

Analysing the India Budget 2017



INDIA BUDGET 2017

- Key Aspects



RSM IN INDIA

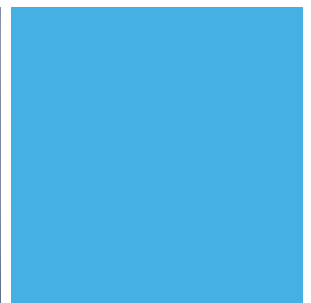
- RSM India (comprising of RSM Astute Consulting Group and affiliates) is consistently ranked amongst India's top 6 tax, accounting and consulting groups [International Accounting Bulletin, September 2016]
- Nationwide presence through offices in 11 key cities across India
- Multi-disciplinary personnel strength of over 1,200
- International delivery capabilities

rsmindia.in

RSM AROUND THE GLOBE

- Sixth largest audit, tax and consulting network across the globe
- Annual combined fee income of US\$ 4.64 billion
- Combined staff of over 38,000 in over 760 offices across 120 countries
- RSM is the fifth largest audit, tax and consulting group in the USA

rsm.global





INDIA BUDGET 2017

– Key Aspects

Table of Contents

Executive Summary	1
Chapter 1 : Introduction	8
Chapter 2 : Indian Economy – An Overview	12
Chapter 3 : Tax Rates	14
Chapter 4 : G-20 Countries – Comparative Corporate And Personal Tax Rates	22
Chapter 5 : Tax Incentives For Businesses	23
Chapter 6 : Direct Taxes – Significant Changes	39
6.1 Business Entities	39
6.2 Personal	48
6.3 Non Resident	50
6.4 Transfer Pricing	52
6.5 General	54
Chapter 7 : Indirect Taxes – Significant Changes	61
7.1 Service Tax	61
7.2 Customs Duty	63
7.3 Central Excise	65
7.4 Amendments Applicable to Service Tax, Customs and Central Excise	68
7.5 Goods and Service Tax	68
Chapter 8 : Other Significant Proposals	70
Chapter 9 : Impact On Select Industries	72
Chapter 10 : DTAA Rates	81
Chapter 11 : TDS Rates	93
Chapter 12 : TCS Rates	96
Chapter 13 : Direct Tax And Service Tax Compliance Calendar	98
Abbreviations	102

Executive Summary



1.0 DIRECT TAXES

1.1 Effective Tax Rates

1.1.1 Personal Taxation

- Existing rate of tax for individual assessee between income of Rs. 2,50,000 to Rs. 5,00,000 reduced from 10% to 5%. Further, surcharge of 10% introduced for individuals whose total income is between Rs. 50,00,000 and Rs. 1,00,00,000, resulting in effective marginal tax rate of 33.99%.
- No change in other tax slabs and deductions under section 80C.
- Set-off of loss from house property to be restricted to Rs. 2,00,000. The unabsorbed loss to be carried forward in subsequent years.

1.1.2 Corporate Taxation

- Corporate tax rate for companies having annual turnover upto Rs.50,00,00,000 (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.

1.1.3 Partnership Firms / LLP

- No change in tax rates applicable to Partnership Firms and LLPs.

1.2 Tax Incentives and Proposals for Business

- Tax on notional rental income for real estate developers, to apply only after 1 year from the end of the year in which completion certificate is received.
- 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.
- In case of joint development agreements, the liability to pay capital gain tax to arise in the year of project completion for the land owner.
- MAT and AMT credit allowed to be carried forward for 15 years instead of 10 years at present.
- Scope of deduction under section 54EC widened to investment in any notified bond redeemable after 3 years apart from NHAI/REC bonds.
- For profit-linked deduction for affordable housing projects, carpet area to be considered instead of built-up area. Further, limit of 30 square meter to apply only in case of 4 metropolitan cities; 60 square meter limit to apply for rest of India. Also, the condition of period of completion of project increased from 3 years to 5 years.

- Concessional TDS rate of 5% on interest under section 194LC and 194LD extended upto 30 June 2020 for foreign currency as well as RDB.
- 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 extended to 3 out of 7 years.
- Allowable provision for 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. 2,00,00,000, 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. 3,00,000 would be permitted in cash subject to certain exceptions. Penalty equivalent to sum received in cash to be levied.
- Cash payment above Rs. 10,000 to a person in a day shall not be allowed in computing business income.
- Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs. 1,00,00,000 to Rs. 2,00,00,000.
- Threshold limit for maintenance of books for individuals and HUF carrying on business and non-specified professions increased from turnover of Rs. 10,00,000 to Rs. 25,00,000 or income from Rs. 1,20,000 to Rs. 2,50,000.
- Income from transfer of carbon credit shall be taxable at concessional rate of 10% plus applicable surcharge and cess.
- Section 115JB amended to provide the framework for computation of book profit for Ind AS compliant companies in the year of adoption and thereafter.
- 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.

1.3 Personal Taxation

- A simple one-page form to be filed as Income-tax return for individuals having taxable income upto Rs. 5,00,000 (except business income).
- Individuals and HUFs (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.

- Professionals covered under presumptive scheme can pay advance tax in 1 instead of 4 installments.
- The tax rebate under section 87A will be available for resident individuals having income up to Rs.3,50,000 (previously the income limit was Rs. 5,00,000). 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, subject to certain exceptions.
- Exemption under section 10 allowed on partial withdrawal from NPS not exceeding 25% of the contribution made.
- Deduction under section 80CCD increased from 10% to 20% of gross total income for self-employed individuals.

1.4 Proposal for Non-residents

- Foreign Portfolio Investor (FPI) Category I & II exempted from indirect transfer provisions where investment held in FII.
- Indirect transfer provisions not to apply if redemption or sale of investment is chargeable to tax in India.
- No change in the tests for determination of residential status for non-resident Indians.

1.5 Proposal for Transfer Pricing

- Domestic transfer pricing applicable only if one of the related entities avails specified profit-linked deduction.
- 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 AE above the threshold of Rs. 1,00,00,000, whichever is less with carry forward permitted up to 8 AYS (thin capitalization rule).
- New section 92CE to be inserted for carrying out secondary adjustment where primary adjustment to transfer price was made suo moto or made by the AO 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 AE, if not repatriated to India, shall be deemed to be an advance made by the assessee to such AE and the interest on such advance shall be computed as the income of the assessee.

1.6 Other Proposals

- Time period for revising a tax return reduced to 12 months from the end of FY.

- 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.
- 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.
- Discretionary Penalty for delayed filing substituted by mandatory additional fee ranging from Rs.1,000 to Rs.10,000.
- Section 80G deduction not to be allowed on cash donation above Rs. 2,000 instead of Rs. 10,000.
- 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.
- Conversion of preference shares in to equity shares shall not be regarded as transfer for the purpose of capital gains.
- Exemption under section 10(38) of the IT Act 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 proceed is less than FMV.
- Section 115BBDA of the IT Act for taxation of dividend exceeding Rs.10,00,000 @ 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 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 prescribed funds and trust.

2.0 INDIRECT TAXES

2.1 Service Tax

- No change in effective rate of Service Tax
- It is proposed to move clause (f) under Negative List viz '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 or post graduation diploma in management , to which admissions are made on basis of CAT 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.

2.2 Excise Duty

- 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.

2.3 Custom

- 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.

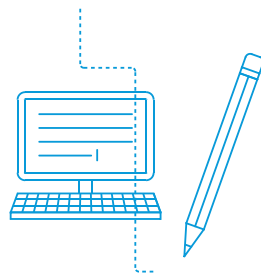
- BCD,CVD and SAD no more applicable to POS card, micro ATM, Finger print reader or scanner.
- Items of machinery including those required for testing and quality control, exempt from import duty in excess of 5% ad valorem, used for initial setting up of fuel cell based system for generation of power or demonstration process or balance of systems operating on bio-gas or bio-methane or by-product hydrogen.

2.4 GST

- 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.

1.1 Introduction

We have seen dramatic changes in the past 1 year globally indicating a reversal of globalization and free trade reflected by events such as Brexit, non-trade barriers and other protectionist measures. In India, demonetization, lack of revival of investment cycle and slowdown of IT and ITeS sector which has been the primary growth engine, has resulted in dampening of the growth outlook. With this backdrop, the Union Budget presented on 1 February 2017 for fiscal year 2017–18 has shown remarkable balance in terms of maintaining the growth outlook, fiscal discipline, increase of infra and rural spending, preserving tax base and reducing compliances.



As per IMF, the Indian economy is estimated to grow at 7.2% in FY 2017 and 7.7% in FY 2018, making it one of the fastest growing major economies in the world. India has also become the 6th largest manufacturing country in the world, up from 9th previously. Further, India's other macroeconomic parameters like inflation (CPI 4.1%); fiscal deficit (3.2%) and current account balance have exhibited distinct signs of improvement. Foreign Direct Investment (FDI) increased from Rs. 1,07,000 crores in the first half of last year to Rs. 1,45,000 crores in the first half of 2016–17.

In the 2015 Budget, a roadmap was laid to lower the corporate tax rates over 4 years from 30% to 25%, along with the phasing out of the tax exemptions. Taking this forward, the corporate tax rate is proposed to be reduced to 25% for medium and small companies having annual turnover up to Rs. 50,00,00,000. These companies (aggregating to 96% of total companies) will get this benefit of lower corporate tax rate. MAT credit is proposed to be allowed to be carried forward to 15 years as against 10 years at present. Provisions relating to computation of book profit for the purpose of levy of MAT are proposed to be amended so as to align it with the Indian Accounting Standards (Ind-AS viz. Indian converged IFRS). As the companies having net worth exceeding Rs.500 crores are already required to report their financial results as per Ind AS for FY 2016–17, this would provide greater clarity.

The personal tax rates have been changed from existing 10% to 5% for the income slab of Rs. 250,000 to Rs. 300,000 and the other tax rates for subsequent slabs remain unchanged. Further, for high income-tax payers having income between Rs. 50,00,000 to Rs. 1,00,00,000, the surcharge on income-tax is proposed to be levied @ 10%, which would result in an effective rate of 33.99%.

The existing surcharge of 15% of tax on people earning more than Rs.1,00,00,000, will continue which would result in the maximum marginal rate remaining unchanged at about 35.5%.

However, HNIs can heave a sigh of relief that the much talked about long term capital gains tax exemption period for shares sold on the stock exchange continues at 1 year and has not been increased to 2 years. The limit for deduction under section 80C of Rs. 1,50,000 remains unchanged. It is proposed to provide exemption to partial withdrawal not exceeding 25% of the contribution made by an employee to the NPS Trust. In order to provide parity between an individual who is an employee and a self-employed individual, it is proposed to amend section 80CCD so as to increase the upper limit of 10% of gross total income to 20% in case of individual other than employee. It is proposed that the set-off of loss under the head "Income from house property" against any other head of income shall be restricted to Rs. 200,000 for any assessment year. However, the unabsorbed loss shall be allowed to be carried forward for set-off in subsequent years. There is no introduction of Estate Duty or Inheritance Tax which was one of the most speculated areas. A mandatory penalty for delay in furnishing of return after due date ranging from Rs.1,000 to Rs.10,000 instead of discretionary penalty, has been introduced.

The period of holding of immovable property has been reduced from the existing 36 months to 24 months to qualify as long term capital asset which would permit re-investment in another residential property or capital gains bonds and the benefit of indexation and lower tax rates. For Joint Development Agreement signed for development of property, the liability to pay capital gain tax in case of land owner will arise in the year in which the project is completed.

It is proposed to continue the withholding tax rate of 5% on interest on foreign currency borrowings and rupee denominated bonds, before 1 July 2020. The Foreign Portfolio Investor (FPI) Category I & II shall be exempted from indirect transfer provision (the Vodafone controversy). Also a clarification shall be issued for non-applicability of indirect transfer provision in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax in India. Concessional rate of 10% tax on long term capital gains in respect of transfer of share of a private limited company shall be applicable retrospectively from AY 2013-14.

The move of tax neutral conversion would help the foreign investors to convert their convertible preference shares into equity without any tax implications. As expected, thin capitalization concept has been introduced in this budget to counter cross-border shifting of profit through excessive interest payments,

and thus aims to protect the country's tax base. The interest expenses claimed by an entity to its AEs shall be restricted to 30% of its EBITDA or interest paid or payable to AE, whichever is less. In order to target only large interest payments, it is proposed to provide for a threshold of interest expenditure of Rs. 1,00,00,000, exceeding which the provision would be applicable. The scope of domestic transfer pricing (SDT) shall be applicable only if one of the entities involved in related party transaction enjoys specified profit-linked deduction which would substantially reduce the coverage under SDT regulations.

The profit linked deduction available to the start-ups for 3 years out of 5 years, is changed to 3 years out of 7 years for start-ups setup during April 2016 to March 2019. In order to promote the development of affordable housing sector, certain conditions have been relaxed under section 80-IBA.

The Budget contains various provisions such as reduction in presumptive tax rate in case of transactions through non-cash means, prohibition of cash transactions exceeding Rs. 300,000, reduction in cash expenditure which would be subject to disallowance in case of businesses from Rs. 20,000 to Rs. 10,000, reduced limit of cash donation of Rs. 2,000 to charitable trusts and political parties, etc. Apart from the digitization, the thrust is on stimulating growth, relief to middle class, affordable housing, curbing black money, promoting digital economy, transparency of political funding and simplification of tax administration.

There has been no change in rate of Service Tax, Basic Excise Duty and Basic Custom Duty.

The GST Council has finalised its recommendations on almost all the issues based on consensus and after spirited debate and discussions. The preparation of IT system for GST is also on schedule.

More than 90% of the total FDI inflows are now through the automatic route. The Foreign Investment Promotion Board (FIPB) which presently provides a case by case approval in remaining cases as well as is the forum for downstream investment monitoring would be phased out in FY 2017-18. A roadmap for the same will be announced in the next few months. In the meanwhile, further liberalisation of FDI policy is under consideration and necessary announcements will be made in due course. The Government also proposes to consolidate the vast number of labour laws into 4 categories and also roll out a new model Shops & Establishment law which is critical for employment generation and improving the business environment.

The Budget is a serious policy statement for putting India back on the path of long term sustained economic growth and stable tax regime.

1.2 Scope and Limitations

In this booklet compiled by us, we intend to offer a broad outline of the highlights of the Union Budget 2017 presented on 1 February 2017. We have discussed the significant proposals of general interest in respect of direct taxes. In respect of indirect taxes and other policy initiatives, only the highlights have been briefly enumerated. Preceding the budget proposals are the macro indicators of Indian economy which provide a backdrop to the legal and financial proposals.

This booklet is not an offer, invitation or solicitation of any kind and it does not purport to be comprehensive, or to render legal, economic or financial advice. This booklet should not be relied upon for taking actions or decisions without appropriate professional advice as the facts of each case have to be studied and the legal position analysed properly before taking any action or decision in the matter. Further, this booklet contains only the proposals and amendments as given in the Finance Bill, 2017, which may be modified before it receives the approval and assent of the Parliament and the President. The proposals regarding direct taxes would become effective from Assessment Year 2018-19 (Financial Year 1 April 2017 to 31 March 2018), unless otherwise specified. In this booklet, the terms 'IT Act', 'the Rules' and 'the Bill' are used for the "Income-tax Act, 1961", "Income-tax Rules, 1962" and "Finance Bill, 2017" respectively.

While all reasonable care has been taken in preparation of this booklet, we accept no responsibility for any errors it may contain or for any omissions or otherwise or for any loss, howsoever caused or sustained, by the person who relies on it.

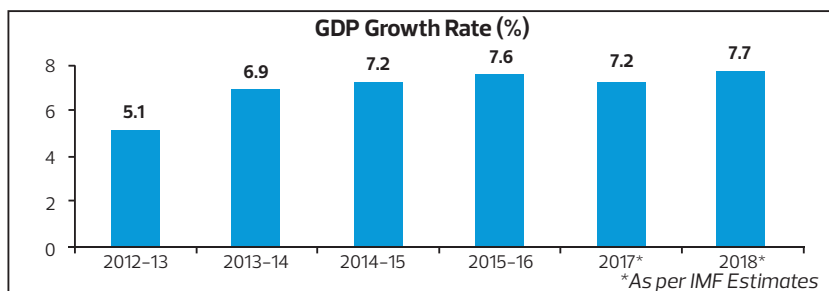
2.1 India at a glance

 GDP: 2016 <ul style="list-style-type: none"> ● US\$ 8.727 trillion in terms of PPP 	 Rapid Advancement <ul style="list-style-type: none"> ● India hailed as a 'bright spot' amidst a slowing global economy by IMF
 GDP Growth Rate <ul style="list-style-type: none"> ● 7.2% for 2017 (IMF) ● 7.7 % for 2018 (IMF) 	 Demography <ul style="list-style-type: none"> ● 1.326 billion (2016) with more than 65% population aged under 35 years
 Forex reserves (As on 31 December 2016) <ul style="list-style-type: none"> ● US\$ 360 billion 	 Exchange Rate <ul style="list-style-type: none"> ● 1 US\$ = INR 67.57 (as on 1 February 2017)
 Equity Market Capitalisation (BSE) <ul style="list-style-type: none"> ● US\$ 1.694 trillion as on 1 February 2017 	 Political System <ul style="list-style-type: none"> ● Federal Republic with Parliamentary democracy ● Largest Democracy in the world.

2.2 General Review

As per IMF, the Indian economy is estimated to grow at 7.2% in FY 2017 and 7.7% in FY 2018, making it one of the fastest growing major economies in the world. The Indian economy is estimated to have grown at 7.1% in the first 7–8 months of 2016–17. This growth is quite creditable given the weak and unsettled global economy (which posted a growth rate of a little over 3% in 2016) along with a macro-economic environment of relatively lower inflation and a moderate current account deficit. India has also become the 6th largest manufacturing country in the world, up from 9th previously. Further, India's other macroeconomic parameters like inflation (CPI 4.1%); fiscal deficit (3.2%) and current account balance have exhibited distinct signs of improvement.

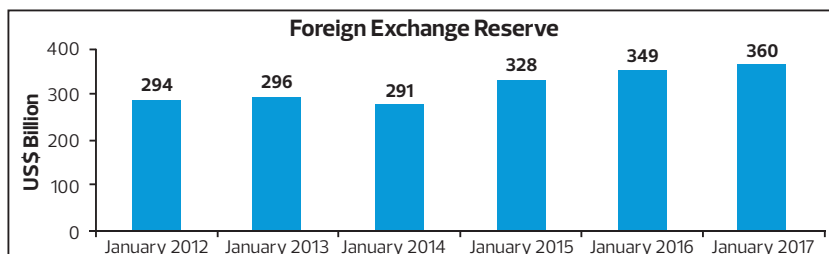
This year has been marked by two major domestic policy developments; the passage of the Constitutional amendment, paving the way for implementing the the transformational Goods and Services Tax (GST) and the action to demonetize the two highest denomination notes (86% of the currency notes in circulation). The GST legislation which is expected later this year will create a common Indian market, improve tax compliance and governance, and boost investment and growth; it is also a bold new experiment in the governance of India's cooperative federalism. Demonetisation has had short-term costs but holds the potential for long-term benefits.



The headline inflation as measured by the Consumer Price Index (CPI) remained under control for the third successive financial year.

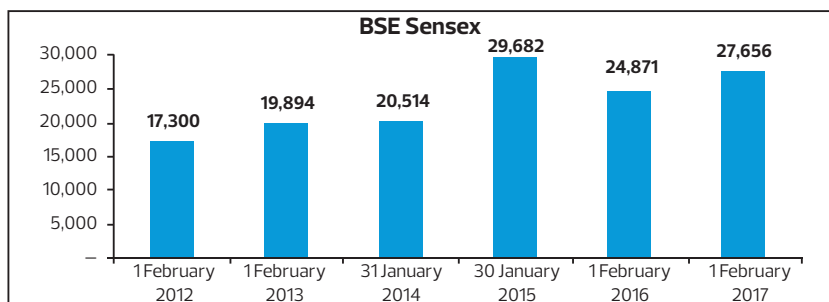
Despite moderation in India's exports, India's external sector position has been comfortable, with the current account deficit (CAD) progressively contracting from US\$ 88.2 billion (4.8% of GDP) in 2012-13 to US\$ 22.2 billion (1.1% of GDP) in 2015-16 and about 0.3% of GDP in the 1st half of 2016-17.

Foreign exchange reserves are at comfortable levels and are well above standard norms for reserve adequacy.



During 2016-17 (April-December), the Indian Rupee has depreciated by about 3.4% against the US\$.

The performance of the Indian equity markets also witnessed a steady growth post global economic slowdown last year wherein the BSE Sensex reached 27,656 on 1 February 2017 from the level of 24,871 as on 1 February 2016.



