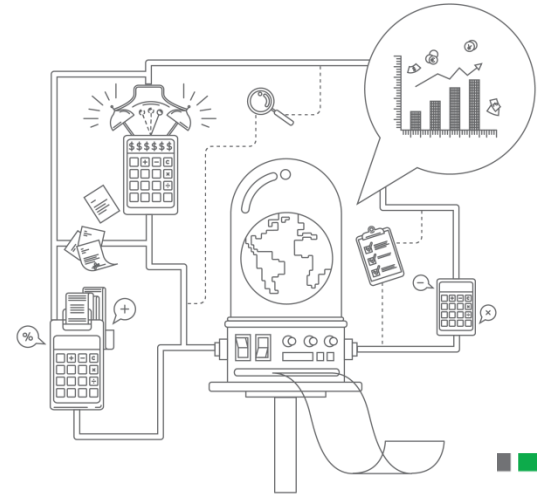


# INDIA BUDGET 2017

## Key Aspects in a nutshell



Analysing the India Budget  
2017



# Introduction to Budget 2017

## India Budget 2017

### 1. Introduction

### 2. Direct Taxes

### 3. Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST

### 4. Other Proposals

### 5. Contact Us

The Hon'ble Finance Minister presented the Budget 2017 on February 1, 2017. GDP growth rate for FY 2017-18 projected between 6.75% to 7.5%. The Agenda for this year is “**Transform, Energise and Clean India**”. Ten distinct themes to foster this broad agenda are Farmers, Rural Population, Youth, The Poor and the Under-privileged, Infrastructure, Financial Sector, Digital Economy, Public Service, Prudent Fiscal Management and Tax Administration.

The tax proposals fall under the following 8 categories:

1. Measures for Promoting Affordable Housing and Real Estate Sector
2. Measures for Stimulating Growth
3. Promoting Digital Economy
4. Transparency in Electoral Funding
5. Ease of Doing Business
6. Personal Income-Tax
7. Goods and Services Tax
8. Revenue, Accountability, Probity, Information and Digitisation in Tax Administration

The said proposals will be effective after the same receive the assent of the Hon'ble President of India or the relevant regulatory changes are enacted.

**We are pleased to present our publication ‘ Budget 2017 – Key Aspects in a Nutshell ’. The detailed publication would be circulated shortly.**



# Direct Taxes

## India Budget 2017

### 1. Introduction

### 2. Direct Taxes

### 3. Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST

### 4. Other Proposals

### 5. Contact Us

## PERSONAL INCOME-TAX

- Existing rate of tax for individual assesseees between income of Rs. 2.50 lakhs to Rs. 5 lakhs reduced from 10% to 5%. Further, surcharge of 10% introduced for individuals whose total income is between 50 lakhs and 1 crore resulting in effective marginal tax rate of 33.99%.
- No change in other tax slabs and deductions under section 80C and for interest on self occupied house property.
- The tax rebate under section 87A will be available for resident individuals having income up to Rs. 3.5 lakhs (previously the income limit was Rs. 5 lakhs). Also, the amount of rebate has been reduced from Rs. 5,000 to Rs. 2,500.
- Deduction under section 80CCG will not be available for investment made under Rajiv Gandhi Equity Saving Scheme from FY 2017-18 onwards.
- Exemption under section 10 allowed on partial withdrawal from national pension system ('NPS') not exceeding 25% of the contribution made.
- Deduction under section 80CCD increased from 10% to 20% of gross total income for self-employed individual.
- Individuals and HUF (other than those covered under tax audit) shall deduct tax at 5%, if rent payment exceeds Rs. 50,000 a month or part of month.
- Simple one-page form to be filed as Income-tax return for individuals having taxable income upto Rs. 5 lakhs (except business income).
- No change in the tests for determination of residential status for non-resident Indians.
- Discretionary Penalty for delayed filing substituted by mandatory additional fees ranging from Rs.1,000 to Rs.10,000.



## India Budget 2017

### 1. Introduction

### 2. Direct Taxes

### 3. Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST

### 4. Other Proposals

### 5. Contact Us

## REAL ESTATE SECTOR & LIBERALIZATION FOR AFFORDABLE HOUSING PROJECTS

- Reduction of holding period for the purpose of computing long term capital gains reduced from 3 years to 2 years in case of immovable property.
- The base year of indexation to be shifted from 1 April 1981 to 1 April 2001 for all assets (including immovable property) for the purpose of computing capital gains.
- Set-off of loss from house property to be restricted to Rs. 2 lakhs. The unabsorbed loss to be carried forward in subsequent years.
- For profit-linked deduction for affordable housing projects, carpet area to be considered instead of built-up area. Further, limit of 30 sq. mtr. to apply only in case of four metropolitan cities; 60 sq. mtr. limit to apply for rest of India. Also, the condition of period of completion of project increased from 3 years to 5 years.
- Capital gains on transfer of land under notified land pooling scheme in the state of Andhra Pradesh exempted.
- In case of joint development agreement, the liability to pay capital gain tax to arise in the year of project completion for land owner.
- Tax on notional rental income for real estate developers to apply only after one year from the end of the year in which completion certificate is received.
- Scope of deduction under section 54EC widened to investment in any notified bond redeemable after 3 years apart from NHAI/REC bonds.

