

Section 2(20) and Section 2(26) shall also include "beneficial owner", defined as any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported or exported along with "any owner".



Section 2(13) shall also include international courier terminal and foreign post office along with customs airport.

Sr. No.	Commodity	Rate of Duty	
		From	To
1	Liquefied Natural Gas	BCD - 5.00%	BCD - 2.50%
2	Purified Terephthalic Acid (PTA), Medium Quality Terephthalic Acid (MTA) & Qualified Terephthalic Acid (QTA)	BCD - 7.50%	BCD - 5.00%
3	Nickel	BCD - 2.50%	BCD - Nil
4	Vegetable tanning extracts, namely, Wattle extract and Myrobalan fruit extract	BCD - 7.50%	BCD - 2.50%
5	Ball screws, linear motion guides and CNC systems for use in the manufacture of CNC machine tools, subject to actual user condition	Ball Screws and linear Motion Guides- BCD-7.50%	BCD 2.50%
		CNC Systems- BCD 10.00%	
6	All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes, subject to certain specified conditions	BCD-10.00%/7.50%	BCD - 5.00%
		CVD - 12.50%	CVD - 6.00%
7	All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen, subject to certain specified conditions (Certificate recommending grant of exemption)	BCD-10.00%/7.50%	BCD - 5.00%
		CVD - 12.50%	CVD - 6.00%
8	All parts 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	BCD - 5.00%
9	o-Xylene	BCD - 2.50%	BCD - Nil
10	2-Ethyl Anthraquinone [2914 69 90] for use in manufacture of hydrogen peroxide, subject to actual user condition	BCD - 7.50%	BCD - 2.50%
11	Nylon mono filament yarn for use in monofilament long line system for Tuna fishing, subject to certain specified conditions (Certificate for intention of use)	BCD - 7.50%	BCD - 5.00%
12	Co-polymer coated MS tapes / stainless steel tapes for manufacture of specified telecommunication grade optical fibres or optical fibre cables, subject to actual user condition	BCD - Nil	BCD - 10.00%
13	MgO coated cold rolled steel coils [7225 19 90] for use in the manufacture of CRGO steel, subject to actual user condition	BCD - 10.00%	BCD - 5.00%
14	Hot Rolled Coils [7208] for use in the manufacture of welded tubes and pipes falling under heading 7305 or 7306, subject to actual user condition	BCD - 12.50%	BCD - 10.00%



15	Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors, subject to actual user condition	BCD - 7.50%	BCD - 5.00%
16	Solar tempered glass for use in the manufacture of solar cells/panels/modules	BCD - 5.00%	BCD - Nil
17	Resin and catalyst for use in the manufacture of cast components for Wind Operated Energy Generators [WOG], subject to actual user condition.(exemption from SAD will be valid till 30th June, 2017)	BCD - 7.50%	BCD - 5.00%
		CVD - 12.50%	CVD - Nil
		SAD - 4.00%	SAD - Nil
18	Cashew nut, roasted, salted or roasted and salted	BCD - 30.00%	BCD - 45.00%
19	Populated Printed Circuit Boards (PCBs) for use in the manufacture of mobile phones, subject to actual user condition (concessional SAD will be valid till 30th June, 2017.)	SAD - Nil	SAD - 2.00%
20	RO membrane element for household type filters	BCD - 7.50%	BCD - 10.00%
21	a) Miniaturized POS card reader for m-POS (not including mobile phones or tablet computer),	Applicable CVD, SAD	BCD, BCD, CVD, SAD - Nil
	b) micro ATM as per standards version 1.5.1,		
	c) Finger Print Reader / Scanner, and		
	d) Iris Scanner		
22	Parts and components for manufacture of:	Applicable CVD, SAD	BCD, BCD, CVD, SAD - Nil
	a) Miniaturized POS card reader for m-POS (not including mobile phones or tablet computer),		
	b) micro ATM as per standards version 1.5.1,		
	c) Finger Print Reader / Scanner, and		
	d) Iris Scanner		
23	Other aluminum ores, including laterite	Nil	15.00%
24	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
25	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
26	Silver medallion, silver coins, having silver content not below 99.9%, semi- manufactured form of silver and articles of silver	CVD - Nil	CVD - 12.50%
27	Parts/raw materials for use in the 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 - 12.50%	CVD - 6.00%