3.1 Individuals, HUFs, AOPs and BOIs

3.1.1 Tax rates

The Bill proposes certain modifications to the tax structure for individuals, HUFs, AOPs and BOIs. Consequently, the effective, proposed and present tax rates for FYs 2017–18 and 2016–17, in case of individuals, HUFs, AOPs and BOIs are as follows:



FY 2017–18		FY 2016–17	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
0 – 2,50,000#	Nil	0 – 2,50,000#	Nil
2,50,001# – 5,00,000*	5.15% [tax rate 5 % plus education cess 3% thereon] of income exceeding Rs. 2,50,000	2,50,001# – 5,00,000*	10.30% [tax rate 10% plus education cess 3% thereon] of income exceeding Rs. 2,50,000
5,00,001 – 10,00,000	Rs. 12,875 plus 20.60% [tax rate 20% plus education cess 3% thereon] of income exceeding Rs. 5,00,000	5,00,001 – 10,00,000	Rs. 25,750 plus 20.60% [tax rate 20% plus education cess 3% thereon] of income exceeding Rs. 5,00,000
10,00,001 – 50,00,000	Rs. 1,15,875 plus 30.90% [tax rate 30% plus education cess 3% thereon] of income exceeding Rs. 10,00,000	10,00,001 – 50,00,000	Rs. 1,28,750 plus 30.90% [tax rate 30% plus education cess 3% thereon] of income exceeding Rs. 10,00,000
50,00,001^–1,00,00,000	Rs.14,87,062 plus 33.99% [(tax rate 30% plus surcharge 10% thereon) plus education cess 3% thereon] of income exceeding Rs. 50,00,000	50,00,001 – 1,00,00,000	Rs. 13,64,750 plus 30.90% [tax rate 30% plus education cess 3% thereon] of income exceeding Rs. 50,00,000
1,00,00,001^ and above	Rs. 33,31,406 plus 35.535% [(tax rate 30% plus surcharge 15% thereon) plus education cess 3% thereon] of income exceeding Rs. 1,00,00,000	1,00,00,001^ and above	Rs. 33,46,213 plus 35.535% [(tax rate 30% plus surcharge 15% thereon) plus education cess 3% thereon] of income exceeding Rs. 1,00,00,000

- # Basic exemption income slab in case of a resident individual of the age of 60 years or more (senior citizen) & resident individual of the age of 80 years or more (very senior citizens) at any time during the previous year, continues to remain the same at Rs. 3,00,000 and Rs. 5,00,000 respectively.
- * A resident individual having income upto Rs. 3,50,000 is entitled to a rebate of tax payable [excluding education cess] or Rs. 2,500 whichever is less. (in FY 2016-17 rebate of Rs. 5,000 or tax payable [excluding education cess] whichever is less on income upto Rs. 5,00,000).
- ^ Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10% or 15% on the excess of income over Rs. 50,00,000 or Rs. 1,00,00,000 as the case may be is limited to the amount by which the income is more than Rs. 50,00,000 or Rs. 1,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the education cess.

3.1.2 Proposed tax incidence

The proposed incidence of income-tax for FY 2017-18 on individuals, senior citizens and very senior citizens, having different income levels can be exemplified as follows:

Annual Income (Rs.)	Tax Liability (Rs.)		
	Individuals* (including women)	Senior Citizens	Very Senior Citizens
2,50,000	-	-	-
3,00,000	-	-	-
3,50,000	2,575	-	-
4,00,000	7,725	5,150	-
5,00,000	12,875	10,300	-
8,00,000	74,675	72,100	61,800
10,00,000	1,15,875	1,13,300	1,03,000
25,00,000	5,79,375	5,76,800	5,66,500
50,00,000	13,51,875	13,49,300	13,39,000
75,00,000	23,36,812	23,33,980	23,22,650
1,00,00,000	31,86,562	31,83,730	31,72,400
1,50,00,000	51,08,156	51,05,195	50,93,350

*The tax incidence for HUFs, AOPs and BOIs will be same as that of individuals.

3.2 Companies

3.2.1 Domestic companies

The Bill proposes to reduce tax rate of domestic company with annual turnover or gross receipts not exceeding Rs. 50 crores in FY 2015–16 at 25% [plus applicable surcharge and education cess thereon]. The effective tax rates and MAT rates for such domestic companies for FYs 2017–18 and 2016–17 are as follows:

I. Domestic companies having total turnover / gross receipt in FY 2015–16 up to Rs. 50 crores				
Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2017–18	FY 2016–17	FY 2017–18	FY 2016–17
Having total income exceeding Rs. 10,00,00,000	28.84% [(tax rate 25% plus surcharge 12% thereon) plus education cess 3% thereon]	34.608% [(tax rate 30% plus surcharge 12% thereon) plus education cess 3% thereon]	21.3416% [(tax rate 18.5% plus surcharge 12% thereon) plus education cess 3% thereon]	
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	27.553% [(tax rate 25% plus surcharge 7% thereon) plus education cess 3% thereon]	33.063% [(tax rate 30% plus surcharge 7% thereon) plus education cess 3% thereon]	20.38885% [(tax rate 18.5% plus surcharge 7% thereon) plus education cess 3% thereon]	
Having total income upto Rs. 1,00,00,000	25.75% (tax rate 25% plus education cess 3% thereon)	30.90% (tax rate 30% plus education cess 3% thereon)	19.055% (tax rate 18.5% plus education cess 3% thereon)	

The effective tax rates and MAT rates for domestic companies other than above for FYs 2017–18 and 2016–17 are as follows:

II. Domestic companies having total turnover / gross receipt in FY 2015–16 above Rs. 50 crores				
Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2017–18	FY 2016–17	FY 2017–18	FY 2016–17
Having total income exceeding Rs. 10,00,00,000	34.608% [(tax rate 30% plus surcharge 12% thereon) plus education cess 3% thereon]		21.3416% [(tax rate 18.5% plus surcharge 12% thereon) plus education cess 3% thereon]	

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2017-18	FY 2016-17	FY 2017-18	FY 2016-17
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	33.063% [(tax rate 30% plus surcharge 7% thereon) plus education cess 3% thereon]		20.38885% [(tax rate 18.5% plus surcharge 7% thereon) plus education cess 3% thereon]	
Having total income upto Rs. 1,00,00,000	30.90% (tax rate 30% plus education cess 3% thereon)		19.055% (tax rate 18.5% plus education cess 3% thereon)	

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7% on the excess of income over Rs. 1,00,00,000, is limited to the amount by which the income is more than Rs. 1,00,00,000. Similarly, marginal relief is available to ensure that the additional income-tax payable, including surcharge of 12% on the excess of income over Rs. 10,00,00,000, is limited to the amount by which the income is more than Rs. 10,00,00,000. However, no marginal relief shall be available in respect of the education cess.

3.2.2 Foreign companies

No changes are proposed in the tax rate and surcharge. As such, the effective tax rates for foreign companies for FYs 2017-18 and 2016-17 are as follows:

Foreign Company	Effective Tax Rates	
	FY 2017-18	FY 2016-17
Having total income exceeding Rs. 10,00,00,000	43.26% [(tax rate 40% plus surcharge 5% thereon) plus education cess 3% thereon]	
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	42.024% [(tax rate 40% plus surcharge 2% thereon) plus education cess 3% thereon]	
Having total income upto Rs. 1,00,00,000	41.20% (tax rate 40% plus education cess 3% thereon)	

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 2% on the excess of income over Rs. 1,00,00,000, is limited to the amount by which the income is more than Rs. 1,00,00,000. Similarly, marginal relief is available to ensure that the additional income-tax payable, including surcharge of 5% on the excess of income over Rs. 10,00,00,000, is limited to the amount by which the income is more than Rs. 10,00,00,000. However, no marginal relief shall be available in respect of the education cess.

3.2.3 Tax on Dividend / Income distributed by domestic companies

No changes are proposed in the DDT rates for FY 2017–18 (the effective DDT rates for FY 2017–18 and 2016–17 are tabulated below).

The effective DDT rates for FY 2017–18 and 2016–17 are as follows:

Dividend Distribution Tax Rate	Effective Tax Rates	
	FY 2017–18	FY 2016–17
Rate of DDT on the amount of dividend received by the shareholders	20.925% [(tax rate 15% plus surcharge 12% thereon) plus education cess 3% thereon considering the grossing up provisions]	

The Finance Act, 2016 introduced tax on dividend at the rate of 10% in the hands of recipient i.e., individual, HUF or Firm who is resident in India if dividend received is in excess of Rs. 10,00,000. The rate (plus surcharge and education cess thereon) is on gross basis on the amount of dividend. The bill proposes to amend such provisions to cover **all the resident assessees** in its ambit except for domestic company and certain funds, trusts, etc.

3.3 Partnership Firms/LLPs

No changes are proposed in the tax rates. The effective tax rates for partnership firms/LLPs for FYs 2017–18 and 2016–17 are as follows:

Partnership Firms / LLPs	Effective Tax Rates	
	FY 2017–18	FY 2016–17
Having total income exceeding Rs. 1,00,00,000	34.608% [(tax rate 30% plus surcharge 12% thereon) plus education cess 3% thereon]	
Having total income upto Rs. 1,00,00,000	30.90% (tax rate 30% plus education cess 3% thereon)	

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 12% on the excess of income over Rs.1,00,00,000, is limited to the amount by which the income is more than Rs.1,00,00,000. However, no marginal relief shall be available in respect of the education cess.

3.4 AMT on non-corporate assessees

AMT continues on non-corporate assessees such as partnership firms, sole proprietorships, AOPs, HUFs, BOIs, etc. AMT is to be calculated on adjusted total income (if the adjusted total income of such person exceeds Rs. 20,00,000) if the regular income tax payable by such person is less than AMT. No change has been proposed in the AMT rates. However, surcharge rate of 10% for non–

corporate assesses other than firms is proposed to be levied in case the total income exceeds Rs. 50,00,000. The surcharge of 15% to be continued in case the total income exceeds Rs. 1,00,00,000. As such, the effective AMT for FYs 2017-18 and 2016-17 are as follows:

Non-corporate assessee	Effective AMT Rates	
	FY 2017-18	FY 2016-17
Individuals, HUF, AOP, BOI etc.		
Having total income exceeding Rs. 1,00,00,000	21.9133 % [(tax rate 18.50% plus surcharge 15% thereon) plus education cess 3% thereon]	21.9133% [(tax rate 18.50% plus surcharge 12% thereon) plus education cess 3% thereon]
Having total income exceeding Rs. 50,00,000	20.9605 % [(tax rate 18.50% plus surcharge 10% thereon) plus education cess 3% thereon]	19.055 % [(tax rate 18.50% plus education cess 3% thereon)]
Having total income upto Rs. 50,00,000	19.055 % [(tax rate 18.50% plus education cess 3% thereon)]	19.055 % [(tax rate 18.50% plus education cess 3% thereon)]
Firms / Others		
Having total income exceeding Rs. 1,00,00,000	21.3416% [(tax rate 18.50% plus surcharge 12% thereon) plus education cess 3% thereon]	
Having total income upto Rs. 1,00,00,000	19.055% (tax rate 18.50% plus education cess 3% thereon)	

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 10% / 12% / 15% (as applicable) on the excess of income over Rs. 50,00,000 or Rs. 1,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000 or Rs. 1,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the education cess.

3.5 Tax on Dividend Distributed by Mutual Funds

No change has been proposed in the income distributed by mutual funds. As such, the effective tax rates for FYs 2017-18 and 2016-17 are as follows:

Type of Income	Effective Tax Rate	
	FY 2017-18	FY 2016-17
Income distributed by a money market mutual fund or a liquid mutual fund to		
– an Individual or a HUF	42.07%* (considering the grossing up provisions)	42.07%* (considering the grossing up provisions)
– others	52.92%* (considering the grossing up provisions)	52.92%* (considering the grossing up provisions)

Type of Income	Effective Tax Rate	
	FY 2017-18	FY 2016-17
Income distributed by a mutual fund (including debt fund) other than a money market mutual fund or a liquid mutual fund to – an Individual or a HUF	42.07%* (considering the grossing up provisions)	42.07%* (considering the grossing up provisions)
– others	52.92%* (considering the grossing up provisions)	52.92%* (considering the grossing up provisions)
Income distributed by a mutual fund to non-residents (not being company) under infrastructure debt scheme	6.12%* (considering the grossing up provisions)	6.12%* (considering the grossing up provisions)

* The tax rates are inclusive of surcharge of 15% and education cess of 3% for Individual and HUF and surcharge of 12% and education cess of 3% thereon for others i.e. company, Firm, local authorities and co-operative society.

3.6 Tax on distributed income of domestic company for buy-back of shares

No change being proposed, the effective tax rate for distributed income of domestic companies for buy-back of shares for FYs 2017-18 and 2016-17 are as follows:

Particulars	Effective Tax Rates	
	FY 2017-18	FY 2016-17
Rate of tax on the amount of distributed income of domestic company	23.072% [(tax rate 20% plus surcharge 12% thereon) plus education cess 3% thereon]	

3.7 Other Entities

3.7.1 Co-operative societies

No change is proposed in the tax rate. As such, the tax rates for co-operative societies for FYs 2017-18 and 2016-17 are as follows:

Income slab (Rs.)	Effective Tax Rates	
	FY 2017-18	FY 2016-17
0 – 10,000	10.30%	
10,001 – 20,000	Rs. 1,030 plus 20.60% of income exceeding Rs. 10,000	
20,001 – 1,00,00,000	Rs. 3,090 plus 30.90% of income exceeding Rs.20,000	
Above 1,00,00,000	Rs. 34,57,339 plus 34.608% of income exceeding Rs. 1,00,00,000	

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 12% on the excess of income over Rs. 1,00,00,000, is limited to the amount by which the income is more than Rs. 1,00,00,000. However, no marginal relief shall be available in respect of the education cess.

3.7.2 Local authorities

No change is proposed in the tax rate. As such, the tax rates for local authorities for FYs 2017–18 and 2016–17 are as follows:

Local authorities	Effective Tax Rates	
	FY 2017–18	FY 2016–17
Having total income exceeding Rs. 1,00,00,000	34.608% [(tax rate 30% plus surcharge 12% thereon) plus education cess 3% thereon]	
Having total income up to Rs. 1,00,00,000	30.90% (tax rate 30% plus education cess 3% thereon)	

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 12% on the excess of income over Rs. 1,00,00,000, is limited to the amount by which the income is more than Rs. 1,00,00,000. However, no marginal relief shall be available in respect of the education cess.

3.8 Taxation of Income from transfer of Carbon Credits

A new section 115BBG of the IT Act is proposed to be inserted to provide that if the total income of the assessee includes any income from transfer of carbon credit, then such income shall be taxable at a concessional rate of 10 % (plus applicable surcharge and cess) on the gross amount of such income. No expenditure or allowance in respect of such income shall be allowed under the Act.

The G-20 economies comprising of 19 countries and the EU, account for almost 85% of the global GDP, 75% of world trade (including EU intra-trade) and two-third of the world population. Considering the significance of these economies and in order to provide an indicative overview of the prevailing tax rates in these key economies, a brief comparative matrix is provided below.

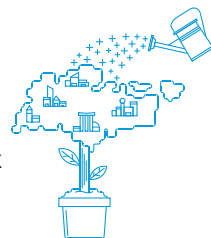


Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 and 2]
1.	Argentina	35%	35%
2.	Australia	30%	49%
3.	Brazil	34%	27.5%
4.	Canada	31%	54%
5.	China	25%	45%
6.	France	38.11%	45%
7.	Germany	32.98%	47.5%
8.	India	34.608%	35.535%
9.	Indonesia	25%	30%
10.	Italy	31.4%	43%
11.	Japan [Note 3]	30.86 %	55%
12.	Mexico	30%	35%
13.	Russia	20%	13%
14.	Saudi Arabia [Note 4]	0%	0%
15.	South Africa	28%	41%
16.	South Korea	24.2%	41.8%
17.	Turkey	20%	35%
18.	United Kingdom	20%	45%
19.	United States of America [Note 5]	35%	39.6%

Notes:

1. The above rates are MMR and inclusive of provincial or local taxes as may be applicable to domestic companies / resident individuals in respective countries.
2. The taxation regime for personal taxes is progressive for all the G-20 economies except Russia and Saudi Arabia.
3. Corporate tax @ 33.06% is indicative effective rate of tax. In addition, size based business tax is also levied on companies.
4. Corporate tax @ 20% is payable on the pro-rata income to the extent of non-resident shareholding. Saudi and the Gulf Cooperation Council (GCC) nationals or companies owned by them have to pay Zakat (i.e. a religious tax) @ 2.5%.
5. Corporate tax comprises of federal tax (35%) as well as state and local government taxes which vary from state to state. Personal tax comprises of federal tax (39.6%) and further, each state and local government can also levy tax on income.
6. The above rates are general rates to provide a comparative matrix. The detailed regulations in the relevant countries need to be referred for determining exact rates.

The IT Act provides for far reaching tax holidays and other tax incentives for businesses. We have briefly enumerated below, the significant tax holidays and incentives available to businesses along with the nature of deductions, eligibility criteria, quantum of deduction and period for which the deductions are available. The tax holidays and incentives are subject to fulfillment of specified conditions. The changes proposed by the Finance Bill, 2017 are highlighted in **BOLD** font:



Section	Details of Exemption / Deduction ^	Period	Quantum of Deduction
10AA	<p><u>New eligible unit set up in SEZ on or after 1 April 2005</u></p> <ul style="list-style-type: none"> ■ Exemption is available to the entrepreneur as referred to in Section (2j) of SEZ Act, 2005 for profits derived from export of articles or things or services, manufactured, or produced or provided by an eligible unit. ■ The profits and gains derived from on-site development of computer software (including services for development of software) outside India shall be deemed to be the profits and gains derived from the export of computer software outside India. ■ The benefit is also available to units engaged in cutting and polishing of precious and semi-precious stones. ■ The deduction under this section is to be computed in the same proportion, which the export turnover of the eligible unit bears with the total turnover of the said unit. ■ The eligible units availing these deductions will be subject to MAT / AMT @ 18.50% (plus applicable surcharge and education cess) ■ MAT / AMT paid shall be allowed to be carried forward up to 15 years and credit of MAT / AMT paid shall be available for set-off against the tax as per normal provisions in subsequent years. ■ In case deduction has been claimed under section 10AA for the specified business mentioned in section 35AD (8) (c), no deduction under section 35AD shall be available in the same or any other assessment year in respect of such specified business. ■ No deduction shall be available to units commencing manufacture or production of article or thing / providing services on or after 1 April 2020. ■ The deduction is allowed only on creation of a specified reserve, which is required to be utilized for specified purposes. 	<p>First 5 years</p> <p>Next 5 years</p> <p>Next 5 years+</p>	<p>100%</p> <p>50%</p> <p>50%</p>

Section	Details of Exemption / Deduction ^	Period	Quantum of Deduction
	<ul style="list-style-type: none"> It is proposed to clarify that the amount of deduction referred to in section 10AA shall be allowed from the total income computed in accordance with the provisions of the IT Act before giving effect to the provisions of the section 10AA and the deduction under section 10AA in no case shall exceed the said total income. 		
33AB	<u>Tea / Coffee / Rubber / development allowance</u> <ul style="list-style-type: none"> Deduction is available to assessee engaged in the business of growing and manufacturing tea, coffee or rubber in India. For claiming the deduction, the amount has to be deposited in a special account with NABARD or any Deposit Account opened by the assessee and approved by the Tea Board or Coffee Board or Rubber Board within 6 months from the end of the financial year or before the due date of furnishing the return of income, whichever is earlier. The amount has to be utilized by the assessee for specified purposes. 	Available for every AY	Up to 40% of profits or amount deposited, whichever is less
33ABA	<u>Site Restoration Fund – Petroleum or Natural Gas</u> <ul style="list-style-type: none"> Deduction is available to assessee engaged in the business of prospecting for, or extraction or production of petroleum or natural gas or both in India and in relation to which the Central Government has entered into an agreement with such assessee. For claiming the deduction, the amount has to be deposited in a special account with SBI opened by the assessee and approved by the Ministry of Petroleum and Natural Gas before the end of the financial year. The amount has to be utilized by the assessee for specified purposes. 	Available for every AY	Up to 20% of profits or amount deposited, whichever is less.