# Direct Taxes

## India Budget 2017

### 1. Introduction

### 2. Direct Taxes

### 3. Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST

### 4. Other Proposals

### 5. Contact Us

## STIMULATING GROWTH AND PROMOTING DIGITAL ECONOMY

- Corporate tax rate for companies having annual turnover upto Rs. 50 crore (for the FY ending 31 March 2016) reduced to 25% plus applicable surcharge and cess. This applies to all companies whether engaged in manufacturing or services or other activities. No other change in tax rates for companies and firms.
- Minimum Alternate Tax (MAT) and Alternate Minimum Tax (AMT) credit allowed to be carried forward for 15 years instead of 10 years at present.
- Concessional TDS rate of 5% on interest under section 194LC and 194LD extended to 30 June 2020 for foreign currency as well as rupee denominated bonds
- In case of start-ups, the condition of continuous holding of 51% of shares carrying voting rights for carry-forward of losses relaxed subject to condition that the holding of original promoters continues. The profit linked deduction changed from 3 out of 5 years to 3 out of 7 years.
- Allowable provision for Non-Performing Assets ('NPA') of banks increased from 7.5% to 8.5%.
- Taxability of interest on actual receipt instead of accrual basis on NPA extended to co-operative banks.
- Under scheme of presumptive income for businesses having annual turnover up to Rs.2 crores, presumptive income of 6% to be counted for turnover through banking and electronic clearing transactions instead of 8% in respect of cash turnover.
- No transaction above Rs. 3 lakhs would be permitted in cash subject to certain exceptions. Penalty equivalent to sum received in cash to be levied. TCS provisions on cash sale of jewellery exceeding Rs. 5 lakhs omitted.
- Cash payment above Rs. 10,000 to a person in a day shall not be allowed in computing business income.
- Section 80G deduction not to be allowed on cash donation above Rs. 2,000 instead of Rs. 10,000.



# Direct Taxes

## India Budget 2017

### 1. Introduction

### 2. Direct Taxes

### 3. Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST

### 4. Other Proposals

### 5. Contact Us

## EASE OF DOING BUSINESS

- Domestic transfer pricing applicable only if one of the related entities avails specified profit-linked deduction
- Time period for revising a tax return reduced to 12 months from the end of financial year.
- Period for re-opening of completed assessments which was for indefinite period due to provisions of Income Declaration Scheme scrapped. However, the period for re-opening in case of search cases increased to 10 assessment years instead of 6 assessment years earlier.
- Time-limit for completion of scrutiny assessments reduced from 21 months to 18 months for AY 2018-19 and further to 12 months for AY 2019-20 onwards.
- Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs. 1 crore to Rs. 2 crore. Threshold limit for maintenance of books for individuals and HUF increased from turnover of Rs. 10 lakhs to Rs. 25 lakhs or income from Rs. 1.2 lakhs to Rs. 2.5 lakhs.
- Government of India to maximize the efforts for e-assessment in coming years
- Foreign Portfolio Investor (FPI) Category I & II exempted from indirect transfer provisions where investment held in FII.
- Income from transfer of carbon credit shall be taxable at concessional rate of 10% plus applicable surcharge and cess.
- Indirect transfer provisions not to apply if redemption or sale of investment is chargeable to tax in India.
- Conversion of preference shares in to equity shares shall not be regarded as transfer for the purpose of capital gains.
- Professionals covered under presumptive scheme can pay advance tax in 1 instead of 4 installments.



# Direct Taxes

## India Budget 2017

### 1. Introduction

### 2. Direct Taxes

### 3. Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST

### 4. Other Proposals

### 5. Contact Us

## OTHER SIGNIFICANT TAX PROPOSALS

- Section 115JB amended to provide the framework for computation of book profit for Ind AS compliant companies in the year of adoption and thereafter
- Exemption under section 10(38) on transfer of equity shares available only if STT paid on acquisition of shares, subject to notified cases.
- Section 50CA proposed to be inserted to deem FMV of unquoted share as sale consideration for computing capital gains if sale proceeds is less than FMV.
- Section 115BBDA for taxation of dividend exceeding Rs.10 lacs @ 10% to be applicable to all resident assessee except domestic companies and specific funds, trusts, etc.
- Scope of disallowance under section 40(a)(ia) for non-deduction of tax widened to apply while computing 'Income from other sources'.
- Section 94B to be inserted to provide that interest expenses claimed by an entity shall be restricted to 30% of its earnings before EBITDA or interest paid or payable to associated enterprise, whichever is less with carry forward permitted up to 8 assessment years (thin capitalization rule).