SERVICE TAX

- The claim for Refund of Service Tax, in respect of , ‘Service Tax leviable on one time upfront amount (premium, salami, cost, price, development charge or by whatever name called) in respect of taxable service provided or agreed to be provided by a State Government industrial development corporation or undertaking to industrial units by way of grant of long term lease of thirty years or more of industrial plots, shall be made within the period of six months from the date of enactment of Finance Bill 2017 w.e.f. 01.06.2007.
- Since Research and Development Cess Act, 1986 is proposed to be repealed, full Service tax along with cesses (SBC &KKC) shall be applicable to Service involving Import of Technology.
- The amendments being made in Service Tax (Determination of Value) Rules,2006 which are incorporated on enactment of Finance Bill with effect from 1st July 2010 are:
 - Rule 2(A)(i)- Value of service portion in the execution of a works contract shall be equivalent to the gross amount charged for the works contract less the value of property in goods or in the goods and land or undivided share of land, as the case may be transferred in the execution of the said works contract.
 - Rule 2(A)(ii)-Where the amount charged for works contract includes the value of goods as well as land or undivided share of land, the service tax shall be payable on 30 per cent of the total amount charged for the works contract.
- Under Rule 6(3D), Explanation I, in clause (e) in case of Banks and Financial Institutions including NBFCs, it is proposed that said clause shall not apply, engaged in providing services by way of extending deposits, loans or advances. Hence the amount of interest will be included in the value of exempted service for ascertaining the ineligible credit.
- Sub-Rule 4 is being inserted in Rule 10 of CENVAT Credit Rules, 2004 which provides that transfer of CENVAT Credit by the jurisdictional Dy. Assistant Commissioner of Central Excise, shall be allowed within 3 months from the date of receipt of application from the manufacturer or service provider.

NOTIFICATION

Notification No. 07/2017- Amendment in Mega Exemption Notification (Effective 02nd February 2016)

This notification shall come into force on the 02nd February, 2017 and the amendments are being made in the Notification No. 25/2012-ST originally issued in the Gazette of India dated 20th June, 2012.

“Service by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for home consumption” is proposed to be omitted from negative list.

However, the exemption on the same is being continued by incorporating them in the general exemption notification, Notification No. 25/2012-ST



The following mentioned services are being exempted under Notification 25/2012:

- Services provided to the Government by way of transport of passengers, with or without accompanied belongings, by air, embarking from or terminating at a Regional Connectivity Scheme Airport, against consideration in the form of Viability Gap Funding(VGF):
 - **Condition of Exemption:** The exemption would not be applicable on or after the expiry of a period of one year from the date of commencement of operations of the Regional Connectivity Scheme Airport as notified by the Ministry of Civil Aviation.
- 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 w.e.f. 10th September, 2004 effective from the date of enactment of Finance Bill 2017.

COMMON TOPICS FOR INDIRECT TAXES

ADVANCE RULING

- The Fee for application for advance Ruling is increased to Ten Thousand Rupees.
- The Time limit for Authority to pronounce its advance ruling is extended to six months from the receipt of Application.
- “Authority” means the authority for Advance Rulings constituted under section 245-O of the Income Tax Act, 1961.

SETTLEMENT COMMISSION

Any person other than an assessee, may also make an application to the Settlement Commission in respect of a show cause notice issued to him in a case relating to the assessee which has been settled or is pending before the Settlement Commission and such notice is pending before an adjudicating authority, in such manner and subject to such conditions, as may be prescribed.”

The Settlement Commission may, at any time within three months from the date of passing of the order under sub-section (5), may amend such order to rectify any error apparent on the face of record after giving an opportunity to heard to the applicant.

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