Section	Eligibility Criteria, Quantum and Period of Deduction ^
32(1) r.w. Rule 5 and Appendix 1	<u>Normal Depreciation</u> <ul style="list-style-type: none"> It is provided in the IT Act that in case of any block of assets, normal depreciation shall be allowed at the prescribed rates on the written down value. New Appendix I has been amended to provide that highest rate of depreciation under the IT Act shall be restricted to 40% from FY 2017-18 onwards.
32(1) (ii)	<u>Additional Depreciation</u> <ul style="list-style-type: none"> General rate of depreciation for plant and machinery is 15% (other than certain specified types of plant and machinery). An assessee engaged in the business of manufacture or production of any article or thing or in the business of generation or generation and distribution of power can claim

Section	Eligibility Criteria, Quantum and Period of Deduction ^															
	<p>the additional depreciation of 20% on the cost of new plant and machinery (other than ships and aircraft) which are acquired and installed after 31 March 2005.</p> <ul style="list-style-type: none">■ Further, higher additional depreciation @ 35% (instead of above 20%) in respect of the actual cost of eligible new machinery or plant acquired and installed by a manufacturing undertaking or enterprise which is set up in the notified backward area of the State of Andhra Pradesh or Telangana or Bihar or West Bengal on or after the 1 April 2015 and ending before the 1 April 2020. The eligible machinery or plant is mentioned in existing proviso to section 32(1)(iia) of the IT Act.■ The above additional depreciation shall be allowed only to the extent of 50% (i.e. 10% or 17.5%) if the machinery is put to use for a period less than 180 days in the year of its acquisition and installation and the balance 50% shall be allowed in the immediate next year.															
32AD	<p><u>Investment in new plant or machinery in certain states</u></p> <ul style="list-style-type: none">■ Additional investment allowance of an amount equal to 15% of the cost of new asset acquired and installed by an assessee, if:<ul style="list-style-type: none">i. It sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1 April 2015 in any notified backward areas in the State of Andhra Pradesh or Telangana or Bihar or West Bengal; andii. The new assets are acquired and installed for the purposes of the said undertaking or enterprise during the period 1 April 2015 to 31 March 2020.■ In case any new asset is sold or otherwise transferred within a period of 5 years, the deduction allowed above shall be deemed to be the income chargeable under the head 'Profits and Gains of business or profession' of the financial year in which such new asset is sold or otherwise transferred (In addition to taxability of gains on transfer of such new asset).															
35AD	<p><u>Deduction in respect of expenditure on specified businesses</u></p> <ul style="list-style-type: none">■ Any expenditure of capital nature (other than expenditure incurred on the acquisition of any land or goodwill or financial instrument) incurred, wholly and exclusively, during the year for specified business shall be allowed as deduction subject to the specified provisions.■ Specified business and the year (in which the operations to be commenced) for availing deduction under this section are tabulated as under: <table><tr><th>Sr. No</th><th>Specified Business</th><th>Specified year of Commencement</th></tr><tr><td>1</td><td>Setting up and operating a cold chain facility</td><td>From 1 April 2009 onwards *</td></tr><tr><td>2</td><td>Setting up and operating a warehousing facility for storing agricultural produce</td><td>From 1 April 2009 onwards *</td></tr><tr><td>3</td><td>Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network</td><td>From 1 April 2007 onwards</td></tr><tr><td>4</td><td>Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India</td><td>From 1 April 2010 onwards **</td></tr></table>	Sr. No	Specified Business	Specified year of Commencement	1	Setting up and operating a cold chain facility	From 1 April 2009 onwards *	2	Setting up and operating a warehousing facility for storing agricultural produce	From 1 April 2009 onwards *	3	Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network	From 1 April 2007 onwards	4	Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India	From 1 April 2010 onwards **
Sr. No	Specified Business	Specified year of Commencement														
1	Setting up and operating a cold chain facility	From 1 April 2009 onwards *														
2	Setting up and operating a warehousing facility for storing agricultural produce	From 1 April 2009 onwards *														
3	Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network	From 1 April 2007 onwards														
4	Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India	From 1 April 2010 onwards **														

Section	Eligibility Criteria, Quantum and Period of Deduction ^		
	Sr. No	Specified Business	Specified year of Commencement
	5	Building and operating a hospital with at least 100 beds for patients anywhere in India	From 1 April 2010 onwards *
	6	Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the Central or State Government, as the case may be, and which is notified by the Board in this behalf in accordance with the guidelines as may be prescribed	From 1 April 2010 onwards
	7	The Business of developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed	From 1 April 2011 onwards *
	8	Production of fertilizers in India through a new plant or a newly installed capacity in an existing plant	From 1 April 2011 onwards *
	9	Setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962	From 1 April 2012 onwards
	10	Bee-keeping and production of honey and beeswax	From 1 April 2012 onwards
	11	setting up and operating a warehousing facility for storage of sugar	From 1 April 2012 onwards
	12	Laying and operating a slurry pipeline for transportation of iron ore	From 1 April 2014 onwards
	13	Setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.	From 1 April 2014 onwards
	14	Developing or operating and maintaining or developing, operating & maintaining any infrastructure facilities.	From 1 April 2017 onwards

*Specified business referred at Sr. No. 1, 2, 5, 7 and 8 in the above table commencing operations on or after 1 April 2012 shall be eligible for deduction of 150% of capital expenditure incurred. The deduction shall be restricted to 100% of capital expenditure incurred on or after 1 April 2017.

** Where the assessee builds a hotel of 2 star or above category as classified by the Central Government and subsequently, while continuing to own the hotel, transfers the operation thereof to another person, the said assessee shall be deemed to be carrying on the 'specified business' of building and operating hotel as referred at Sr. No. 4 in the above table, with retrospective effect from AY 2011-12.

- Any asset, in respect of which a deduction is claimed and allowed under this section, shall be used only for the specified business for a period of 8 years beginning with the financial year in which such asset is acquired or constructed.
- Where such asset is used for any purpose other than the specified business, then, the total amount of deduction so claimed and allowed in any financial year in respect of such

Section	Eligibility Criteria, Quantum and Period of Deduction ^
	<p>asset (after reducing the depreciation allowable under section 32 of the IT Act on deduction allowed under section 35AD of the IT Act), shall be deemed to be income of the assessee chargeable under the head 'Profits and gains of business or profession'.</p> <ul style="list-style-type: none"> ■ While computing AMT, adjusted total income shall be increased by the deduction claimed under section 35AD of the IT Act as reduced by the amount of depreciation allowable under section 32 of the IT Act. ■ In case deduction has been availed under section 35AD of the IT Act on account of capital expenditure incurred for the purposes of specified business in any assessment year, no deduction under section 10AA of the IT Act or under the provisions of Chapter VI-A or under any other provisions of the IT Act shall be available in the same or any other assessment year in respect of such specified business. ■ It is proposed that any expenditure in respect of which payment or aggregate of payments made to a person in a day, otherwise than by account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds Rs. 10,000, then no deduction shall be allowed under section 35AD.
35CCA	<p><u>Deduction for payment towards rural development programmes</u></p> <ul style="list-style-type: none"> ■ 100% Deduction is allowed subject to fulfillment of certain conditions for any sums paid to: <ol style="list-style-type: none"> i. An association or institution for carrying out any programme of rural development ii. An association or institution for training of persons for implementation of rural development programme iii. National Fund For Rural Development iv. National Urban Poverty Eradication Fund
35CCC	<p><u>Weighted deduction of expenditure incurred on agriculture extension project</u></p> <ul style="list-style-type: none"> ■ This section provides for weighted deduction of 150% of the expenditure incurred on agricultural extension project. The conditions for eligibility of agricultural extension project have been provided under Rule 6AAD and Rule 6AAE of the IT Rules. The deduction would be reduced to 100% from FY 2020–21. ■ Further, where a deduction under this section is claimed and allowed for any assessment year, in respect of any expenditure on agricultural extension project, no deduction shall be allowed in respect of such expenditure under any other provisions of the IT Act for the same or any other assessment year.
35CCD	<p><u>Weighted deduction of expenditure incurred on skill development project</u></p> <ul style="list-style-type: none"> ■ Any expenditure (not being expenditure in the nature of cost of any land or building) incurred on skill development project shall be eligible for weighted deduction of 150% in the hands of a company. The conditions of eligibility of skill development project have been provided under Rule 6AAF to Rule 6AAH of the IT Rules. The deduction would be reduced to 100% from FY 2020–21. ■ Further, where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure on skill development project, no deduction shall be allowed in respect of such expenditure under any other provisions of the IT Act for the same or any other assessment year.

Section	Details of Deduction ^	Existing Quantum of deduction of sum paid / expenditure incurred	Proposed Quantum of deduction of sum paid / expenditure incurred
35(1)(i)	<u>Weighted deduction on various expenditure incurred on scientific research</u> Any expenditure (not being in nature of capital expenditure) laid or expended on scientific research related to business carried on by the assessee.	100%	100%
35(1)(ii)	Any sum paid to an approved research association, (which has its object of undertaking scientific research) or to a university, college or other institution to be used for scientific research.	175%	150%* 100%**
35(1)(iia)	Any sum paid to an approved company to be used by it for scientific research. Such approved company will not be entitled to claim weighted deduction under section 35(2AB) of the IT Act. However, deduction to the extent of 100% of the sum spent as revenue expenditure on scientific research, which is available under section 35(1)(i) of the IT Act will continue to be allowed.	125%	100%***
35(1)(iii)	Any sum paid to approved research association (which has its object of undertaking research) or university, college or other institution to be used for research in social science or statistical research.	125%	100%***
35(1)(iv)	Any capital expenditure (other than expenditure on land and building) incurred on scientific research related to the business carried on by the assessee.	100%	100%
35(2AA)	Any sum paid to a National Laboratory or a University or an Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research undertaken under a programme approved by the prescribed authority.	200%	150%* 100%**
35(2AB)	Any expenditure incurred up to 31 March 2017 (other than expenditure on cost of land and building), on in-house research and development facility, as approved by the prescribed authority, incurred by the company, engaged in the business of bio-technology or manufacture or production of article or thing (except those specified in the Eleventh Schedule). Deduction under the said section shall be allowed only if the company enters into an agreement with the prescribed authority for co-operation in such research and development facility and fulfills prescribed conditions with regard to maintenance and audit of accounts and also furnishes prescribed reports.	200%	150%* 100%**

* From FY 2017-18 to FY 2019-20

** From FY 2020-21 onwards

*** From FY 2017-18 onwards

Section	Eligibility Criteria, Quantum and Period of Deduction
44AD	It is proposed to amend section 44AD to reduce the existing rate of deemed total income of 8% to 6% in respect of the amount of such total turnover or gross receipts received less than Rs. 2 crore by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year. However, the existing rate of deemed profit of 8% referred to in section 44AD, shall continue to apply in respect of total turnover or gross receipts received in cash.
Exemptions from Capital Gains in certain cases ^	
Section	Eligibility Criteria, Quantum and Period of Deduction
54EC	<ul style="list-style-type: none"> ■ Capital gain on transfer of a long term capital asset shall be exempt from tax, if an assessee invests, within a period of 6 months from the date of transfer of a long-term capital asset, the capital gains in the specified asset. The specified asset must be held for a period of 3 years from the date of its acquisition. ■ This exemption shall be least of the following: <ul style="list-style-type: none"> - Investment in specified assets viz. any bonds notified by the Central Government in this behalf. The investment is restricted up to Rs. 50,00,000 per assessee per financial year. - Amount of capital gains. ■ Further, the exemption in respect of capital gains upon aforesaid investments made during the financial year in which the original asset or assets are transferred and in the subsequent financial year shall not exceed Rs. 50,00,000.
54EE	<ul style="list-style-type: none"> ■ Capital gain on transfer of a long term capital asset shall be exempt from tax, if an assessee invests the capital gains in the specified assets within a period of 6 months from the date of transfer of a long-term capital asset. ■ This exemption shall be least of the following: <ul style="list-style-type: none"> - Investment in specified assets viz. a unit or units, issued before the 1 April, 2019 of fund notified by the Central Government. - Rs. 50,00,000 per assessee per financial year - Amount of capital gains. ■ Further, the exemption in respect of capital gains upon aforesaid investments made during the financial year in which the original asset or assets are transferred and in the subsequent financial year shall not exceed Rs. 50,00,000. ■ The specified asset must be held for a period of 3 years from the date of its acquisition. Further, in a case an assessee takes any loan or advance on the security of such specified asset, he shall be deemed to have transferred such specified asset on the date on which such loan or advance is taken.
54G	<p>Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any area (other than an urban area) shall be eligible for exemption. This exemption shall be least of the following:</p> <ul style="list-style-type: none"> - Amount of capital gains; - Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.

	Exemptions from Capital Gains in certain cases ^
Section	Eligibility Criteria, Quantum and Period of Deduction
54GA	Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any SEZ shall be eligible for exemption. This exemption shall be least of the following: <ul style="list-style-type: none"> – Amount of capital gains; – Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.
54GB	<ul style="list-style-type: none"> ■ Long term capital gains shall be exempt in the hands of an individual or an HUF on sale of a residential property (house or plot of land) on or before 31 March 2017 in case of re-investment of the net consideration in the equity of a newly start-up SME company in the manufacturing sector and the SME company utilizes the said funds for purchase of new plant and machinery, subject to the certain conditions. ■ Long term capital gains arising on account of transfer of a residential property before 31 March 2019 shall not be charged to tax if such capital gains are invested in subscription of shares of a company which qualifies to be an eligible start-up. ■ Individual or HUF should hold more than 50% shares of the company and such company should utilize the amount invested to purchase new asset (including computers or computer software for technology driven eligible start-up) before due date of filing of return by the investor. ■ Eligible start-up and eligible business shall have the same meanings as assigned in section 80-IAC(4).
Section	Eligibility criteria, Quantum and period of deduction
9(1)(i) – Explanation (1)(e)	In the case of a foreign company engaged in the business of mining of diamonds, no income shall be taxed from the activities which are confined to the display of uncut and unsorted diamond in any special notified zone by the Central Government.
10(34)/ 10(35)	Dividend referred to in section 115-O and income received in respect of units of mutual fund or shares shall not be included in the total income of assessee (other than resident individual, HUF and firm earning dividend income from shares exceeding Rs. 10,00,000 in a financial year).
10 (34A)	Any income arising to an assessee, being a shareholder on account of buy back of shares as referred in section 115QA (not being listed on a recognized stock exchange) by the company shall not be included in the total income of assessee.
10(38)	<p>Capital gain arising from transfer of long term capital asset being an equity share in a company or a unit of an equity oriented funds or unit of a business trust, on which securities transaction tax is charged, is exempt from tax. However, this exemption is not available for computation of MAT.</p> <p>Further, any long term capital gains arising out of transaction undertaken on a recognised stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency shall also be exempt under the said section. Further, MAT under section 115JB shall be applicable at the concessional rate of 9% plus applicable surcharge and cess.</p> <p>It is proposed that, exemption under section 10(38) for income arising on transfer of equity</p>

Section	Eligibility criteria, Quantum and period of deduction
	share acquired or on after 1 October 2004 shall be available only if the acquisition of share is chargeable to STT. Further, it is also proposed to notify transfers for which the condition of chargeability to STT on acquisition shall not be applicable.
10 (48A)	Any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall not be included in the total income subject to approval of Central Government.
10 (48B)	Any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from a facility in India after the expiry of an agreement or an arrangement shall also be exempt subject to such conditions as may be notified by the Central Government.
115BBD	Any dividend declared, distributed or paid by the specified foreign company to Indian company (where the Indian company is holding 26% or more of the equity share capital) shall be taxable at a concessional tax rate of 15%.
115BBF	Any royalty income earned by resident patentee in India in respect of a patent developed and registered in India shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of royalty.
115BBG	Income from transfer of carbon credit shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of such income. However, no expenditure or allowance in respect of such income shall be allowed under the Act.
115-O	In computing DDT liability, dividend declared by the domestic holding company to its shareholders shall be reduced to the extent of: <ol style="list-style-type: none"> Dividend received from the domestic subsidiary company during the year on which DDT has already been paid by subsidiary under this section. Dividend received from the specified foreign subsidiary during the year on which tax is payable by the holding company under section 115BBD of the IT Act. No tax on distributed profits shall be chargeable in respect of the total income of a company, being a unit of an International Financial Service Centre, deriving Income solely in convertible foreign exchange.

Deductions of Profits derived by Newly Established Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80-IA / 80- IAB / 80- IAC / 80- IB / 80-IBA/ 80- IC / 80- ID / 80- IE / 80JJA / 80LA) ^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
1.	<u>Specified Infrastructure Projects</u> [Section 80-IA(4)(i)] Enterprise being company or consortium of companies registered in India or any authority or board or a corporation or any other body established or constituted under any Central or State Act, for carrying on business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining of any infrastructure facility (such as road including toll road, bridge, rail system, highway project, water supply project, water treatment	Company / Any other body established or constituted under any Central or State Act	100%	For any 10 consecutive years out of first 15 years (20 years for road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	system, irrigation project, sanitation and sewage system or solid waste management system, airport, port, inland waterways and inland ports or navigational channel in the sea) commencing its operations on or after 1 April 1995. Widening of an existing road by constructing additional lanes as a part of highway project is also regarded as a new infrastructure facility eligible for deduction as per Circular No. 4/2010 dated 18 May 2010. Deduction shall not be available to a person executing above referred activities as a works contract. No deduction shall be available if the specified activity commences on or after 1 April 2017.			and sewerage system or solid waste management system).
2.	<u>Telecommunication Service Providers</u> [Section 80-IA(4)(ii)] Any undertaking which starts providing telecommunication services, whether basic or cellular, including radio paging, domestic satellite service or network of trunking, broadband network and internet services on or after 1 April 1995 but before 31 March 2005. Deduction shall not be available to a person executing the above referred services as a works contract.	All	100% 30%	First 5 years Next 5 years Any 10 consecutive years out of first 15 years
3.	<u>Development of Industrial Park</u> [Section 80-IA(4)(iii)] Any undertaking which begins to develop or develops and operates or maintains and operates an industrial park which has commenced operations during 1 April 1997 to 31 March 2011. Deduction shall not be available to person executing the above referred services as a works contract.	All	100%	Any 10 consecutive years out of first 15 years
4.(a)	<u>Power Undertakings</u> [Section 80-IA(4)(iv)] ■ Undertaking set up in any part of India for the generation or generation and distribution, of power, which has commenced operations during 1 April 1993 to 31 March 2017. ■ Undertaking which starts transmission or	All	100%	Any 10 consecutive years out of first 15 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>distribution by laying a network of new transmission or distribution lines between 1 April 1999 and 31 March 2017.</p> <ul style="list-style-type: none"> ■ Undertaking which undertakes substantial renovation and modernization of the existing network of transmission or distribution lines between 1 April 2004 and 31 March 2017. ■ Deduction shall not be available to a person executing the above referred activities as a works contract. 			
4.(b)	<p><u>Undertakings for revival of Power Generating Units</u> [Section 80-IA(4)(v)]</p> <p>Undertaking owned by Indian Company (formed before 30 November 2005 and notified before 31 December 2005) set up for reconstruction or revival of a power generating unit, which has commenced operations in power before 31 March 2011. Deduction shall not be available to person executing the above referred activities as a works contract.</p>	Indian Company	100%	Any 10 consecutive years out of first 15 years
5.	<p><u>Developer of SEZ</u> [Section 80-IAB]</p> <p>Any assessee being developer of a SEZ notified by the Central Government after 1 April 2005 can claim deduction under section 80-IAB.</p> <p>No deduction shall be available if the specified activity commences on or after 1 April 2017.</p>	All	100%	Any 10 consecutive years out of first 15 years
6.	<p><u>Start-up Undertaking</u> [Section 80-IAC]</p> <ul style="list-style-type: none"> ■ Undertaking being an eligible start-up in business which involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property. ■ The total turnover of the company should not exceed Rs. 250 million in any of the previous years beginning on or after 1 April 2016 and ending on 31 March 2021. ■ It holds a certificate of eligible business 	Company or LLP incorporated between 1 April 2016 to 1 April 2019	100%	Any 3 consecutive years out of first 7 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government.</p> <ul style="list-style-type: none"> ■ It is not formed by the transfer to a new business of machinery or plant previously used for any purpose (except if such transfer value does not exceed 20% of the total value of plant and machinery). ■ It is not formed by splitting up, or the reconstruction, of a business already in existence. ■ It is proposed to amend section 79 for an eligible start-up that loss shall be carried forward and set off against the income of the previous year, if all the shareholders of such company which held shares carrying voting power on the last day of the year or years in which the loss was incurred, being the loss incurred during the period of 7 years beginning from the year in which such company is incorporated, continue to hold those shares on the last day of such previous year. 			
7.	<p><u>Production of mineral oil and natural gas [Section 80-IB(9)]</u></p> <ul style="list-style-type: none"> ■ Any undertaking which is engaged in refining of mineral oil and begins such refining on or after 1 October 1998 but not later than 31 March 2012 subject to specified conditions. ■ The tax holiday is also available in respect of profits arising from commercial production of natural gas from blocks which are licensed under the VIII Round of bidding for award of exploration contracts under the New Exploration Licensing Policy announced by the Government of India and IV Round for Coal Bed Methane and begins commercial production of natural gas on or after 1 April 2009. <p>No deduction shall be available if the specified activity commences on or after 1 April 2017.</p>	All	100%	First 7 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
8	<p><u>Undertaking engaged in processing /preservation / transportation of specified food items</u> [Section 80-IB(11A)]</p> <ul style="list-style-type: none"> ■ An undertaking deriving profit from the integrated business of handling, storage and transportation of food grains subject to such business beginning its operations on or after 1 April 2001. ■ The benefit is extended to undertakings engaged in the business of processing, preservation and packaging of fruits and vegetables. ■ Further, the benefit is extended to the undertakings engaged in the business of meat and meat products or poultry or marine or dairy products which begin to operate such business on or after 1 April 2009. 	<p>Company</p> <p>Others</p>	<p>100% 30%</p> <p>100% 25%</p>	<p>First 5 years Next 5 years</p> <p>First 5 years Next 5 years</p>
9.	<p><u>Operating and Maintaining Hospital</u> [Section 80-IB(11C)]</p> <ul style="list-style-type: none"> ■ Any undertaking engaged in the business of operating and maintaining a hospital in India other than specified excluded areas. ■ The undertaking shall be eligible for the deduction if such hospital is constructed in accordance with the local regulations in force; and has at least 100 beds for patients. ■ The said tax benefit is available to a hospital which is constructed and has started or starts functioning at any time during the period beginning 1 April 2008 and ending on 31 March 2013. 	All	100%	First 5 years
10.	<p><u>Affordable Housing Project</u> [Section 80-IBA]</p> <ul style="list-style-type: none"> ■ Any undertaking engaged in the business of developing and building housing projects approved by the competent authority between 1 June 2016 and 31 March 2019. ■ The project should be completed within a period of 5 years from the date of approval. ■ The deduction is allowed subject to fulfillment of various conditions like minimum area of land, minimum floor area ratio of land, maximum carpet area 	All	100%	Not Applicable

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>(instead of built-up area) of residential and commercial unit etc.</p> <ul style="list-style-type: none"> ■ It is proposed that the restriction of 30 square meters on the size of the residential unit shall not apply to the place located within the distance of 25 kms from the municipal limits of the Chennai, Delhi, Kolkata or Mumbai. ■ Separate books of account in respect of the housing project ■ Not more than 1 residential unit is allotted to any individual or the spouse or the minor children of such individual. ■ Deduction shall not be available to a person executing the housing project as works contract. 			
11.	<p><u>Undertakings in special category states [Section 80-IC]</u></p> <ul style="list-style-type: none"> ■ Undertakings and enterprises, which begins to manufacture or produce any article or thing which is not specified in Thirteenth Schedule or undertakings and enterprises, which manufactures or produces any article or thing which is not specified in Thirteenth Schedule and undertake substantial expansion of existing undertakings. ■ Undertakings and enterprises, which begin to manufacture or produce any article or thing which is specified in Fourteenth Schedule or commences any operation specified in that Schedule or undertakings and enterprises, which manufactures or produces any article or thing which is specified in Fourteenth Schedule or commence any operation specified in that Schedule and undertake substantial expansion. <ol style="list-style-type: none"> If located in Sikkim, from 23 December 2002 to 31 March 2007. If located in North Eastern States*, from 24 December 1997 to 31 March 2007. If located in Himachal Pradesh and Uttarakhand, from 7 January 2003 to 31 March 2012. <p>* States of Assam, Tripura, Meghalaya, Mizoram, Nagaland, Manipur and Arunachal Pradesh.</p>	<p>All</p> <p>Company</p> <p>Others</p>	<p>100%</p> <p>100% 30%</p> <p>100% 25%</p>	<p>First 10 years</p> <p>First 5 years Next 5 years</p> <p>First 5 years Next 5 years</p>

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
12.	<p><u>Convention Centre and Hotels in notified areas</u> [Section 80-ID]</p> <ul style="list-style-type: none"> ■ Any undertaking engaged in business of hotels in specified area of the National Capital Territory subject to fulfillment of certain conditions: <ol style="list-style-type: none"> a. Engaged in the business of hotel located in specified area; or b. Engaged in the business of building, owning and operating a convention centre located in specified area, which has started its operations from 1 April 2007 to 31 July 2010. ■ The aforesaid deduction has been extended to any undertaking engaged in the business of hotel located in specified districts having 'World Heritage Sites' if such hotel is constructed and has started functioning during the period beginning 1 April 2008 and ending on 31 March 2013. ■ The benefit is available to 2 star, 3 star or 4 star hotels. 	All	100%	First 5 years
13.	<p><u>Undertakings in North Eastern States</u> [Section 80-IE]</p> <ul style="list-style-type: none"> ■ New undertakings and enterprises, which begin to manufacture or produce any eligible article or thing or provide any services or undertake substantial expansion or carry on any eligible business in any of the North Eastern states beginning from 1 April 2007 to 31 March 2017. ■ The eligible businesses for this purpose are hotel (not below 2 star category), adventure and leisure sports including ropeways, providing medical and health services in the nature of nursing home with a minimum capacity of 25 beds; running an old-age home; operating vocational training institute for hotel management, catering and food craft, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion designing and industrial training; running information technology related training centre; manufacturing of 	All	100%	First 10 years

[illegible]

*The above deduction, exemption, incentive and allowance are subject to fulfillment of specified conditions mentioned in the IT Act.