# Direct Taxes

## India Budget 2017

### 1. Introduction

### 2. Direct Taxes

### 3. Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST

### 4. Other Proposals

### 5. Contact Us

## OTHER SIGNIFICANT TAX PROPOSALS

- New section 92CE to be inserted for carrying out secondary adjustment where primary adjustment to transfer price was made *suo moto* or made by assessing officer and accepted by the assessee. In case the primary adjustment to the transfer price made by the assessee, results in an increase in the total income or reduction in the loss, the excess money available with the Associated Enterprise, if not repatriated to India, 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.
- Maximum amount of cash donation to a political party not to exceed Rs. 2,000 per person
- Penalty of Rs. 10,000 to be leviable on professionals for furnishing incorrect information in statutory report or certificate
- Section 56(2)(x) proposed to be inserted to deem income where money or property is transferred without or inadequate consideration in excess of Rs. 50,000 for all persons except specific funds and trust.
- Provisions relating to POEM and GAAR separately notified and to be operative from FY 2016-17 and FY 2017-18 respectively with certain safeguards.
- No announcement on deferment of ICDS and thus, would be applicable from FY 2016-17





# Indirect Taxes – Service Tax

## India Budget 2017

### 1.Introduction

### 2.Direct Taxes

### 3.Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST

### 4.Other Proposals

### 5.Contact Us

- No change in effective rate of Service Tax
- It is proposed to move clause (f) under Negative List - 'services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption to Mega Exemption Notification
- One time upfront payment made by industrial units to State Government industrial development corporation or undertaking for grant of long term lease of 30 years or more of industrial plots exempted retrospectively from 1 June 2007. Refund for service tax so collected in prior period shall be available.
- It is proposed for Service Tax on Life insurance services for members of Army, Navy and Air Force availed from Army, Navy and Air Force group Insurance Funds to be exempted retrospectively from 10 September 2004. Refund for service tax so collected in prior period shall be available. The said exemption to continue vide new entry inserted in mega exemption.
- It is proposed that value of service portion in execution of works contract shall not include value of property in land or undivided share of land retrospectively w.e.f 1 July 2010
- Exemption from levy of service tax expanded to include all the two year full time post graduation programmes in management for post graduation diploma in management , to which admissions are made on basis of CAT and conducted by Indian Institute of Management
- Exemption on the levy of service tax on viability gap funding payable to selected airlines for transport of passengers from Regional Connectivity Scheme Airport introduced for a period of 1 year from commencement of operations of such airports
- It is proposed to repeal Research and Development Cess.



# Indirect Taxes – Excise Duty

## India Budget 2017

### 1. Introduction

### 2. Direct Taxes

### 3. Indirect Taxes

➤ Service Tax

➤ Excise Duty 

➤ Customs

➤ GST

### 4. Other Proposals

### 5. Contact Us

- No change in general effective rate of Basic Excise Duty ('BED').
- Additional excise duty in respect of unmanufactured tobacco increased from 4.2% to 8.3%.
- BED reduced from 12.5% to 6% (applicable till 30 June 2017) on all items of machinery required for balance of systems operating on biogas/ bio-methane/by-product hydrogen.
- BED of 6% (applicable till 30 June 2017) to be levied on all parts for manufacture of LED lights or fixtures including LED lamps subject to actual user condition.
- Exemption from BED has been extended upto 30 June 2017 on devices (not including mobile phones or tablet computers) used in the process of cashless transactions like point of sales machines, finger print readers etc.
- Excise duty on Motor Vehicles for transport of passenger (more than 13 persons) is reduced from 27% to 12.5% retrospectively w.e.f. 1 January 2017.
- It is proposed to provide time limit of 3 months (further extendable by 6 months) for granting remission of duty.
- It is proposed to provide time limit of 3 months (further extendable by 6 months) for approval of request for transfer of CENVAT Credit in respect of shifting, sale, merger etc. of the factory.
- Nil excise duty subject to condition that no credit of input or input services or capital goods has been availed by manufacturers for the following items:
  - waste and scrap of precious metals or metals clad with precious metals arising in the course of manufacture falling under chapter 71.
  - Strips, wires, sheets, plates and foils of silver
  - articles of silver jewellery other than those studded with diamond, ruby, emerald or sapphire,
  - silver coin of purity 99.9% and above, bearing a brand name when manufactured from silver on which appropriate duty of custom or excise has been paid.