6.1 Business Entities

6.1.1 Extending the period for claiming deduction by start ups

It is proposed to amend section 80-IAC of the IT Act so as to provide that, 100% deduction for any profit and gain derived from eligible business, can be claimed by an eligible start up for any 3 consecutive assessment years out of 7 years (instead of 5 years earlier) beginning from

the year in which such eligible start up is incorporated, subject to other specified conditions.



6.1.2 Carry forward and set off of loss in case of start ups

It is proposed to amend section 79 of the IT Act to provide that where a change in shareholding has taken place in a private limited company and being an eligible start up as referred to in section 80-IAC of the IT Act, the loss shall be allowed to be carried forward and set off against the income of the previous year, if all the shareholders of such company who held shares carrying voting power on the last day of the year or years in which the loss was incurred, continue to hold those shares on the last day of such previous year where set-off is claimed and such loss was incurred during the period of 7 years beginning from the year in which such company is incorporated.

6.1.3 Rationalization of provision of section 80-IBA to promote affordable housing

It is proposed to amend section 80-IBA of the IT Act so as to provide the following relaxations:

- The size of residential unit shall be measured by taking into account the "carpet area" as defined in Real Estate (Regulation and Development) Act, 2016 and not the "built-up area".
- 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.
- The condition of period of completion of project for claiming deduction under this section shall be increased from existing 3 years to 5 years.

6.1.4 Extending the period of carry forward and set off of MAT and AMT credit

It is proposed that, the MAT credit determined can be carried forward up to 15 Ays immediately succeeding the AY in which such tax credit becomes allowable.

Further similar amendment is proposed to allow carry forward of AMT determined up to 15 AYs.

It is further proposed that the amount of tax credit in respect of MAT / AMT 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 or FTC allowable against the tax computed under regular provision of the IT Act.

6.1.5 Income from transfer of carbon credits

It is proposed to insert a new section 115BBG in the IT Act to provide that where the total income of the assessee includes any income from transfer of carbon credit, such income shall be taxable at a concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of such income. No expenditure or allowance in respect of such income shall be allowed under the IT Act.

6.1.6 Rate of deemed total income reduced for promoting digital payments

It is proposed to amend section 44AD of the IT Act to reduce the existing rate of deemed total income of 8% to 6% in respect of the amount of such total turnover or gross receipts received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in section 139(1) of the IT Act in respect of that previous year.

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

6.1.7 Restriction on cash transactions

It is proposed to insert section 269ST in the IT Act to provide that no person shall receive an amount of Rs. 3,00,000 or more–

- in aggregate from a person in a day;
- in respect of a single transaction; or
- in respect of transactions relating to one event or occasion from a person,

otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.

It is further proposed to provide that the said restriction shall not apply to Government, any banking company, post office savings bank, co-operative

bank and other persons or class of persons or receipts as may be notified.

Transactions of the nature referred to in section 269SS are proposed to be excluded from the scope of the said section.

It is also proposed to insert new section 271DA in the IT Act to provide for levy of penalty on a person who receives a sum in contravention of the provisions of the proposed section 269ST of the IT Act. The penalty is proposed to be a sum equal to the amount of such receipt. The said penalty shall however not be levied if the person proves that there were good and sufficient reasons for such contravention.

It is also proposed to consequentially amend the provisions of section 206C of the IT Act to omit the provision relating to tax collection at source @ 1% of sale consideration on cash sale of jewellery exceeding Rs. 5,00,000.

This amendment will take effect from 1 April 2017.

6.1.8 Cash payment for capital expenditure

It is proposed to amend a provision of section 43 of the IT Act to provide that where an assessee incurs any expenditure for acquisition of any asset in respect of which a payment or aggregate of cash payment made to a person in a day in cash exceeds Rs. 10,000, such expenditure shall be ignored for the purpose of determination of actual cost of such asset.

Further to that it is also proposed to amend section 35AD of the IT Act to provide that, an assessee incurs any expenditure in respect of which a payment or aggregate of payment made to a person in a day in cash exceeds Rs.10,000, no deduction shall be allowed in respect of such expenditure under section 35AD of the IT Act.

6.1.9 Reduction in threshold limit of cash expenses for purpose of disallowance under section 40A(3) of the IT Act

It is proposed to amend the provision of section 40A of the IT Act to provide the following:

- (i) To reduce the existing threshold of cash payment to a person from Rs. 20,000 to Rs. 10,000 in a single day; i.e. any payment in cash above Rs. 10,000 to a person in a day, shall not be allowed as deduction in computation of Income from "Profits and gains of business or profession";

- (ii) Deeming a payment as profits and gains of business of profession if the expenditure is incurred in a particular year but the cash payment is made in any subsequent year of a sum exceeding Rs. 10,000 to a person in a single day.

6.1.10 Exclusion of certain specified person from requirement of audit of accounts under section 44AB

It is proposed to amend section 44AB of the IT Act to exclude an eligible person, who declares profits for the previous year in accordance with the provisions of section 44AD(1) of the IT Act and his total sales, total turnover or gross receipts, as the case may be, in business does not exceed Rs. 2,00,00,000 in such previous year, from requirement of audit of books of accounts under section 44AB of the IT Act.

6.1.11 Tax implications of house property held as stock in trade

It is proposed to amend section 23 to provide that where the house 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 upto 1 year from the end of the FY in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be NIL.

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

It is proposed to amend section 115JB so as to provide the framework for computation of book profit for Ind-AS compliant companies in the year of adoption and thereafter. The main features of the proposed framework are as under:

A. MAT on Ind-AS compliant financial statement

- i. No further adjustments to the net profits before other comprehensive income of Ind-AS compliant companies, other than those already specified under section 115JB of the Act shall be made.
- ii. The other comprehensive income includes 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:

Sr No	Items	Point of time
1.	Changes in revaluation surplus of PPE and Intangible assets (Ind-AS 16 and Ind-AS 38)	To be included in book profits at the time of realisation/ disposal/ retirement or otherwise transferred
2.	Gains and losses from investments in equity instruments designated at fair value through other comprehensive income (Ind-AS 109)	To be included in book profits at the time of realisation/ disposal/ retirement or otherwise transferred
3.	Remeasurements of defined benefit plans (Ind-AS 19)	To be included in book profits every year as the remeasurements gains and losses arise
4.	Any other item	To be included in book profits every year as the gains and losses arise

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

B. MAT on first time adoption

- i. The adjustments 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. Several of these items would subsequently never be reclassified to the statement of profit and loss / included in the computation of book profits. Accordingly, the following treatment is proposed:
 - I. Those adjustments 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;
 - II. Those adjustments 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 –

Sr No	Items	Point of time
5.	Changes in revaluation surplus of PPE and Intangible assets (Ind-AS 16 and Ind-AS 38)	To be included in book profits at the time of realisation/ disposal/ retirement or otherwise transferred
6.	Gains and losses from investments in equity instruments designated at fair value through other comprehensive income (Ind-AS 109)	To be included in book profits at the time of realisation/ disposal/ retirement or otherwise transferred
7.	Remeasurements of defined benefit plans (Ind-AS 19)	To be included in book profits equally over a period of five years starting from the year of first time adoption of Ind-AS
8.	Any other item	To be included in book profits equally over a period of five years starting from the year of first time adoption of Ind-AS

- III. All other adjustments 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 profit and loss account, 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 subject to the following:

a) PPE and intangible assets at fair value as deemed cost

An entity may use fair value in its opening Ind-AS Balance Sheet as deemed cost for an item of PPE or an intangible asset. In such cases the treatment shall be as under –

- The existing provisions for computation of book profits under section 115JB of the IT Act provide that in case of revaluation of assets, any impact on account of such revaluation shall be ignored for the purposes of computation of book profits. Further, the adjustments in retained earnings on first time adoption with respect to items of PPE and intangible assets shall be ignored for the purposes of computation of book profits.
- Depreciation shall be computed ignoring the amount of aforesaid retained earnings adjustment.
- Similarly, gain/loss on realisation/ disposal/ retirement of such assets shall be computed ignoring the aforesaid retained earnings adjustment.

b) Investments in subsidiaries, joint ventures and associates at fair value as deemed cost

An entity may use fair value in its opening Ind-AS Balance Sheet as deemed cost for investment in a subsidiary, joint venture or associate in its separate financial statements. In such cases, retained earnings adjustment shall be included in the book profit at the time of realisation of such investment.

c) Cumulative translation differences

- An entity may elect a choice whereby the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to Ind-AS. Further, the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to Ind-AS and shall include only the translation differences after the date of transition.
 - In such cases, to ensure that such cumulative translation differences on the date of transition which have been transferred to retained earnings, are taken into account, these shall be included in the book profits at the time of disposal of foreign operations.
- ii. All other adjustments to retained earnings at the time of transition (including for example, Decommissioning Liability, Asset retirement obligations, Foreign exchange capitalisation/ decapitalization, Borrowing costs adjustments etc.) shall be included in book profits, equally over a period of 5 years starting from the year of first time adoption of Ind-AS.
- iii. Section 115JB of the IT Act already provides for adjustments on account of deferred tax and its provision. Any deferred tax adjustments recorded in Reserves and Surplus on account of transition to Ind-AS shall also be ignored.

C. 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 proposed that for the purposes of computation of book profits 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 FY 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 FY 2016–17 (AY 2017–18) and thereafter. Further, in this case, the period of five years proposed above shall be FYs 2016–17, 2017–18, 2018–19, 2019–20 and 2020–21.

As the Ind-AS is required to be adopted mandatorily by certain companies from FY 2016–17, these amendments will apply in relation to the AY 2017–18 and subsequent AYs.

6.1.13 Rationalisation of provisions of section 10AA of the IT Act

It is proposed to clarify that the amount of deduction referred in section 10AA of the IT Act shall be allowed from the total income of the assessee computed in accordance with the provisions of the IT Act and the deduction under section 10AA of the IT Act shall in no case subject to other specified conditions exceed the total income of the assessee.

6.1.14 Rationalisation of section 211 and section 234C in relation to presumptive taxation regime applicable to professionals

It is proposed to amend section 211(1)(b) of the IT Act to provide that the assessee who declares profits and gains in accordance with presumptive taxation regime provided under section 44ADA of the IT Act shall also be liable to pay advance tax in one installment on or before 15 March.

It is also proposed to make consequential amendments in section 234C(1) of the IT Act to provide that in respect of an assessee referred to in section 44ADA of the IT Act, interest under said section shall be levied, if the advance tax paid on or before 15 March is less than the tax due on the returned income.

These amendments will take effect from 1 April 2017 and will apply in relation to AY 2017–18 and onwards.

6.1.15 Rate of tax deduction at source under section 194J is reduced for payments to call center

It is proposed to amend section 194J of the IT Act to reduce the rate of deduction of tax at source to 2% from 10% in case of payments received or credited to a payee, being a person engaged only in the business of operation of call center.

This amendment will take effect from the 1 June 2017.

6.1.16 Enabling claim of credit for foreign tax paid in cases of dispute

It is proposed to insert sub-section (14A) in section 155 of the IT Act to provide that where credit for foreign taxes paid is not given for the relevant AY on the grounds that the payment of such foreign tax was in dispute, the AO shall rectify the assessment order or an intimation under section 143(1) of the IT Act, if the assessee, within 6 months from the end of the month in which the dispute is settled, furnishes proof of settlement of such dispute, submits evidence before the AO that the foreign tax liability has been discharged and furnishes an undertaking that credit of such amount of foreign tax paid has not been directly or indirectly claimed or shall not be claimed for any other AY.

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

It is proposed to amend section 36(1)(vii) of the IT Act so as to provide that, a schedule bank, a non-schedule bank or a co-operative bank other than a primary agriculture credit society or a primary co-operative agriculture and rural development bank, can claim deduction in respect of provision for bad and doubtful debts up to 8.5% of the amount of the total income as against 7.5% under the erstwhile provision.

6.1.18 Disallowance under Income from other sources for non-deduction of tax

It is proposed to amend section 58(1A) of the IT Act so as to provide that section 40(a)(ia) shall also apply in computing income chargeable under the head "Income from Other Sources" as they apply in computing income chargeable under the head "Profit and gains of Business or Profession".

6.2 Personal

6.2.1 Special provisions for computation of capital gains in case of JDA for Individual and HUF

In case of the owner of land being an individual or HUF, who enters into a specified agreement for development of a project and faces capital gains tax in the year of transfer, it has been proposed to insert a section 45(5A) of the IT

Act to provide that the capital gains shall be chargeable to 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.

Further, it has been proposed that for the purpose of section 48 of the IT Act, the stamp duty value of his share, being land or building or both, in the project on the date of issuing of said certificate of completion as increased by any monetary consideration received, 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.

The aforesaid benefit shall not be available to an assessee who transfers his share in the project to any other person on or before the date of issue of the said certificate of completion. In that case, the capital gain shall be deemed to be income of previous year in which such transfer takes place and the full value of consideration received or accruing as a result of transfer shall be determined in accordance with provision of the IT Act and not in accordance with provision of this subsection.

Further, with effect from 1 April 2017, a new section 194IC of the IT Act has been inserted where in case any monetary consideration is payable under the joint development agreement, the same shall be subject to withholding at the rate of 10%.

6.2.2 Threshold limit for maintenance of books of accounts in case of Individuals and HUF increased

In case of Individuals and HUFs carrying on business or profession as referred in section 44AA(2)(i) and 44AA(2)(ii) of the IT Act, the monetary limits of income and total sales or turnover or gross receipts, etc. as specified in said clauses for maintenance of books of accounts are proposed to be increased from Rs. 1,20,000 to Rs. 2,50,000 and from Rs. 10,00,000 to Rs. 25,00,000 respectively.

6.2.3 Deduction of tax at source in the case of certain individuals and HUF

It is proposed to insert a new section 194-IB in the IT Act to provide that Individuals or a HUFs (other than those liable for tax audit), paying rent exceeding Rs.50,000 for a month or part of month during the previous year, to a resident, shall deduct an amount equal to 5% of such income as income-tax thereon.

It is further proposed that the deductor shall not be required to obtain TAN as

per section 203A of the IT Act. It is also proposed that the deductor shall be liable to deduct tax only once in a previous year i.e. credit or payment thereof, for the last month of the previous year or for the last month of tenancy, whichever is earlier.

It is also proposed to provide that where the tax is required to be deducted as per the provisions of section 206AA, such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of the tenancy, as the case may be.

This amendment is with effect from 1 June 2017.

6.2.4 Tax-exemption to partial withdrawal from National Pension System Trust

Section 10(12A) of the IT Act provides that payment from National Pension System Trust to an employee on closure of his account or opting out shall be exempt up to 40% of total amount payable to him.

In order to provide further relief to an employee subscriber of NPS, it is proposed to insert clause (12B) in section 10 of the IT Act so as to provide exemption for partial withdrawal not exceeding 25% 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.

6.2.5 Rationalisation of deduction under section 80CCD for self-employed individual

In order to provide parity between an individual who is an employee and an individual who is self-employed, it is proposed to amend section 80CCD of the IT Act so as to increase the upper limit of 10% of gross total income to 20% in case of individual other than employee.

6.3 Non Resident

6.3.1 Clarity relating to Indirect transfer provisions

Explanation 5 to section 9(1)(i) of the IT Act provides that an asset or capital asset, being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be situated in India, if the share or interest derives, directly or indirectly, its value substantially from the assets located in India.

It is proposed to insert Explanation 5A to section 9(1)(i) of the IT Act to provide

that the Explanation 5 shall not apply to any asset or capital asset mentioned therein being investment held by non-resident, directly or indirectly, in a FII, as referred to in clause (a) of the Explanation to section 115AD of the IT Act, and registered as Category-I or Category-II FPI under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 made under the SEBI Act, 1992, as these entities are regulated and broad based. This proposed amendment is clarificatory in nature.

This amendment will take effect retrospectively from 1 April 2012 and will apply in relation to AY 2012-13 and onwards.

6.3.2 Clarification on applicability of tax rate to non-residents

As per the existing provisions of the IT Act, long-term capital gains arising to non-resident from the transfer of shares of a company not being a company in which public are substantially interested, shall be chargeable to tax at the rate of 10%. It is clarified in the Bill that the said concessional rate will be effective from 1 April 2013.

6.3.3 Cost of acquisition in tax neutral demerger of a foreign company

Under the existing provision of section 47(vic) of the IT Act, the transfer of shares of an Indian company by a demerged foreign company to a resulting foreign company is not regarded as transfer. It is proposed to amend section 49 of the IT Act so as to provide that cost of acquisition of the shares of Indian company referred to in section 47(vic) of the IT Act in the hands of the resulting foreign company shall be the same as it was in the hands of demerged foreign company.

6.3.4 Extension of capital gain exemption to RDB

Relief is available in respect of gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of RDB of an Indian company to subscribers of such bonds. Now, it is proposed to provide such relief to secondary holders as well.

Further, with a view to facilitate transfer of RDB from non-resident to non-resident, it is proposed to amend section 47 of the IT Act so as to provide that any transfer of capital asset, being RDB of Indian company issued outside India, by a non-resident to another non-resident shall not be regarded as transfer.

6.3.5 Extension of eligible period of concessional tax rate on interest payable to Non-resident in case of ECB and extension of the said benefit to RDB

The existing provision of section 194LC of the IT Act provides that the concessional rate of TDS at the rate of 5% shall be applicable only if a ECB loan agreement is entered into with non-resident at any time on or after 1 July 2012 but before 1 July 2017 or by way of issue of specified long term bonds on or after 1 October 2014 but before 1 July 2017.

It is proposed to amend section 194LC so as to provide that the aforesaid concessional rate of TDS at rate of 5% will now be available in respect of borrowing made before 1 July 2020. The said benefit under section 194LC is also proposed to extend to the RDB issued outside India before 1 July 2020.

This amendment will be effective retrospectively from 1 April 2016.

6.3.6 Extension of eligible period of concessional tax rate under section 194LD to FII or QFI on their investments in Government Securities and bonds

It is proposed to amend section 194LD to provide that the concessional tax rate of 5% shall be applicable on interest income before 1 July 2020 payable to FII or QFI on their investments in Government securities and rupee denominated corporate bonds provided that the rate of interest does not exceed the rate notified by the Central Government in this behalf.

6.4 Transfer Pricing

6.4.1 Scope of specified domestic transactions is restricted

It is proposed to provide that expenditure in respect of which payment has been made by the assessee to a person referred to under section 40A(2)(b) of the IT Act, is to be excluded from the scope of section 92BA of the IT Act. Accordingly, the transfer pricing provisions for SDT are applicable only where one of the related entities avails specified profit-linked deductions. Consequential amendments are proposed in section 40(A)(2)(b) of the IT Act.

These amendments will take effect from 1 April 2017 and will accordingly apply for AY 2017–18 and subsequent years.

6.4.2 Restriction on interest deduction for payments to non-resident

In order to align with the recommendations of OECD BEPS Action Plan 4, it is proposed to insert a new section 94B of the IT Act, to provide that the interest expense which is deductible in computing income chargeable under the head 'Profits and gains of business or profession' is restricted to 30% of its EBITDA or interest paid / payable to AEs, whichever is less.

The provision is applicable to an Indian company, or a PE of a foreign company being the borrower who pays interest in respect of any form of debt issued to a non-resident or to a PE of a non-resident and who is an AE of the borrower. The provision is applicable where interest expense exceeds Rs. 1,00,00,000.

Further, the debt shall be deemed to be treated as issued by an AE where it provides an implicit or explicit guarantee to the lender or deposits a corresponding and matching amount of funds with the lender.

The provisions allow for carry forward of disallowed interest expense upto 8 AYS immediately succeeding the AY for which the disallowance was first made and allow deduction against the income computed under the head 'Profits and gains of business or profession' to the extent of maximum allowable interest expenditure.

It is further proposed to exclude banks and insurance business from the ambit of the said provisions.

6.4.3 Introduction of secondary adjustment provision for charging interest

In order to align the transfer pricing provisions with OECD transfer pricing guidelines and international best practices, it is proposed to insert a new section 92CE in the IT Act to provide that the assessee is required to carry out secondary adjustment where the primary adjustment to transfer price, has been made suo moto by the assessee in his ROI; or made by the AO and has been accepted by the assessee; or is determined by an APA; or is made as per SHR; or is arising as a result of resolution of an assessment by way of MAP.

It is proposed to provide that where as a result of primary adjustment to the transfer price, there is an increase in total income or reduction in loss, as the case may be, of the assessee, the excess money which is available with its AE, if not repatriated to India within the time, as may be prescribed, shall be deemed to be an advance made by the assessee to such AE and the interest on such advance, shall be computed as the income of the assessee, in the manner as may be prescribed.

Such secondary adjustment shall not apply if, the amount of primary adjustment does not exceed Rs. 1,00,00,000 and the primary adjustment is made in respect of an assessment year commencing on or before 1 April 2016.

Secondary adjustment means an adjustment in the books of accounts of the assessee and its AE to reflect that the actual allocation of profits between the

assessee and its AE are consistent with the transfer price determined as a result of primary adjustment, thereby removing the imbalance between cash account and actual profit of the assessee.

6.4.4 Penalty on professionals for furnishing incorrect information in statutory report or certificate

It is proposed to insert a new section 271J in the IT Act so as to provide that if an accountant or a merchant banker or a registered valuer, as may be defined, furnishes incorrect information in a report or certificate under any provisions of the IT Act or the IT Rules made thereunder, the AO or the Commissioner (Appeals) may levy a penalty of Rs. 10,000 for each such report or certificate issued.

It is also proposed to provide through amendment of section 273B that, if the person proves that there was reasonable cause for the aforesaid failure, then penalty shall not be imposable.

6.4.5 Rationalisation of time limits for completion of assessment, reassessment and re-computation and reducing the time limit for revised return

It is proposed to amend section 153(1) of the IT Act, to provide that, for AY 2018–19 the time limit for making assessment order under sections 143 or 144 of the IT Act has been advanced by 3 months and accordingly, the time limit for completion of TP Assessments has also been advanced.

For AY 2019–20 and onwards, it is proposed to advance the time limit for completion of assessment, reassessment and re-computation by further 6 months.

This amendment will take effect from 1 April 2017.

6.5 General

6.5.1 Period of holding reduced in case of immovable property for capital gain purposes

It is proposed to amend section 2(42A) of the IT Act to reduce the period of holding from existing 36 months to 24 months, in case of immovable property, being land or building or both, to qualify as long term capital asset.

6.5.2 Tax neutral conversion of preference shares to equity shares

It is proposed to amend section 47 of the IT Act to provide that the conversion of preference share of a company into its equity share shall not be regarded as

transfer. Consequential amendments are also proposed in section 49 of the IT Act and section 2(42A) of the IT Act in respect of cost of acquisition and period of holding.

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

The provisions of section 143(1D) of the IT Act provide that the processing of a return shall not be necessary, where a notice has been issued to the assessee under section 143(2) of the IT Act.

In order to address the grievance of delay in issuance of refund in genuine cases which are routinely selected for scrutiny assessment, it is proposed that provisions of section 143(1D) of the IT Act shall cease to apply in respect of returns furnished for AY 2017-18 and onwards.

However, to address the concern of recovery of revenue in doubtful cases, it is proposed to insert a new section 241A in the IT Act to provide that, for the returns furnished for AY commencing on or after 1 April 2017, where refund of any amount becomes due to the assessee under section 143(1) of the IT Act and the AO is of the opinion that grant of refund may adversely affect the recovery of revenue, he may, for the reasons recorded in writing and with the previous approval of the PCIT or CIT, withhold the refund up to the date on which the assessment is made.

These amendments will take effect from 1 April 2017.

6.5.4 No interest under section 234C on tax on dividend income as per section 115BBDA

Tax on certain dividends received from domestic companies is to be levied under section 115BBDA of the IT Act with effect from the 1 April 2017, if such income exceeds Rs. 10,00,000. It is hence proposed to provide that if shortfall in payment of advance tax is on account of under-estimation or failure in estimation of income of the nature referred to in section 115BBDA of the IT Act, the interest under section 234C shall not be levied subject to fulfillment of conditions specified therein.

These amendments will take effect from 1 April 2017 and will apply in relation to AY 2017-18 and onwards.

6.5.5 Bar on exemption of long term capital gains tax under section 10(38)

Under the existing provisions of the section 10(38) of the IT 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 1 October 2014 and is chargeable to STT.

It is proposed to amend section 10(38) of the IT Act to provide that any income arising from the transfer of a long term capital asset, being an equity share in a company shall not be exempted, if the transaction of acquisition, other than the acquisition notified by the Central Government in this behalf, of such equity share is entered into on or after 1 October 2004 and such transaction is not chargeable to STT. This will exclude 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.

6.5.6 Fair Market Value to be full value of consideration in certain cases

It is proposed to insert a new section 50CA to provide that where consideration for transfer of share of a company (other than quoted share) is less than the 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'.

6.5.7 Rationalization of taxation of Income by way of dividend

It is proposed to extend the scope of section 115BBDA of the IT Act to provide that any dividend income from domestic company in excess of Rs.10,00,000 received by all resident specified assessee, shall be chargeable to tax @ 10% on gross basis. The specified assessee means a person other than a domestic company, a fund or institution or trust or any university or any hospital as specified under Section 10(23C) or trust or institution registered under section 12AA.

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

It has been proposed to amend section 55 of the IT Act to provide that the cost of acquisition of an asset acquired before 1 April 2001 shall be taken as fair market value as on 1 April 2001 and the cost of improvement shall include only those capital expenses which are incurred after 1 April 2001.

Consequential amendment is also proposed in section 48 so as to align the provisions relating to cost inflation index to the proposed base year i.e. FY 2001-02.

6.5.9 Restriction on cash donation

It is proposed to amend section 80G so as to provide that no deduction shall be allowed under section 80G in respect of donation of any sum exceeding Rs. 2,000, unless such sum is paid by any mode other than cash.

6.5.10 Rationalisation of time limits for completion of assessment, reassessment and re-computation and reducing the time limit for revised return

The existing provisions of section 153 specify time limit for completion of assessment, reassessment and re-computation of cases mentioned therein.

On account of digitization process, it is proposed to amend section 153(1) of the IT Act, to provide that for AY 2018-19, the time limit for making an assessment order under sections 143 or 144 of the IT Act shall be reduced from existing 21 months to 18 months from the end of the AY; and for AY 2019-20 and onwards, the said time limit shall be 12 months from the end of the AY in which the income was first assessable.

It is further proposed to amend section 153(2) of the IT Act to provide that the time limit for making an order of assessment, reassessment or re-computation under section 147 of the IT Act, in respect of notices served under section 148 of the IT Act on or after 1 April 2019 shall be 12 months from the end of the financial year in which notice under section 148 of the IT Act is served.

It is also proposed to amend section 153(3) of the IT Act to provide that the time limit for making an order of fresh assessment in pursuance of an order passed or received in FY 2019-20 and onwards under sections 254 or 263 or 264 of the IT Act shall be 12 months from the end of the FY in which order under section 254 of the IT Act is received or order under section 263 or 264 of the IT Act is passed by the authority referred therein.

These amendments will take effect from 1 April 2017.

6.5.11 Rationalisation of the provisions in respect of time limits for completion of search assessment

It is proposed to amend Section 153A(1) of the IT Act to provide that for search and seizure cases conducted in the FY 2018-19, the time limit for making an

assessment order under section 153A shall be reduced from existing 21 months to 18 months from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed.

It is further proposed that for search and seizure cases conducted in the FY 2019–20 and onwards, the said time limit shall be further reduced to 12 months from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed.

It is further proposed to provide 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 12 months from the end of the financial year in which books of accounts or documents or assets seized or requisitioned are handed over under section 153C to the AO having jurisdiction over such other persons, whichever is later.

It is also proposed to insert a proviso to the Explanation of the said section to provide that where a proceeding before the Settlement Commission abates under section 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, not be less than 1 year; and where such period of limitation is less than 1 year, it shall be deemed to have been extended to 1 year.

These amendments will take effect from 1 April 2017.

6.5.12 Widening scope of Income from other sources

Under the existing provisions of section 56(2)(vii), 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 HUF, is chargeable to income-tax in the hands of the resident 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 income-tax in case such receipt is in excess of Rs. 50,000 and is received without consideration or for inadequate consideration.

It is proposed to insert a new clause and expand the scope of the provisions of the section to all categories of persons, except certain trusts or institutions, so

as to provide that receipt of the sum of money or 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'. Further, the existing provisions of section 56(2)(vii) and 56(2)(viii) shall be omitted.

This amendment will take effect from 1 April 2017 for any money or property received on or after 1 April 2017.

6.5.13 Fee for delayed filing of ROI

It is proposed to insert a new section 234F in the IT Act to provide that fee for delay in furnishing ROI not filed within the due date specified under section 139(1) of the IT Act. The proposed fee is:

Particulars	Fee
Furnishing of ROI after due date but on or before 31 December of the AY	Rs.5,000
In any other case	Rs.10,000
In a case where total income does not exceed Rs.500,000	Maximum Rs.1,000

Consequential amendments have been proposed in sections 140A and 143(1) of the IT Act.

Further, consequentially, it is also proposed that the provisions of section 271F in respect of penalty for failure to furnish ROI shall not apply in respect of AY 2018–19 and onwards.

6.5.14 Restriction on set-off of loss from house property

Section 71 of the IT Act provides for set-off of loss from one head against income from another.

It is proposed to insert sub-section (3A) in section 71 of the IT Act to provide that set-off of loss under the head 'Income from house property' against any other head of income shall be restricted to Rs. 2,00,000 for any AY. However, the unabsorbed loss shall be allowed to be carried forward for set-off in subsequent years in accordance with the existing provisions of the IT Act.

6.5.15 Rationalisation of provisions of the IDS and consequential amendment to section 153A and 153C of the IT Act

It is proposed to omit Section 197(c) of the Finance Act, 2016 which provides that where any income has accrued, arisen or been received or any asset has been acquired out of such income prior to commencement of the IDS and no declaration in respect of such income is made under IDS, such income shall be deemed to have accrued, arisen or received, as the case may be, in the year in which a notice under section 142(1), 143(2), 148, 153A or 153C of the IT Act is issued by the AO, and provisions of the said IT Act shall apply accordingly.

This amendment will take effect retrospectively from 1 June 2016.

However, in order to protect the interest of the revenue in cases where tangible evidence(s) are found during a search or seizure operation (including 132A cases) and the same is represented in the form of undisclosed investment in any asset, it is proposed that section 153A of the IT Act relating to search assessments be amended to provide that notice under the said section can be issued for an AY or years beyond the 6th AY already provided upto the 10th AY if:

- the AO has in his possession books of accounts or other documents or evidence which reveal that the income which has escaped assessment, amounts to or is likely to amount to Rs. 50,00,000 or more in 1 year or in aggregate in the relevant 4 assessment years (falling beyond the 6th year);
- such income escaping assessment is represented in the form of asset;
- the income escaping assessment or part thereof relates to such year or years.

It is however proposed that the amended provisions of section 153A of the IT Act shall apply where search under section 132 of the IT Act is initiated or requisition under section 132A of the IT Act is made on or after 1 April 2017.

The change in rates effected in the Customs and Central Excise regulations shall be effective from 2 February 2017 and legislative changes shall be effective from the enactment of Finance Bill, 2017 unless otherwise specified. The changes in Service Tax regulations shall be effective from the date of enactment of the Bill, unless otherwise specified.



7.1 Service Tax

7.1.1 General

- There is no change in effective rate of Service Tax. i.e Service Tax rate shall be at 15% (Basic Rate 14% plus Swachh Bharat Cess 0.5% plus Krishi Kalyan Cess 0.5%).

7.1.2 Amendment in scope of negative list of services and exempted services

- Services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption as per entry number (f) and the definition of 'process amounting to manufacture' has been transferred from negative list of services to Mega exemption notification.
- Exemptions have been amended for the following services –
 - Services provided by the Army, Naval and Air Forces Group Insurance Funds by way of life insurance to member of the Army, Navy and Air forces under the Group Insurance Schemes of the Central Government:
 - Retrospective exemption proposed for the said service from 10 September 2004 till 1 February 2017.
 - Refund of service tax so collected in prior period shall be available.
 - Application for refund shall be made within 6 months from the date on which Finance Bill 2017 receives the assent of the President.
 - Exemption on said services shall continue w.e.f 2 February 2017 vide new Entry No 26D in Notification No 25/2012–ST dated 20 June 2012.

- Scope of exemption expanded by including all 2 year full time Post Graduate Programmes in Management for the Post Graduate Diploma in Management to which admission are made on the basis of Common Admission Test (CAT) conducted by Indian Institute of Management. Earlier the exemption benefit was restricted to 2 year full time residential Post Graduate Programmes. The same shall take effect from 2 February 2017.
- Retrospective exemption proposed for services provided by State Government Industrial Development Corporations/ Undertakings to industrial units by way of granting long term (30 years or more) lease of industrial plots from so much of service tax leviable thereon under section 66B of the Finance Act from 1 June 2007 to 21 September 2016. Refund for service tax so collected in prior period shall be available. Application for refund shall be made within 6 months from the date on which Finance Bill 2017 receives the assent of President. The said service is currently exempt from levy of service tax from 22 September 2016 vide notification No 41/2016-ST dated 22 September 2016.
- Consideration in form of Viability Gap Funding received against services provided by selected air lines to the government towards transportation of passengers embarking from or terminating at a Regional Connectivity Scheme Airport shall be exempt from levy of service tax. The said exemption shall be valid for the period 1 year from the date on which such Regional Connectivity Scheme Airports commence operations as notified by the Ministry of Civil Aviation. The same shall take effect from 2 February 2017.

7.1.3 Amendment in Service Tax (Determination of Value) Rules, 2006

- Retrospective amendment proposed to exclude the value of property in land or undivided share of land from the service portion in execution of works contract which is in the nature of transfer of goods and land or undivided share of land as the case may be.

7.1.4 Other Significant Amendment

- Research and Development Cess Act, 1986
 - It is proposed to repeal Research and Development Cess Act, 1986.
 - Due to repealment of above Act, exemption from levy of service

tax (including swachh bharat cess and krishi kalyan cess), as per Notification 14/2012–ST dated 17 March 2012, on a taxable service involving import of technology on which Research and Development Cess is payable, shall be redundant. Consequently, the said exemption has been proposed to be removed.

7.2 Customs Duty

7.2.1 General

- Peak rate of Basic Customs Duty (BCD) remains unchanged @ 10%.

7.2.2 Ores and Concentrates

- Export duty on other aluminum ores and concentrates has increased from NIL rate to 30%.
- Export duty on other aluminum ores including laterite has increased from NIL rate to 15%.

7.2.3 Leather and Other Leather Products

- BCD on vegetable tanning extracts, i.e. Wattle extract and Myrobalan fruit extract to reduce from 7.5% to 2.5%.
- Limit of duty free import of eligible items for manufacture of leather footwear or synthetic footwear or other leather products has increased from 3% to 5% of FOB value of goods exported during the preceding FY.

7.2.4 Metals

- BCD on Co-polymer coated MS tapes / stainless steel tapes for manufacture of telecommunication grade optical fibres or optical fibre cables, subject to actual user condition has increased from NIL rate to 10%.
- BCD on MgO coated cold rolled steel coils for use in manufacture of CRGO steel, subject to actual user condition has reduced to 5% from 10%.
- BCD on Hot Rolled Coils for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306, subject to actual user condition has reduced to 10% from 12.5%.
- BCD on nickel to be at NIL rate from 2.5%.

7.2.5 Renewable Energy

- BCD on solar tempered glass for use in the manufacture of

solar cells/panels/modules subject to actual user condition is reduced to NIL rate from 5%.

- CVD on parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition is reduced to 6% from 12.5%.
- BCD, CVD and SAD on resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user condition is changed from 7.5%, 12.5% and 4% respectively to 5%, NIL and NIL respectively.
- 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.

7.2.6 Others

- 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%.
- BCD, CVD and SAD no more applicable to POS card, micro ATM, Finger print reader or scanner.
- BCD reduced on Liquefied Natural Gas from 5% to 2.5%.
- Applicable BCD and CVD on all parts for manufacture of LED lights or fixtures have changed to 5% and 6% respectively.
- Rate of BCD on cashew nut, roasted, salted or roasted and salted is increased from 30% to 45%.
- Rate of BCD on RO membrane element for household type filters is increased from 30% to 45%
- Custom Duty on import of goods sought to be disposed off, is to be paid on the depreciated value (SLM Basis) calculated as below except where exemption is applicable:
 - for each quarter in the 1st year at the rate of 4%
 - for each quarter in the 2nd year at the rate of 3%

- for each quarter in the 3rd year at the rate of 2.5%
- for each quarter in the 4th year and subsequent years at the rate of 2% subject to the maximum of 70%.
- Goods imported through postal parcels, packets and letters, of CIF value not more than Rs. 1,000 per consignment.
- New provision for furnishing passenger and crew arrival / departure manifest and passenger name record information of arriving/departing passengers proposed to be introduced.
- 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.

7.3 Central Excise

7.3.1 General

- The general effective rate of BED remained unchanged @ 12.5%.

7.3.2 Precious metals and Jewellery

- Exemption from BED in respect of following goods shall now be subject to condition that no CENVAT credit has been availed by manufacturer of goods:

Sr. No.	Description of excisable goods
1	Waste and scrap of precious metals or metals clad with precious metals arising in the course of manufacture falling under chapter 71.
2	Strips, wires, sheets, plates and foils of silver
3	Articles of silver jewellery other than those studded with diamond, ruby, emerald or sapphire.
4	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.

7.3.3 Renewable Energy

- Following excise duty changes have been effected –

Particulars	Old rate of Excise Duty	New rate of Excise duty
Solar tempered glass for use in manufacture of – (i) solar photovoltaic cells or modules (ii) solar power generating equipment or systems (iii) flat plate solar collectors (iv) solar photovoltaic module and panel for water pumping and other applications	NIL	6%
Parts / raw material for use in manufacture of solar tempered glass for use in – (i) solar photovoltaic cells or modules (ii) solar power generating equipment or systems (iii) flat plate solar collectors (iv) solar photovoltaic module and panel for water pumping and other applications	12.5%	6%
Catalyst/Resin for use in manufacture of cast components for Wind Operated Electricity Generator	12.5%	NIL
All items of machinery required for – (i) fuel cell based system for generation of power or for demonstration purpose (ii) balance of systems operating on biogas/bio-methane/ by-product hydrogen	12.5%	6%

7.3.4 Miscellaneous

- Exemption from excise duty has been extended upto 30 June 2017 on devices (excluding mobile phones or tablet computers) used in the process of cashless transactions like point of sales machines, finger print readers etc. including the parts and components used for manufacture of the said products.

- Following excise duty changes have been effected –

Particulars	Old rate of Excise Duty	New rate of Excise duty
BED on all parts for manufacture of LED lights or fixtures including LED lamps subject to actual user condition – applicable till 30 June 2017	Applicable Duty	6%
Additional excise duty in respect of unmanufactured tobacco	4.2%	8.3%
Additional excise duty in respect of Pan Masala	6%	9%
Excise duty on Motor Vehicles for transport of more than 13 passengers – applicable retrospectively w.e.f. 1 January 2017	27%	12.5%

7.3.5 Amendment in CENVAT Credit Rules, 2004

- It is proposed to amend Rule 10 of CENVAT Credit Rules, 2004 providing 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. Presently, no such time limit is prescribed for transfer of CENVAT Credit.
- It is proposed to increase the scope of the term 'Value' for the purpose of calculation of reversal as per provisions of CENVAT Credit Rules, 2004 for banking company and financial institution including non-banking financial company, engaged in providing services by way of extending deposits, loans or advances. The term 'Value' for the said companies / institutions shall include the value of services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

7.3.6 Certain other Amendments

- It is proposed to amend Rule 21 of Central Excise Rules, 2002 for providing time limit of 3 months (further extendable by 6 months) for granting remission of duty.