# Indirect Taxes – Customs

## India Budget 2017

### 1. Introduction

### 2. Direct Taxes

### 3. Indirect Taxes

#### ➤ Service Tax

#### ➤ Excise Duty

#### ➤ Customs

#### ➤ GST

### 4. Other Proposals

### 5. Contact Us

- No change in peak rate of Basic Custom Duty (BCD).
- BCD reduced on Liquefied Natural Gas from 5% to 2.5%.
- Export Duty on other aluminium ores and concentrates increased from NIL rate to 30%.
- Customs station definition to include Foreign Post Office and International Courier Terminal.
- New definition of beneficial owner introduced. Further, definition of importer and exporter has been amended to include beneficial owner.
- New definitions of Foreign Post office, international courier terminal and passenger name record information introduced.
- CVD on silver medallion, silver coin having silver content not below 99.9%, semi-manufactured form of silver and articles of silver increased from Nil rate to 12.5%
- Condition for claiming refund of duty to include duty paid in excess by the importer by excluding it from unjust enrichment subject to conditions.
- Rationalization of requisite documents for verification of self assessment.
- Changes proposed in payment of duty and interest in case of self assessment bills of entry.
- Bill of entry to be mandatorily presented before the end of next day
- Provisions related to due date for payment of import duty, warehousing of imported goods proposed to be changed.
- BCD, CVD and SAD no more applicable to POS card, micro ATM, Finger print reader or scanner.
- Items of machinery including those required for testing and quality control exempts from import duty in excess of 5% ad valorem used for initial setting up of fuel cell based system for generation of power or demonstration process or balance of systems operating on bio-gas or bio-methane or by-product hydrogen.




# Indirect Taxes – GST

## India Budget 2017

### 1.Introduction

### 2.Direct Taxes

### 3.Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST 

### 4.Other Proposals

### 5.Contact Us

- Substantial progress for GST roll out by the government and by other stakeholders
- Model GST Law and Rules almost finalised
- Key issues like GST Rate structure, Composition scheme, Compensation mechanism for states, examination of draft GST law , drafting IGST law etc finalised by GST council.
- Preparation of IT system for GST is on schedule
- Extensive reach out efforts by the government for GST to trade and industry proposed from 1 April 2017
- The goal of implementation of GST as per schedule is promised by the government



# Other Proposals

## India Budget 2017

### 1. Introduction

### 2. Direct Taxes

### 3. Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST

### 4. Other Proposals

### 5. Contact Us

- Plan to design a new legislative framework to simplify, rationalise and amalgamate the existing labour laws into 4 Codes on (i) wages; (ii) industrial relations; (iii) social security and welfare; and (iv) safety and working conditions. The Model Shops and Establishment Bill 2016 has been circulated to all States for consideration and adoption.
- Foreign Investment Promotion Board to be abolished. Further, liberalisation of FDI policy is under consideration
- An expert committee to be constituted to integrate spot market and derivatives market in the agricultural sector for commodities trading
- The Government will launch two new schemes to promote the usage of BHIM, these are; Referral Bonus Scheme for individuals and a Cashback Scheme for merchants
- Aadhar Pay, a merchant version of Aadhar Enable Payment System to be launched shortly.
- Amendment to be made to Negotiable Instruments Act with regards dishonoured cheques.



# Contact Us

## India Budget 2017

### 1.Introduction

### 2.Direct Taxes

### 3.Indirect Taxes

- Service Tax
- Excise Duty
- Customs
- GST

### 4.Other Proposals

### 5.Contact Us

For further information please contact:  
RSM Astute Consulting Pvt. Ltd.  
13th Floor, Bakhtawar, 229, Nariman Point, Mumbai - 400 021.  
T: (91-22) 6108 5555 / 6121 4444  
F: (91-22) 6108 5556 / 2287 5771  
E: [emails@rsmindia.in](mailto:emails@rsmindia.in)  
W: [www.rsmindia.in](http://www.rsmindia.in)

Offices: Mumbai, New Delhi - NCR, Chennai, Kolkata, Bengaluru (Bangalore), Surat, Hyderabad, Ahmedabad, Pune, Gandhidham and Jaipur.

 [facebook.com/RSMInIndia](https://facebook.com/RSMInIndia)

 [twitter.com/RSM\\_India](https://twitter.com/RSM_India)

 [linkedin.com/company/rsm-india](https://linkedin.com/company/rsm-india)

RSM Astute Consulting Pvt. Ltd. (Including its affiliates) is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

This newflash is general in nature. In this publication, we have endeavored to analyze briefly certain significant aspects of the Union Budget 2017, presented by the Hon'ble Finance Minister of India, Shri Arun Jaitley on 1 February 2017. The effective dates of budget proposals would vary. It may be noted that nothing contained in this publication should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the topics covered in this publication. Appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this publication.

1 February 2017

© RSM International Association, 2017