7.3.7 Clarification has been issued pertaining to EOU

- Non-applicability of exemptions vide notifications issued under section 5A of the Central Excise Act, 1944 is only in respect of excisable goods

produced or manufactured by an Export Oriented Unit (EOU) and cleared to DTA and not in respect of inputs/raw materials procured by them domestically and utilised for production/manufacture of goods. It has been clarified that EOU shall be eligible to import or procure raw materials/inputs at concessional/Nil rate of BCD, excise duty/CVD or SAD, as the case may be, provided they fulfill all conditions for being eligible to such concessional or NIL duty.

7.4 Amendments applicable to Service Tax, Customs and Central Excise

- Following amendments have been proposed in relation to Advance Ruling:
 - Definition of 'authority' has been substituted to mean an authority for advance ruling as constituted under section 245-O of IT Act.
 - Application fees for seeking advance ruling has been increased to Rs. 10,000/- from Rs.2,500/-
 - Time limit increased for providing advance ruling from 90 days to 6 months.
 - Pending applications before the authority for Advance Ruling (Central Excise, Customs and Service Tax) shall be transferred to the Authority constituted under section 245-O of the IT Act from the stage at which such application or proceeding stood.
- Following amendments have been proposed in relation to Settlement Commission :
 - Clause has been inserted in section 32E of Central Excise Act, 1994 for allowing any person other than assessee to make an application to settlement commission in respect of show cause 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.
 - The settlement commission shall amend its order within a period of 3 months from the date of its passing to rectify an error.

7.5 Goods and Service Tax

- Substantial progress for roll out of GST in 2017 by the government and by other stakeholders.
- Model GST Law and Rules almost finalised by teams of officers from

central and state board.

- Recommendation of key issues like broad contours of GST Rate structure, threshold exemption and other parameters for composition scheme, compensation mechanism for states and compensation law, examination of draft GST law, drafting IGST law and administrative mechanism finalised by GST council based on consensus and spirited debate in 9 meetings of the council.
- Preparation of IT system for GST is on schedule.
- Extensive efforts by the government to reach out to trade and industry, proposed from 1 April 2017 to spread awareness of GST.
- Centre has assured that it shall strive to achieve the goal of implementation of GST as per schedule.
- Accordingly, government has not made any changes in current regime of Excise and Service Tax since they are likely to be replaced by GST in immediate future.

8.1 FEMA

- 8.1.1 FIPB to be abolished in FY 2017-18 and further liberalisation of FDI Policy is under consideration. A roadmap for phasing out of FIPB will be announced in next few months.



8.2 Financial Sector

- 8.2.1 It is proposed to allow systemically important NBFCs (which are regulated by RBI and have prescribed net worth), to be categorised as Qualified Institutional Buyers by SEBI at par with banks and insurance companies, making them eligible for participation in IPOs with specifically earmarked allocations.
- 8.2.2 Commodities and securities derivative markets would be further integrated by integrating the participants, brokers and operational framework.
- 8.2.3 Paperless online mechanism is proposed for registration as brokerage firms, MFs, portfolio managers and other market intermediaries and linking demat accounts with Aadhaar.
- 8.2.4 SEBI, RBI and CBDT will jointly put in place the necessary mechanisms and procedures for a common application form for registration, opening of bank and demat accounts and issuing PAN for FPIs. This will greatly enhance operational flexibility and ease of access to Indian capital markets.
- 8.2.5 Listing and trading of Security Receipts issued by a securitization company or a reconstruction company under the SARFAESI will be permitted in SEBI registered stock exchanges. This will enhance capital flows into the securitization industry and will particularly be helpful to deal with NPAs of banks.
- 8.2.6 A Computer Emergency Response Team for the Financial Sector will be established for Cyber Security. This entity will work in close co-ordination with all financial sector regulators and other stakeholders.
- 8.2.7 It is proposed to create a Payments Regulatory Board within the RBI by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems.
- 8.2.8 Amendment to the RBI Act to enable the issuance of electoral bonds in accordance with a scheme as may be notified by the Central Government.

8.3 Infrastructure Development

- 8.3.1 Granting infrastructure status to affordable housing sector will provide a boost in volume of construction activity across the country.

- 8.3.2 The Airports Authority of India Act, 1994 will be amended to enable monetisation of land assets and unlock their value.
- 8.3.3 In the aviation sector, select airports in tier-II cities have been proposed for development through PPP mode which will complement the regional connectivity plans.
- 8.3.4 A new Metro Rail Policy will be announced with focus on innovative models of implementation and financing as well as standardization and indigenization of hardware and software.
- 8.3.5 A new Metro Rail Act will be enacted by rationalizing the existing laws. This will facilitate greater private participation and investment in construction and operation.

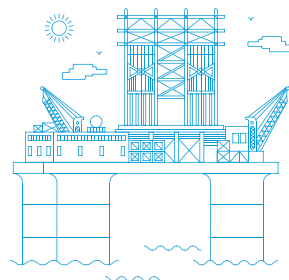
8.4 Certain Other Proposals

- 8.4.1 The shares of railway public sector enterprises like IRCTC, IRFC and IRCON will be listed on stock exchanges.
- 8.4.2 A new ETF with diversified CPSE stocks and other government holding will be launched in FY 2017-18.
- 8.4.3 The number of tribunals have multiplied with overlapping functions and hence, it is proposed to rationalise the number of tribunals and merge tribunals wherever appropriate.
- 8.4.4 To foster a conducive labour environment, legislative reforms will be undertaken 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 have been circulated to all States for consideration and adoption.
- 8.4.5 An expert committee to be constituted to integrate spot market and derivatives market in the agricultural sector for commodities trading.
- 8.4.6 The Government will launch 2 new schemes to promote the usage of BHIM, i.e. Referral Bonus Scheme for individuals and a Cashback Scheme for merchants.
- 8.4.7 Aadhar Pay, a merchant version of Aadhar Enable Payment System to be launched shortly.
- 8.4.8 Amendment to be made to Negotiable Instruments Act with regards to dishonoured cheques.
- 8.4.9 Provisions relating to POEM and GAAR separately notified and to be operative from FY 2016-17 and FY 2017-18 respectively with certain safeguards.
- 8.4.10 No announcement on deferment of ICDS and thus, would be applicable from FY 2016-17.

9.1 Gems And Jewellery Industry

9.1.1 Key Highlights

- The Indian gems and jewellery industry is one of the largest in the world with a share of 29% in global jewellery consumption.
- The domestic gems and jewellery market was estimated to be around US\$ 50 billion in 2015 and is predicted to grow at a rate of 13% p.a. to reach US\$ 80–85 billion by 2018.
- Overall exports from the gem and jewellery industry in India during the first 9 months of fiscal year 2016–17 stood at US\$ 26.23 billion, with an increase of 10.02% over US\$ 23.84 billion exported in the same period last year.
- The exports of cut and polished diamonds during the fiscal year 2016–17 period is likely to increase by 13.06% to US\$ 16.88 billion this year from US\$ 14.93 billion last year, while the import of rough diamonds increased from US\$ 10.12 billion last year to US\$ 12.69 billion this year, an increment of 25.39%.



9.1.2 Positive Proposals / Impact

- Corporate tax rate for companies having annual turnover upto Rs. 50,00,00,000 (for the FY ending 31 March 2016) reduced to 25% (plus applicable surcharge and cess).
- Under scheme of presumptive income for businesses having annual turnover up to Rs. 2,00,00,000, presumptive income of 6% to be counted for turnover through banking and electronic clearing transactions instead of 8% in respect of cash turnover.
- Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs. 1,00,00,000 to Rs. 2,00,00,000.
- MAT / AMT credit allowed to be carried forward for 15 years instead of 10 years at present.
- Conversion of preference shares in to equity shares shall not be regarded as transfer for the purpose of capital gains.
- 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.
- 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.
- Concessional tax rate of 5% on interest earned by foreign entities in external commercial borrowings or in Rupee denominated bonds and Government securities, extended upto 30 June 2020.
- Domestic Transfer Pricing Scope is relaxed and will be applicable only if one of the entities involved in related party transaction, enjoys specified

profit-linked deduction.

- No changes in excise or service tax rates or laws in line with the impending GST rollout.
- Labour laws to be streamlined and consolidated. Model Shops & Establishment law to be liberalized for working hours, employment of women, etc.

9.1.3 Negative Proposals / Impact

- 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 56(2)(x) proposed to be inserted to deem income where money or property is transferred without or for inadequate consideration in excess of Rs. 50,000 for all persons except specific funds and trust.
- Section 94B to be inserted to provide that interest expenses (threshold of Rs. 1,00,00,000 or more) claimed by an entity shall be restricted to 30% of its earnings before EBITDA or interest paid or payable to AE, whichever is less, with carry forward permitted up to 8 AYs (thin capitalization rule).
- Where as a result of primary adjustment to the transfer price, there is an increase in the total income or reduction in the loss, of the assessee, the excess money which is available with its AE, if not repatriated to India within the time frame as may be prescribed, shall be deemed to be an advance made by the assessee to such AE and the interest on such advance, shall be computed as the income of the assessee, in the manner as may be prescribed.
- No transaction above Rs. 3,00,000 would be permitted in cash subject to certain exceptions. Penalty equivalent to sum received in cash to be levied.
- Existing limit of Rs. 20,000 for making payment in cash in respect of any expenditure will be reduced to Rs. 10,000.
- Section 80G deduction not to be allowed on cash donation above Rs.2,000 instead of Rs.10,000.
- Disallowance of depreciation under section 32 and capital expenditure under section 35AD on cash payment exceeding Rs. 10,000.
- Amendment is made to section 115JB so as to provide the framework for computation of book profit for Ind-AS compliant companies in the year of adoption and thereafter.
- 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.

9.2 Entertainment and Media Industry

9.2.1 Key highlights:

- The Indian M&E industry is on an impressive growth path. The revenue from advertising is expected to grow at a CAGR of 14.3% and will exceed Rs. 2,26,000 crores (US\$ 33.7 billion) by 2020. While revenues from advertising is expected to grow at 15.9% to Rs. 99,400 crores (US\$ 14.82 billion), digital advertising is expected to lead the CAGR with 33.5%, followed by radio with 16.9%, television with 15% and print media at 8.6%.
- The Indian digital media segment is expected to grow to Rs. 20,000 crores by 2020 with digital spend expected to grow at 23–28%. India has a large and growing millennial population – young, tech-savvy consumers with rising earnings potential and disposable income. This as an early adopter of new technology and new models of media consumption, India, therefore is a ripe market for digital media investments. By 2017, with inexpensive smartphones and the rollout of 3G and 4G broadband infrastructure, digital media will leapfrog traditional distribution and democratize online access.
- Internet advertising will emerge as the third largest segment, with a share of 16% in the total advertising pie. The film segment which contributed Rs. 12,640 crores (US\$ 1.88 billion) in 2014 is projected to grow steadily at a CAGR of 10% on the back of higher domestic and overseas box-office collections including cable and satellite rights.

9.2.2 Positive Proposals / Impact

- Corporate tax rate for companies having annual turnover upto Rs. 50,00,00,000 (for the FY ending 31 March 2016) reduced to 25% (plus applicable surcharge and cess).
- Under scheme of presumptive income for businesses having annual turnover up to Rs. 2,00,00,000, presumptive income of 6% to be counted for turnover through banking and electronic clearing transactions instead of 8% in respect of cash turnover.
- Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs. 1,00,00,000 to Rs. 2,00,00,000.
- MAT credit allowed to be carried forward for 15 years instead of 10 years at present.
- Section 115JB amended to provide the framework for computation of book profit for Ind AS compliant companies in the year of adoption and thereafter.

- 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 for start-ups can be opted for 3 years out of 7 years.
- Conversion of preference shares in to equity shares shall not be regarded as transfer for the purpose of capital gains.
- 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.

9.2.3 Negative Proposals / Impact

- Deduction under section 10AA 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 section 10AA and in no case the deduction under section 10AA shall exceed the said total income.
- Section 50CA proposed to be inserted to deem FMV of unquoted share as sale consideration for computing capital gains if sale proceed is less than FMV.
- Section 56(2)(x) proposed to be inserted to deem income where money or property is transferred without or for inadequate consideration in excess of Rs. 50,000 for all persons except specific funds and trust.
- Section 94B to be inserted to provide that interest expenses (threshold of Rs. 1,00,00,000 or more) 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 AYs (thin capitalization rule).
- Where, as a result of primary adjustment to the transfer price, there is an increase in the total income or reduction in the loss, as the case may be, of the assessee, the excess money which is available with its AE, if not repatriated to India within the time as may be prescribed, shall be deemed to be an advance made by the assessee to such AE and the interest on such advance, shall be computed as the income of the assessee, in the manner as may be prescribed.
- No transaction above Rs. 3,00,000 would be permitted in cash subject to certain exceptions. Penalty equivalent to sum received in cash to be levied.
- 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.

9.3 Information Technology / ITES Sector

9.3.1 Key highlights

- India is the world's largest sourcing destination for the IT industry and employs about 10 million people.
- The Indian IT sector is expected to grow at a rate of 12–14% for FY 2016–17 in constant currency terms. The sector is also expected to triple its current annual revenue to reach US\$ 350 billion by FY 2025.
- Public cloud services revenue in India is expected to reach US\$ 1.26 billion in 2016, growing by 30.4% year-on-year (y-o-y). The public cloud market alone in the country is estimated to touch US\$ 1.9 billion by 2018.

9.3.2 Positive Proposals / Impact

- Corporate tax rate for companies having annual turnover upto Rs. 50,00,00,000 (for the FY ending 31 March 2016) reduced to 25% (plus applicable surcharge and cess).
- 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 for start-ups can be opted for 3 years out of 7 years.
- MAT credit allowed to be carried forward for 15 years instead of 10 years at present.
- The rate of TDS has been reduced to 2% from 10% in case of payments received or credited to a payee, being a person engaged only in the business of operation of call center.
- 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.
- 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.
- Under scheme of presumptive income for businesses having annual turnover up to Rs. 2,00,00,000, presumptive income of 6% to be counted for turnover through banking and electronic clearing transactions, instead of 8% in respect of cash turnover.
- Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs. 1,00,00,000 to Rs. 2,00,00,000.
- Conversion of preference shares in to equity shares shall not be regarded as transfer for the purpose of capital gains.
- Government has proposed to exempt the Basic Custom Duty, Excise duty, CVD and SAD towards the import / manufacture of POS card readers, micro ATM standards, finger print readers, scanners, etc. It is also proposed to exempt the taxes on manufacture of parts and components

of such equipment.

9.3.3 Negative Proposals / Impact

- Deduction under section 10AA 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 section 10AA and the deduction under section 10AA in no case shall exceed the said total income.
- Section 94B to be inserted to provide that interest expenses (threshold of Rs. 1,00,00,000 or more) claimed by an entity shall be restricted to 30% of its earnings before EBITDA or interest paid or payable to AE, whichever is less with carry forward permitted up to 8 AYs (thin capitalization rule).
- Where, as a result of primary adjustment to the transfer price, there is an increase in the total income or reduction in the loss, as the case may be, of the assessee, the excess money which is available with its associated enterprise, if not repatriated to India within the time frame as may be prescribed, shall be deemed to be an advance made by the assessee to such AE and the interest on such advance, shall be computed as the income of the assessee, in the manner as may be prescribed.
- Section 50CA proposed to be inserted to deem FMV of unquoted share as sale consideration for computing capital gains if sales proceed is less than FMV.
- Section 56(2)(x) proposed to be inserted to deem income where money or property is transferred without or for inadequate consideration in excess of Rs. 50,000 for all persons except specific funds and trust.
- No transaction above Rs. 3,00,000 would be permitted in cash subject to certain exceptions. Penalty equivalent to sum received in cash to be levied.
- 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.
- SAD increased from Nil to 2% for Populated Printed Circuit Boards (PCBs) for the manufacture of mobile phones.

9.4 Real Estate and Infrastructure Industry

9.4.1 Key Highlights / Policy matters

- Real estate has experienced a major slowdown in past few months in view of the demonetization policy implemented by the government. The real estate and infrastructure sector had high expectations from this year's budget which the Government has dealt with.
- The Government has proposed to facilitate higher investment in affordable housing and affordable housing has been given infrastructure status, which will enable these projects to avail the associated benefits.

- Pradhan Mantri Awaas Yojana – Gramin has been allocated Rs. 23,000 crores for FY 2017–18 as against Rs. 15,000 crores in budget estimate for FY 2016–17. In order to boost financing of houses, National Housing Bank to refinance individual housing loans of about Rs. 20,000 crores in FY 2017–18.
- The Government plans to, amongst others, develop solar parks, streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts, 100% village electrification by 2018, provide safe drinking water to arsenic and fluoride affected habitations, etc.

9.4.2 Positive Proposals / Impact

- Benefit under section 80-IBA is proposed to be extended by way of substituting the 'carpet area' in place of 'built up area'. Restriction of 30 square meters shall only apply for metro cities. For the cities within 25 km from the municipal limit of these metro cities the limit of area of 60 square meters instead of 30 square meters will apply. Further, time limit for completion of project is proposed to be increased from 3 years to 5 years.
- For immovable property, period of holding for long term capital gains is proposed to be reduced from 36 months to 24 months.
- 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.
- It is proposed to expand the scope of section 54EC to cover more investments eligible for claiming capital gains exemption. The same will be notified by the Central Government.
- Section 45(5A) is proposed to be inserted so as to provide the clarity of taxation in the hand of individual or HUF owner of land in the case of joint development agreement. Accordingly, it is proposed that capital gains shall be chargeable to income tax in the year in which certificate of completion of the project is issued by the competent authority.
- Section 23 is proposed to be amended not to tax income under the head House Property if property held as stock in trade. Exemption is available for 1 year from the end of the FY in which certificate of completion is received.
- Concessional tax rate of 5% on interest earned by foreign entities in external commercial borrowings or in Rupee denominated bonds and Government securities, extended upto 30 June 2020.
- Corporate tax rate for companies having annual turnover upto Rs. 50,00,00,000 (for the FY ending 31 March 2016) reduced to 25% (plus applicable surcharge and cess).
- MAT / AMT credit allowed to be carried forward for 15 years instead of 10 years at present.

- Proposal for Service Tax exemption to one time upfront amount (called as premium, salami, cost, price, development charges or by whatever name) payable for grant of long-term lease of industrial plots (30 years or more) by State Government Industrial Development Corporations / Undertakings to industrial units. This is being made effective retrospectively from the date when renting of immovable property services became taxable (i.e. 1 June 2007). Refunds for the taxes already paid can be filed within 6 months.
- Rule 2A of Service Tax (Determination of Value) Rules, 2006 is being amended so as to make it clear that value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include value of property in such land or undivided share of land. This is being made effective retrospectively from 1 July 2010.
- Rate of Export duty / BCD / CVD / SAD has been decreased in respect of the following products:

Sr No	Change in rate of duty	Existing Rate	New Rate
1	MgO coated cold rolled steel coils [7225 19 90] for use in manufacture of CRGO steel, subject to actual user condition	BCD – 10%	BCD – 5%
2	Hot Rolled Coils [7208], when imported for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306, subject to actual user condition	BCD – 12.5%	BCD – 10%

9.4.3 Negative Proposal / Impact

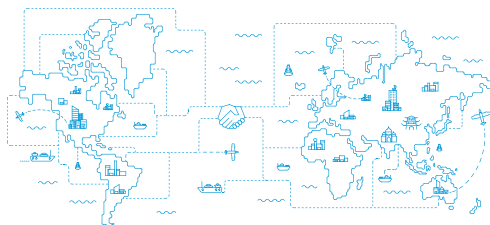
- Set-off of loss from House property against any head of Income is proposed to be restricted to Rs. 2,00,000.
- It is proposed to insert a new section 194-IB for deduction of tax at source by an individual / HUF at the rate of 5% in case the rent paid is in excess of Rs. 50,000 per month.
- Section 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 56(2)(x) proposed to be inserted to deem income where money or property is transferred without or for inadequate consideration in excess of Rs. 50,000, for all persons except specific funds and trust.
- Section 94B to be inserted to provide that interest expenses (threshold of Rs. 1,00,00,000 or more) claimed by an entity shall be restricted to

30% of its earnings before EBITDA or interest paid or payable to AE, whichever is less with carry forward permitted up to 8 AYs (thin capitalization rule).

- Where, as a result of primary adjustment to the transfer price, there is an increase in the total income or reduction in the loss, as the case may be, of the assessee, the excess money which is available with its AE, if not repatriated to India within the time as may be prescribed, 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.
- No transaction above Rs. 3,00,000 would be permitted in cash subject to certain exceptions. Penalty equivalent to sum received in cash to be levied.
- Existing limit of Rs. 20,000 for making payment in cash in respect of any expenditure will be reduced to Rs. 10,000.
- Section 80G deduction not to be allowed on cash donation above Rs. 2,000 instead of Rs. 10,000.
- Disallowance of depreciation under section 32 and capital expenditure under section 35AD on cash payment exceeding Rs. 10,000.
- Amendment is made to section 115JB so as to provide the framework for computation of book profit for Ind-AS compliant companies in the year of adoption and thereafter.
- Rate of duty has been increased in respect of the following products:

Sr No	Change in rate of duty	Existing Rate	New Rate
1	Other aluminium ores and concentrates	Custom Duty – Nil	Custom Duty – 30%
2	Other aluminium ores, including laterite	Export Duty – Nil	Export Duty – 15%
3	Co-polymer coated MS tapes / stainless steel tapes for manufacture of telecommunication grade optical fibres or optical fibre cables, subject to actual user condition	BCD – Nil	BCD – 10%

One of the major aspects considered by businesses, while operating on an international scale, is the complexity of taxation systems existing in various jurisdictions. India being a major player in the world market, has entered into



comprehensive DTAA's with almost 92 countries in order to mitigate the taxation complexities and to facilitate international business transactions. In this chapter, we have compiled the tax rates in respect of Dividend, Interest, Royalty and Fees for Technical Services, based on the DTAA's entered into by India with various countries.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
Rate as per the IT Act		Nil [Note 1]	20% [Notes 6 and 7]	10% [Notes 3 and 7]	10% [Notes 3 and 7]	Rate as per the domestic tax regulations (to be further increased by applicable surcharge and education cess) or DTAA rate, whichever is more beneficial, shall apply.
1.	Albania	10%	10% [Note 4]	10%	10%	
2.	Armenia	10%	10% [Note 4]	10%	10%	
3	Australia	15%	15%	10%/15% [Note 5]	10%/15% [Covered under Article for Royalty]	
4	Austria	10%	10%[Note 4]	10%	10%	
5	Bangladesh	10% / 15%	10%[Note 4]	10%	No separate provision	10% tax on dividends if at least 10% of capital of company paying dividend is held by recipient company, in any other case 15%.
6	Belarus	10% / 15%	10%[Note 4]	15%	15%	10% tax on dividends if paid to a Company holding 25% shares, in any other case 15%.
7	Belgium	15%	15% / 10%	10%	10%	1. Interest taxable at 10% if recipient is bank; in any other case 15%. 2. MFN clause with respect to Royalty and FTS.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
8	Botswana	7.50% / 10%	10%[Note 4]	10%	10%	7.50% tax on dividends, if shareholder is a company and holds at least 25% shares in the investee company. In any other case 10%.
9	Brazil	15%	15% [Note 4]	15% [25% for trademark]	15% [Covered under Article for Royalty]	15% tax on dividends, if paid to a company; in any other case, as per domestic tax laws.
10	Bulgaria	15%	15% [Note 4]	15% / 20%	20%	15% tax on royalties if relating to copyrights of literary, artistic or scientific works, other than cinematograph films or films or tapes used for radio or television broadcasting. In any other case 20%.
11	Bhutan	10%	10%[Note 4]	10%	10%	
12	Canada	15% / 25%	15% [Note 4]	Note 5	Note 5	15% tax on dividends if at least 10% of the voting power in the company paying the dividends is controlled by the recipient company. In any other case 25%.
13	China	10%	10%[Note 4]	10%	10%	
14	Croatia	5%/15%	10%[Note 4]	10%	10%	5% tax on dividends if at least 10% of the capital of the company paying the dividend is held by the recipient company (other than partnership). In any other case 15%.
15	Cyprus	10%	10%[Note 4]	10%	10%	
16	Czech Republic	10%	10%[Note 4]	10%	10%	
17	Columbia	5%	10%[Note 4]	10%	10%	
18	Denmark	15% / 25%	15% / 10% [Note 4]	20%	20%	1. 15% tax on dividends if at least 25% of the capital of the company paying the dividend is held by the recipient company, in other cases 25%. 2. Interest taxable at 10% if recipient is bank; in any other case 15%.
19	Estonia	10%	10% [Note 4]	10%	10%	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
20	Ethiopia	7.50%	10%[Note 4]	10%	10%	
21	Finland	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
22	France	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
23	Fiji	5%	10%[Note 4]	10%	10%	
24	Georgia	10%	10%[Note 4]	10%	10%	
25	Germany	10%	10%[Note 4]	10%	10%	
26	Greece	Taxable as per domestic laws in source country			No separate provision	
27	Hungary	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
28	Indonesia	10%	10%[Note 4]	10%	10%	
29	Iceland	10%	10%[Note 4]	10%	10%	
30	Ireland	10%	10%[Note 4]	10%	10%	
31	Israel	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
32	Italy	15% / 25%	15%[Note 4]	20%	20%	15% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company. In any other case 25%.
33	Japan	10%	10%[Note 4]	10%	10%	
34	Jordan	10%	10%[Note 4]	20%	20%	
35	Kazakhstan	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
36	Kenya	15%	15% [Note 4]	20%	No separate provision	17.50% tax in case of Management and Professional fees.
37	Korea	15%	10%[Note 4]	10%	10%	
38	Kuwait	10%	10%[Note 4]	10%	10%	
39	Kyrgyz Republic	10%	10%[Note 4]	15%	15%	
40	Latvia	10%	10%[Note 4]	10%	10%	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
41	Libya	Taxable as per domestic laws in source country			No separate provision	
42	Lithuania	5%/15%	10%	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company (other than a partnership). In any other case 15%.
43	Luxembourg	10%	10%[Note 4]	10%	10%	
44	Macedonia	10%	10%[Note 4]	10%	10%	
45	Malaysia	5%	10%[Note 4]	10%	10%	
46	Malta	10%	10%[Note 4]	10%	10%	
47	Mauritius	5% / 15%	7.5%	15%	10%	<p>1. 5% tax on dividend, if at least 10% of the capital of the company paying the dividend is held by the recipient company, in any other case 15%.</p> <p>2. 7.5% tax on interest in respect of loans made after 31 March, 2017. Interest income of Mauritian resident banks in respect of debt-claims existing on or before 31 March, 2017 shall be exempt from tax in India. [Note 4]</p> <p>3. The amended DTAA now provides for specific provision relating to FTS and the same will be taxable at the rate of 10% with effect from 1 April, 2017.</p>
48	Mongolia	15%	15%[Note 4]	15%	15%	
49	Montenegro	5% / 15%	10%[Note 4]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.
50	Morocco	10%	10%[Note 4]	10%	10%	
51	Mozambique	7.50%	10%[Note 4]	10%	No separate provision	
52	Myanmar	5%	10%[Note 4]	10%	No separate provision	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
53	Namibia	10%	10%[Note 4]	10%	10%	
54	Nepal	5%/10%	10%[Note 4]	15%	No separate provision	<p>1. 5% tax on dividends if the beneficial owner of the shares is a company which holds at least 10% of the shares of the company paying the dividends; in any other case 10%.</p> <p>2. MFN clause with respect to Royalty shall be applicable if Nepal enters into treaty with any other country for a lower rate on royalties.</p>
55	Netherlands	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
56	New Zealand	15%	10%[Note 4]	10%	10%	
57	Norway	10%	10%[Note 4]	10%	10%	
58	Oman	10% / 12.5%	10%[Note 4]	15%	15%	10% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 12.50%.
59	Philippines	15% / 20%	15% / 10% [Note 4]	15%	No separate provision	<p>1. 15% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 20%.</p> <p>2. Interest taxable @ 10% if recipient is Financial Institution (including an insurance company) and where the interest is payable by a company resident of Philippines to a resident of India in respect of public issues of bonds, debentures or similar obligations. In any other case 15%.</p> <p>3. Royalty taxable @ 15% if it is payable in pursuance of any collaboration agreement approved by the Government of India. No rates prescribed in any other case.</p>

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
60	Poland	10%	10%[Note 4]	15%	15%	
61	Portuguese Republic	10% / 15%	10%[Note 4]	10%	10%	10% tax on dividends if at least 25% of the capital stock is owned by company for an uninterrupted period of 2 years prior to the payment of dividend. In any other case 15%.
62	Qatar	5% / 10%.	10%[Note 4]	10%	10%	5% tax on dividends if at least 10% of the shares are owned by company; in any other case 10%.
63	Romania	10%	10%[Note 4]	10%	10%	
64	Russian Federation	10%	10%[Note 4]	10%	10%	
65	Saudi Arabia	5%	10%[Note 4]	10%	No separate provision	
66	Serbia	5% / 15%	10%[Note 4]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.
67	Singapore	10% / 15%	10% / 15%	10%	10%	1. 10% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company, in any other case 15% 2. Interest taxable at 10% if recipient is bank or similar financial institution including an insurance company; in any other case 15%.
68	Slovenia	5% / 15%	10%[Note 4]	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is held by the recipient company; in any other case 15%.
69	South Africa	10%	10%[Note 4]	10%	10%	
70	Spain	15%	15%[Note 4]	10% / 20%	20%	1. 10% tax on royalties if paid for the use or right to use any industrial, commercial or scientific equipment; 20% in case of fees for technical services and other royalties. 2. MFN clause with respect to Royalty and FTS.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
71	Sri Lanka	7.50%	10%[Note 4]	10%	10%	
72	Sudan	10%	10%[Note 4]	10%	10%	
73	Sweden	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
74	Swiss Confederation	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
75	Syrian Arab republic	5% / 10%	10%[Note 4]	10%	No separate provision	5% tax on dividends if at least 10% of the shares are owned by company (other than a partnership); in any other case 10%.
76	Tajikistan	5% / 10%.	10%[Note 4]	10%	No separate provision	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 10%.
77	Tanzania	5%/10%	10%[Note 4]	10%	No separate provision	5% tax on dividends if at least 25% of the shares are beneficially owned by company; in any other case 10%.
78	Thailand	10%	10%[Note 4]	10%	No separate provision	As per the revised DTAA with Thailand, effective from 1 April 2016, the rate of withholding tax is 10% in respect of Dividend, Interest and Royalty. There is no specific provision with respect to FTS.
79	Trinidad and Tobago	10%	10%[Note 4]	10%	10%	
80	Turkey	15%	10%/15% [Note 4]	15%	15%	Interest is taxable at 10% if recipient is bank, insurance company or similar financial institution; in any other case 15%.
81	Turkmenistan	10%	10%[Note 4]	10%	10%	
82	Uganda	10%	10%[Note 4]	10%	10%	
83	Ukraine	10% / 15%	10%[Note 4]	10%	10%	10% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.
84	United Arab Emirates	10%	5% / 12.5% [Note 4]	10%	No separate	Interest taxable at 5% if recipient is a bank or similar financial institution; provision in any other case 12.50%.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
85	United Arab Republic (Egypt)	As per domestic law		Taxable in source country as per domestic tax rate	No. separate provision	
86	United Kingdom	15% / 10%	15% / 10% [Note 4]	10%/15% [Note 5]	10%/15% [Note 5]	1. Interest taxable at 10% if recipient is bank; in any other case 15%. 2. Dividend taxable at 15% where dividend is paid out of income derived directly or indirectly from immovable property. In other case 10%.
87	United Mexican States	10%	10%[Note 4]	10%	10%	
88	United States	15% / 25%	10% / 15% [Note 4]	10%/15% [Note 5]	10%/15% [Note 5]	1. 15% tax on dividends if at least 10% of the voting stock is owned by company; in any other case 25%. 2. Interest taxable at 10% if recipient is bona fide bank or financial institution including an insurance company; in any other case 15%.
89	Uruguay	5%	10%[Note 4]	10%	10%	
90	Uzbekistan	10%	10%[Note 4]	10%	10%	
91	Vietnam	10%	10%[Note 4]	10%	10%	
92	Zambia	5% / 15%	10%[Note 4]	10%	10%	5% tax on dividends if at least 25% of the shares are owned by company during a period of 6 months immediately preceding the date of payment of dividend; in any other case 15%.

Notes:

- As per section 115-O of the IT Act, subject to certain exceptions, any amount declared, distributed or paid by a domestic company by way of dividend shall be chargeable to DDT effectively @ 20.3576%. In such cases, dividend distributed (which is subject to DDT) is not subject to any withholding tax and is tax exempt in the hands of the non-resident shareholders. The rates mentioned in the above table are applicable to dividend other than the dividend declared,

distributed or paid by Indian companies on which DDT is applicable. [such as deemed dividend under Section 2(22)(e) of the IT Act.]

2. Unless otherwise provided in the DTAA, both the countries have right to tax.
3. With effect from FY 2015–16, the rate of tax under the IT Act on Royalty and/or FTS receivable by a non-resident has been reduced to 10% (plus applicable Surcharge and Education Cess). As per section 90(2) of the IT Act, tax rate as per the provisions of DTAA or the IT Act, whichever is beneficial to the assessee, shall apply. For availing the benefit of DTAA, furnishing of Tax Residency Certificate (TRC) and self-declaration in Form 10F by the payee is mandatory. Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself.
4. Interest earned by the Government and certain specified institutions, inter-alia, Reserve Bank of India is exempt from taxation in the country of source (subject to certain conditions).
5. Tax rate is 10% in case of Royalties for equipment rental and fees for services ancillary or subsidiary thereto. For other cases, the tax rate is 15%. However, for first 5 years of the agreement, the rate is 20% in case of payer other than Government or specified institution and 15% for the subsequent years.
6. Lower withholding tax of 5% is applicable in case of interest on borrowing in foreign currency, interest on long term bond including long term infrastructure bond, interest from infrastructure debt fund and interest on rupee denominated bond and government securities.
7. In case the payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates:
 - (i) rate specified in the relevant provision of the IT Act,
 - (ii) at the rates in force or
 - (iii) at the rate of 20%

Payments namely interest, royalty and fees for technical services will not require PAN if alternative documents/details such as tax residency certificate, tax identification number of country of residence, etc. are furnished by the non-resident to the Indian deductor.

8. Where the provisions of GAAR are attracted (Applicable from FY 2017–18), tax treaty benefit can be denied to a non-resident.

SIGNIFICANT CHANGES IN THE TAX TREATIES

INDIA–MAURITIUS DTAA

The Protocol for amending the DTAA between India and Mauritius was notified last year on 10 May 2016. The significant amendments to the Protocol include introduction of source-based taxation for capital gains on the transfer of shares of Indian companies acquired on or after 1 April 2017, and the source-based taxation of interest income of Mauritian banks.

- **Source based taxation of capital gains arising on the transfer of the shares of a resident Indian company held by a Mauritian Tax Resident**

Date of Acquisition	Tax Rate
Prior to 1 April 2017	Exempt from tax
Between 1 April 2017 and 31 March 2019	50% of the Domestic Tax Rate*
After 1 April 2019	Full Domestic Tax Rate

*This concession for 2 years shall be subject to the Limitation of Benefits (LOB) conditions.

- **Source based taxation of interest income from banks:** Interest arising in India to Mauritian resident banks will be subject to withholding tax in India at the rate of 7.5% in respect of debt claims or loans made after 31 March 2017. However, interest income of Mauritian resident banks in respect of debt-claims existing on or before 31 March 2017, shall be exempt from tax in India.

INDIA–CYPRUS DTAA

With revision of the treaty approved by the Cabinet, India will have the right to tax capital gains arising in India.

- **Source based taxation of capital gains arising on the transfer of the shares**

New DTAA provides for source based taxation of capital gains arising from alienation of shares, instead of residence based taxation provided under the existing DTAA in line with India–Mauritius DTAA. Further, a grandfathering clause has also been provided for investments made prior to 1 April 2017, in respect of which, capital gains would continue to be taxed in the tax payer's country of resident.

■ **Amendment in other provisions**

The new Agreement expands the scope of 'permanent establishment' and reduces the tax rate on royalty in the country from which payments are made, to 10% from the existing rate of 15%, in line with the tax rate under Indian tax laws. It also updates the text of other provisions in accordance with the international standards and consistent policy of India in respect of tax treaties.

In a separate development, the notification of Cyprus as a notified jurisdictional area under Section 94A of the IT Act, for lack of effective exchange of information, has been rescinded with effect from 1 November, 2013 [Notification No. 114/2016 dated 14.12.2016].

INDIA-SINGAPORE DTAA

On 30 December 2016, India and Singapore signed a Third Protocol to amend their bilateral tax treaty.

Two changes which stand out are:

■ **Source-based taxation of capital gains arising from alienation of shares acquired from 1 April 2017**

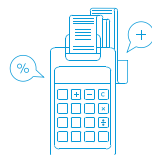
'Shares' Acquired:	Tax treatment for gains arising from the alienation of such shares
(a) Before 1 April 2017	<u>Status quo prevails</u>
(b) On or after 1 April 2017	For gains that arise during the period 1 April 2017 to 31 March 2019 <ul style="list-style-type: none">■ Will be taxable in the State in which the company whose shares are alienated, is a resident■ Tax rate imposed on such gains will be limited to 50% of the tax rate applicable on such gains in the State in which the company whose shares are alienated is resident.

'Shares' Acquired:	Tax treatment for gains arising from the alienation of such shares
	<ul style="list-style-type: none">■ Subject to specified conditions including expenditure on operations of the alienator in its residence State of at least S\$200,000 in Singapore or Rs. 50,00,000 in India, as the case may be, for the immediately preceding period of 12 months from the date on which the gains arise.
	<p>For gains that arise after 31 March 2019</p> <ul style="list-style-type: none">■ Will be taxable in the State in which the company whose shares are alienated, is resident■ Capital gains will be taxed at full domestic tax rate.

■ **Enabling provision under the treaty to apply anti-avoidance provisions in the domestic law**

The new Protocol introduces a new Article 28A 'Miscellaneous' to provide that India- Singapore tax treaty shall not prevent a Contracting State from applying its domestic law and measures concerning the prevention of tax avoidance or tax evasion.

In this chapter, we have compiled the relevant provisions of TDS relating to residents and non-residents, incorporating herein the nature of payment, threshold limits for tax deduction and the applicable rates of TDS for different classes of recipients.



Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note1]	Proposed Threshold for Deduction w.e.f. 1 June 2017	Proposed Rate at which tax is to be Deducted [Note 1]
1	Salary	192	As per slab rates prescribed for senior citizens (includes very senior citizen) and other individuals			
2	Accumulated balance due to an employee participating in RPF [Notes 2 and 6]	192A	Rs. 50,000 in aggregate	10%	Rs. 50,000 in aggregate	10%
3	Interest on Securities including listed debentures [Notes 3 and 6]	193	Rs. 5,000 for interest on debentures by public company to individuals and HUF	10%	Rs. 5,000 for interest on debentures by public company to individuals and HUF	10%
4	Interest other than interest on securities [Notes 4, 6 and 7]	194A	Rs. 5,000 / Rs. 10,000 p.a.	10%	Rs. 5,000 / Rs. 10,000 p.a.	10%
5	Winning from lottery or crossword puzzle or card game or other game	194B	Rs. 10,000	30%	Rs. 10,000	30%
6	Winning from horse race	194BB	Rs. 5,000	30%	Rs. 10,000	30%
7	Payments to contractors [Notes 7 and 8]	194C	Rs. 30,000 for single transaction or Rs. 1,00,000 annual limit	2% (1% for individual and HUF)	Rs. 30,000 for single transaction or Rs. 1,00,000 annual limit	2% (1% for individual and HUF)
8	Insurance commission [Note 6]	194D	Rs. 15,000	5%	Rs. 15,000	5%
9	Payment in respect of life insurance policy [Notes 5 and 6]	194DA	Less than Rs. 1,00,000	1%	Less than Rs. 1,00,000	1%
10	Payment to non-resident sportsmen / entertainer / sports association	194E	No threshold	20%	No threshold	20%
11	Payment in respect of deposits under National Savings Scheme, 1987 [Note 6]	194EE	Less than Rs. 2,500	20%	Less than Rs. 2,500	10%
12	Commission, etc. on sale of Lottery Tickets	194G	Rs. 15,000	5%	Rs. 15,000	5%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note1]	Proposed Threshold for Deduction w.e.f. 1 June 2017	Proposed Rate at which tax is to be Deducted [Note1]
13	Commission or brokerage [Note 7]	194H	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	5%
14a	Rent of Land / Building / Furniture or fitting [Notes 6 and 7]	194I	Rs. 1,80,000 p.a.	10%	Rs. 1,80,000 p.a.	10%
14b	Rent of Plant, Machinery or Equipment [Notes 6 and 7]	194I	Rs. 1,80,000 p.a.	2%	Rs. 1,80,000 p.a.	2%
15	Payment/credit of consideration to a resident transferor of any immovable property (other than agricultural land)	194IA	Less than Rs. 50,00,000	1%	Less than Rs. 50,00,000	1%
16	Rent [Note 9]	194-IB	N.A.	N.A.	Rs. 50,000 p.m. or part of the month	5%
17	Monetary Consideration payable under joint development agreement	194-IC	N.A.	N.A.	No threshold (w.e.f. 1 April 2017)	10%
18	Fees for professional and technical services / royalty / remuneration to Director other than salary [Notes 7, 10 and 11]	194J	Rs. 30,000 p.a.	10%	Rs. 30,000 p.a.	10% / 2%
19	Payment of compensation for acquisition of certain immovable property	194LA	Rs. 2,50,000 p.a.	10%	Rs. 2,50,000 p.a.	10%
20	Income by way of Interest from Infrastructure Debt Fund	194LB	No threshold	5%	No threshold	5%
21	Income by way of Interest from Infrastructure Debt Fund Company [Note 12]	194LC	No threshold	5%	No threshold	5%
22	Income by way of Interest on certain Bonds and Government Securities held by FII and QFI [Note 13]	194LD	No threshold	5%	No threshold	5%
23	Payment to non-resident of sum chargeable to tax in India	195	As per the rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note 14]			

Notes:

1. In case the payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates:
 - (i) rate specified in the relevant provision of the IT Act,
 - (ii) at the rates in force or
 - (iii) at the rate of 20%

Certain payments to non-residents such as interest, royalty, fees for technical services and payment on transfer of capital asset will not require PAN if alternative documents and details such as tax residency certificate, tax identification number of country of residence, etc. are furnished.
2. In case PAN is not furnished by the person entitled to receive the accumulated balance in RPF, the tax is to be deducted at the maximum marginal rate of 35.535%.
3. Interest on securities issued by Company and listed on any recognized stock exchange would not be subject to deduction of tax if such securities are held in dematerialized form.
4. Under Section 194A, the threshold limit is Rs.10,000 where the payer is a banking company or a co-operative society engaged in banking business, or in case of deposits with post office under a scheme notified by Central Government and Rs. 5,000 in any other case.
5. Tax is to be deducted on sums payable other than the amount not includible in the total income under section 10(10D).
6. Tax is not to be deducted, if the payee furnishes to the payer a declaration in Form No.15G or 15H, as the case may be.
7. An individual or HUF is not liable to deduct tax. However, an individual or HUF, who is liable to tax audit under section 44AB during the financial year immediately preceding the financial year in which sum is credited or paid, shall be liable to deduct tax under sections 194A, 194C, 194H, 194I and 194J, as the case may be.
8. No tax is required to be deducted at source on credit or payment of transport charges, if the transporter owns ten or less than ten goods carriages at any time during the previous year and furnishes a declaration to that effect along with his valid PAN.
9. An individual or HUF (other than those covered under tax audit) is liable to deduct tax on payment of rent in the last month of the previous year or last month of the tenancy arrangement whichever being earlier, under section 194-IB and he is not required to obtain TAN.
10. Tax is required to be deducted on remuneration paid to a director which is not in the nature of salary.
11. Tax is to be deducted at the rate of 2% in case of payment made to a person engaged only in the business of operation of call center.
12. In respect of amount borrowed in foreign currency from a source outside India:
 - under a loan agreement executed after 1 July 2012 but before 1 July 2020; or
 - by way of issue of any long term bond issued after 1 October 2014 but before 1 July 2020; or
 - by way of issue of long term infrastructure bond after 1 July 2012 but before 1 July 2020; or
 - rupee denominated bond issue outside India before the 1 July 2020.
13. Interest payable on or after 1 June 2013 but before 1 July 2020 in respect of investment made by FIIL or QFI in:
 - Rupee denominated bond of an Indian Company
 - Government Security
14. For the purpose of claiming DTAA benefit, the non-resident payee should furnish a valid TRC from foreign tax authority and a self-declaration in Form 10F. Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself.
15. It has been clarified by CBDT that a payer shall not be required to deduct TDS on service tax component wherever in terms of the agreement between the payer and payee, the service tax component comprised in the amount payable to a resident payee is indicated separately.

In this chapter, we have compiled the relevant provisions of TCS, incorporating herein the nature of goods and services, threshold limits for tax collection and the applicable rates of TCS.



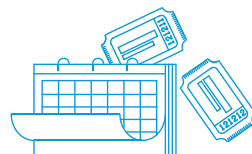
Sr. No.	Nature of Goods / Service	Relevant Section	Threshold for Collection	Rate at which Tax is to be Collected	Proposed Threshold for Collection w.e.f. 1 April 2017	Proposed Rate at which tax is to be Collected
1	Scrap [Notes 2 & 10]	206C(1)	–	1%	–	1%
2	Alcoholic Liquor for Human Consumption [Notes 2 & 10]	206C(1)	–	1%	–	1%
3	Tendu leaves [Notes 2 & 10]	206C(1)	–	5%	–	5%
4	Timber obtained under a forest lease [Notes 2 & 10]	206C(1)	–	2.5%	–	2.5%
5	Timber obtained by any mode other than a forest lease [Notes 2 & 10]	206C(1)	–	2.5%	–	2.5%
6	Any other forest produce (not being timber /tendu leaves) [Notes 2 & 10]	206C(1)	–	2.5%	–	2.5%
7	Minerals, being coal or lignite or iron ore [Notes 2 & 10]	206C(1)	–	1%	–	1%
8	Parking lot [Note 5]	206C(1C)	–	2%	–	2%
9	Toll plaza [Note 5]	206C(1C)	–	2%	–	2%
10	Mining and Quarrying (Except Mining and Quarrying of Mineral Oil) [Note 5]	206C(1C)	–	2%	–	2%
11	Jewellery [Notes 8 & 10]	206C(1D)	above Rs.5,00,000 in cash	1%	clubbed with any other goods	
12	Bullion [Notes 8 & 10]	206C(1D)	above Rs.2,00,000 in cash	1%	above Rs.2,00,000 in cash	1%
13	Any goods (other than bullion) or provision of any service [Notes 8 & 10]	206C(1D)	above Rs.2,00,000 in cash	1%	above Rs.2,00,000 in cash	1%
14	Motor Vehicle [Notes 6, 7, 8 & 10]	206C(1F)	above Rs.10,00,000	1%	above Rs.10,00,000	1%

Notes:

1. Surcharge and education cess to be added separately while collecting TCS from a non-resident.
2. In case where goods are to be utilized for the purposes of manufacturing, processing or producing articles or things or for the purposes of generation of power and not for trading purposes, based on the declaration (containing PAN) by resident buyer, TCS is not applicable.
3. Where tax has been deducted by the payer on any such transaction under Chapter XVII-B, TCS is not applicable.
4. Certain class of buyers who fulfil such conditions, as may be prescribed, TCS provisions under section 206C (1D) in relation to sale of any goods (other than bullion or jewellery) or providing any service are not applicable. Class of buyers is yet to be prescribed.
5. Provisions of section 206C (1C) are not applicable where licensee or lessee is a public sector company.
6. TCS is not applicable on sale of motor vehicle by manufacturers to dealers / distributors.
7. If a motor vehicle is sold for consideration below Rs.10,00,000 but above Rs. 2,00,000 and that consideration is paid in cash which exceeds Rs. 2,00,000, TCS is applicable under section 206C (1D).
8. Sale of goods / services of nature referred to in section 206 C (1D) and (1F) to Government, institutions notified under United Nations (Privileges and Immunities) Act 1947, and Embassies, Consulates, High Commission, Legation, Commission and trade representation of a foreign State, local authority as defined in explanation to section 10(20) : a public sector company which is engaged in the business of carrying passengers are not subject to levy of TCS.
9. The seller for the purposes of collection of tax under section 206C(1) / (1D) / (1F) shall be –
 - i. A Central Government or a state Government;
 - ii. Any local authority, or corporation or authority established under any Central, State or Provincial Act;
 - iii. Any company, firm or cooperative society;
 - iv. An individual or HUF who is liable to audit as per provisions of section 44AB during the financial year immediately preceding the financial year in which the goods of nature specified in section 206C (1) or (1D) are sold or the services referred to in section 206C(1D) are provided.
10. If tax is collectible, but the person responsible for collecting fails to collect TCS, he will still be liable to pay TCS to the Government.
11. A lower collection certificate can be obtained with respect to section 206C (1), (1C) and (1D).
12. In case of failure to furnish PAN by person paying any amount to the collector, TCS shall be applicable at higher of the two:
 - (i) at twice the rate specified in the relevant provision of the IT Act, or
 - (ii) at the rate of 5 per cent.

However, exemption from such higher rate has been provided in case of non-resident who does not have Permanent Establishment in India.

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



DIRECT TAX COMPLIANCE CALENDAR

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
I. Due date for filing of Return of Income ('ROI'), obtaining Tax Audit Report and Transfer Pricing (Note 1)			
Person covered under tax audit (other than whom transfer pricing is applicable)	30 September		
Person covered under transfer pricing	30 November		
Other persons	30 September	31 July	31 July
II. Advance Tax Payments for Income Tax (Note 2 and 3)			
1 st Installment – on or before 15 June	15%		
2 nd Installment – on or before 15 September	45%		
3 rd Installment – on or before 15 December	75%		
4 th Installment – on or before 15 March	100%		
III. Tax Deducted at Source ('TDS') (Note 4)			
Tax must be deducted at the time of payment, in case of salary	Applicable		Applicable, only if person is covered under tax audit in the preceeding previous year
In case of payments other than salary, at the time of making payment or credit, whichever is earlier			
Tax deducted must be deposited in the bank by 7th day of following month except tax deducted for payment or credit made in March must be deposited by 30th April			
With effect from 1 June 2016, under section 194(IA), tax deducted must be deposited in bank within period of 30 days from the end of month of deduction	Applicable		
With effect from 1 June 2017, under section 194(IB), tax shall be deducted on rent at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, or at the time of payment whichever is earlier.	Not Applicable		Applicable, only if person is not covered under tax audit in the preceeding previous year
IV. Tax Collected at Source ('TCS') (Note 5)			
Tax must be collected at the time of debit of the amount to the account of the buyer or at the time of receipt whichever, is earlier	Applicable		Applicable, only if person is covered under tax audit in the preceeding previous year
Tax collected must be deposited within one week from the last day of the month in which the collection is made.			

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
V. Due dates for filing of TDS / TCS Returns			
For filing TDS/TCS return for quarter ended June	31 July / 15 July		
For filing TDS/TCS return for quarter ended September	31 October / 15 October		
For filing TDS/TCS return for quarter ended December	31 January / 15 January		
For filing TDS/TCS return for quarter ended March	31 May / 15 May		
VI. Due dates for issue of Form 16 and Form 12BA (for Salaries) / Form 16A (for other than Salaries)/Form 16B(for Sale of Property) and Form 27D (for TCS)			
Issue of Form 16 and Form 12BA annually	31 May		
Issue of Form 16A / 27D for quarter ended June	15 August / 30 July		
Issue of Form 16A / 27D for quarter ended September	15 November / 30 October		
Issue of Form 16A / 27D for quarter ended December	15 February / 30 January		
Issue of Form 16A / 27D for quarter ended March	15 June / 30 May		
Issue of Form 16B	15 days from the due date of depositing tax		
VII. Due date for payment of DDT			
Applicable to all companies declaring/paying or distributing dividend	Within 14 days from the date of declaration or payment or distribution or dividend, whichever is earlier	Not Applicable	
VIII. Due Date of submission in Form 61 by Persons Specified in rule 114D (Details of Transactions in which PAN to be quoted.)			
For declarations received in Form 60 by September 2017	31 October		
For declarations received in Form 60 by March 2018	30 April		
IX. Due dates for submission of payment under section 285 of the IT Act (Note 6)			
Non-resident having liaison office in India to file statement in Form 49C	Within 60 days from the end of the financial year		
X. Due date for filing Annual Information Return under section 285BA of the IT Act			
Specified persons to furnish Annual Information Return in Form 61A in respect of specified financial transactions	31 May		
XI. Due dates for filing Appeals before the Income-Tax Appellate authorities			
Objections before the Dispute Resolution Panel	Within 30 days from the receipt of the draft assessment order		
Appeal to the Commissioner of Income-tax (Appeals)	Within 30 days from the date of receipt notice of demand or the relevant order sought to be appealed against		
Appeal to the Income-tax Appellate Tribunal (Note 7)	Within 60 days from the date on which order sought to be appealed against is received		
XII. Due dates for deduction and deposit of Equalization Levy under Chapter VIII of Finance Act 2016			
Applicable for amount paid or payable on or after 1 June 2016 towards certain specified services to a non-resident subject to Equalization Levy (Note 8)			
Time of deduction	When amount is paid or payable		
Rate of Tax	6% on gross amount paid		
Date of Deposit	7 th of the next month		
Date of Annual Statement of Specified Services in Form no.1	30 th June of next year		

NOTES:

1. In case of working partner of a partnership firm, whose accounts are required to be audited under section 44AB of the IT Act, the date of filing of ROI is 30 September.
2. Advance tax payment for income-tax is applicable to every person (except a resident senior citizen not having income from business or profession) where the amount of income-tax payable is Rs. 10,000 or more.
3. An eligible assessee in respect of eligible business referred to in section 44AD or eligible profession referred to in section 44ADA opting for computation of profits or gains of business or profession on presumptive basis, shall be required to pay advance tax of the whole amount in 1 installment on or before 15th March of the financial year.
4. A NIL declaration is basically a declaration for non-filing of TDS statements for those deductors who are not liable to deduct any tax during the relevant quarter or have not deducted tax during any quarter and subsequently did not file a TDS Statement under section 200(3) of the IT Act for any quarter.
5. Tax Collection at Source (TCS) is to be collected by the seller from the buyer at the time of sale of specified category of goods. The TCS rate is different for each category of goods and TCS so collected by the seller from the buyer is required to be deposited with the government. Further, TCS shall not apply to certain buyers who satisfy the specified conditions.
6. Every person, being a non-resident having liaison office in India shall, in respect of its activities in a financial year, file a statement in Form No. 49C within 60 days from the end of the financial year, i.e. 30 May to the Assessing Officer.
7. Memorandum of cross objection is to be filed within 30 days from the receipt of notice intimating that the appeal has been preferred before the Tribunal, against any part of the order under appeal, if required.
8. Equalization Levy is to be levied only on payment made for certain specified services and facilities provided by non-resident not having a PE in India. Specified services in this behalf means:
 - Online* advertisement,
 - Provision for digital advertising space , or
 - Any other facility or service for the purpose of online advertisement, or
 - Any other service notified by the Central Government in this behalf.

*The word 'online' has been defined to mean a facility for service or right or benefit or access that is obtained through the internet or any other form of digital or telecommunication network.

SERVICE TAX COMPLIANCE CALENDAR

Nature of Compliances	Due dates/quantum of interest and late filing fees
Due date for payment of Service Tax (Note 1)	
For One Person Company whose aggregate value of services during previous financial year is Rs. 50,00,000 or less, Individual, partnership firm, LLP or HUF	By 6th of the following month for every quarter
For Others (Companies, Trusts, AOP, Societies, etc.)	By 6th of the following month for every month
Interest on late payment of Service Tax (Note 2)	
Collection of any amount as service tax but failing to pay the amount so collected on or before the date on which such payment becomes due	24% p.a.
In situations other than covered above	15% p.a.
Filing of Service Tax returns	
April to September (Note 3)	25 October
October to March (Note 4)	25 April
Annual return	30 November of succeeding financial year
Late fees for delay in filing of returns (Note 5)	
For delay up to 15 days	Rs. 500
For delay beyond 15 days up to 30 days	Rs. 1,000
For delay beyond 30 days (Note 6)	Rs. 1,000 + Rs. 100 per day beyond 30 days
Due date for filing of appeal	
Appeal to be filed before Commissioner of Central Excise (Appeals) against order of adjudication authority subordinate to Commissioner of Central Excise.	Within 2 months from date of receipt of the order. The Commissioner of Central Excise (Appeals) has the power to condone delay in filing of appeal for a further period of 1 month provided sufficient cause is shown for non-filing the appeal within stipulated period of 2 months.
Appeal to be filed before Customs, Excise and Service Tax Appellate Tribunal (CESTAT) against order of Commissioner of Central Excise or Commissioner of Central Excise (Appeals).	Within 3 months from date of receipt of the order. CESTAT has powers to condone the delay in filing of appeal if it is satisfied that there was sufficient cause for not presenting the appeal within the stipulated period.

NOTES:

- The due date for payment of service tax for the month or quarter ended on 31 March is 31 March itself.
- For service provider having turnover below Rs. 60,00,000 in the preceding financial year or period covered under notice, the specified rate shall be reduced by 3%.
- The due date for filing of service tax returns for the period April to September for Input Service Distributor is 30 October.
- The due date for filing of service tax returns for the period October to March for Input Service Distributor is 30 April.
- In case service tax is NIL, the authority may waive the late filing fees on being satisfied that there is sufficient reason for not filing the return.
- Maximum late filing fees shall not exceed Rs. 20,000.
- The following categories of person must mandatorily obtain service tax registration and comply with the provisions:
 - Every person liable to pay service tax;
 - An Input Service Distributor;
 - Every provider of taxable service whose aggregate value of taxable service in financial year exceeds Rs. 9,00,000.

ABBREVIATIONS

AE	Associated Enterprise	IRCTC	Indian Railway Catering and Tourism Corporation
AMT	Alternate Minimum Tax	IRFC	Indian Railway Finance Corporation
AOP	Association of Persons	IT	Information Technology
APA	Advance Pricing Agreement	IT Act	Income-tax Act, 1961
ATM	Automatic Teller Machine	IT Rules	Income-tax Rules, 1962
AY	Assessment Year	ITeS	Information Technology enabled Services
BCD	Basic Customs Duty	JDA	Joint Development Agreement
BED	Basic Excise Duty	LED	Light-Emitting Diode
BEPS	Base Erosion and Profit shifting	LLP	Limited Liability Partnership
BHIM	Bharat Interface for Money App	MAP	Mutual Agreement Procedure
BOI	Body of Individuals	MAT	Minimum Alternate Tax
BSE	Bombay Stock Exchange	MgO	Magnesium Oxide
CAD	Current Account Deficit	MFs	Mutual Funds
CAGR	Compounded Average Growth Rate	MFN	Most Favored Nation
CAT	Common Admission Test	MMR	Maximum Marginal Rate
CBDT	Central Board of Direct Taxes	M&E	Media & Entertainment Industry
CENVAT	Central Value Added Tax	NABARD	National Bank for Agriculture and Rural Development
CESTAT	Customs Excise & Service Tax Appellate Tribunal	NBFC	Non-Banking Financial Company
CIF	Cost Insurance and Freight	NHAI	National Highway Authority of India
CIT	Commissioner of Income Tax	NPAs	Non Performing Assets
CPI	Consumer Price Index	NPS	National Pension Scheme
CPSE	Central Public Sector Enterprise	OECD	Organization for Economic Co-operation and Development
CRGO	Cold Rolled Grain Oriented	PAN	Permanent Account Number
CVD	Additional Duty of Customs levied under section 3(1) of the Customs Tariff Act, 1975	PCIT	Principal Commissioner of Income Tax
DDT	Dividend Distribution Tax	POEM	Place of Effective Management
DTAA	Double Taxation Avoidance Agreement	POS	Point Of Sale
EBITDA	Earnings Before Interest Tax Depreciation And Amortisation	PPE	Property, Plant & Equipment
ECB	External Commercial Borrowing	PPP	Public Private Partnership
ETF	Exchange Traded Fund	R&D	Research & Development
EU	European Union	RBI	Reserve Bank of India
FDI	Foreign Direct Investment	RDB	Rupee Denominated Bond
FEMA	Foreign Exchange Management Act, 1999	REC / RECL	Rural Electrification Corporation Limited
FIPB	Foreign Investment Promotion Board	ROI	Return of Income
FMV	Fair Market Value	SAD	Special Additional Duty of Customs levied under sub-section (5) of section 3 of the Customs Tariff Act, 1975
FOB	Free On Board	SARFAESI	The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
FPI	Foreign Portfolio Investor	SBI	State Bank of India
FPO	Follow-on Public Offer	SEBI	Securities Exchange Board of India
FTC	Foreign Tax Credit	SEZ	Special Economic Zone
FTS	Fees for Technical Services	SLM	Straight Line Method
FY	Financial Year	SME	Small And Medium Enterprises
GAAP	Generally Accepted Accounting Principles	STT	Securities Transaction Tax
GAAR	General Anti Avoidance Rules	TAN	Tax Deduction and Collection Account Number
GDP	Gross Domestic Product	TCS	Tax Collected at Source
GST	Goods and Services Tax	TDS	Tax Deducted at Source
HNI	High Net-worth Individual	TP	Transfer Pricing
HUF	Hindu Undivided Family	TRC	Tax Residency Certificate
ICDS	Income Computation and Disclosure Standard	US\$	United States Dollar
IDS	Income Disclosure Scheme, 2016	VAT	Value Added Tax
IFRS	International Financial Reporting Standards		
IMF	International Monetary Fund		
IPO	Initial Public Offer		
IRCON	Indian Railway Construction Company Limited		



Mumbai

13th Floor, Bakhtawar
229, Nariman Point
Mumbai – 400 021

3rd Floor, A Wing,
Technopolis Knowledge Park
Mahakali Caves Road, Andheri (E)
Mumbai – 400 093

201, Shree Padmini
Teli Galli Junction
Andheri (E), Mumbai – 400 069

New Delhi – NCR

2nd Floor, Tower-B
B-37, Sector-1
Noida – 201301

Chennai

Abhinav Centre
No. 4, Co-operative Colony
Alwarpet, Chennai – 600 018

1A, Chamiers Apartments
62/121, Chamiers Road
R. A. Puram, Chennai – 600 028

Kolkata

A-6, 12th Floor
Chatterjee International Centre
33A, Jawaharlal Nehru Road
Kolkata – 700 071

Bengaluru

Sujaya, No. 1007, 2nd Cross
13th Main, HAL II Stage
Bengaluru – 560 038

Surat

DTA-2, G-02 to G-05 Plot
Gujarat Hira Bourse
Ichhapore-2
Surat – 394 510

T-720, Belgium Tower
Opp. Linear Bus Stop
Ring Road, Surat – 395 002

B/604-605, Tirupati Plaza
Athwa Gate, Nanpura
Surat – 395 001

Hyderabad

217, Maruthi Corporate Point
Swapnalok Complex
92, Sarojini Devi Road
Secunderabad – 500 003

Ahmedabad

B-504, Narnarayan Complex
Navrangpura
Ahmedabad – 380 009

Pune

102, 1st Floor
Shree Residency
Baner Balewadi Road
Balewadi, Pune – 411 045

Gandhidham

Divyasatika, Plot No. 41
Ward 10-A, Gurukul
Gandhidham – 370 201

Jaipur

346, 3rd Floor
Ganpati Plaza, M.I. Road
Jaipur – 302 001

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

W: www.rsmindia.in

Offices: Mumbai, New Delhi–NCR, Chennai, Kolkata, Bengaluru, Surat, Hyderabad, Ahmedabad, Pune, Gandhidham and Jaipur.



facebook.com/RSMInIndia



twitter.com/RSM_India



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 practises 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, EC4N6JJ.

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.