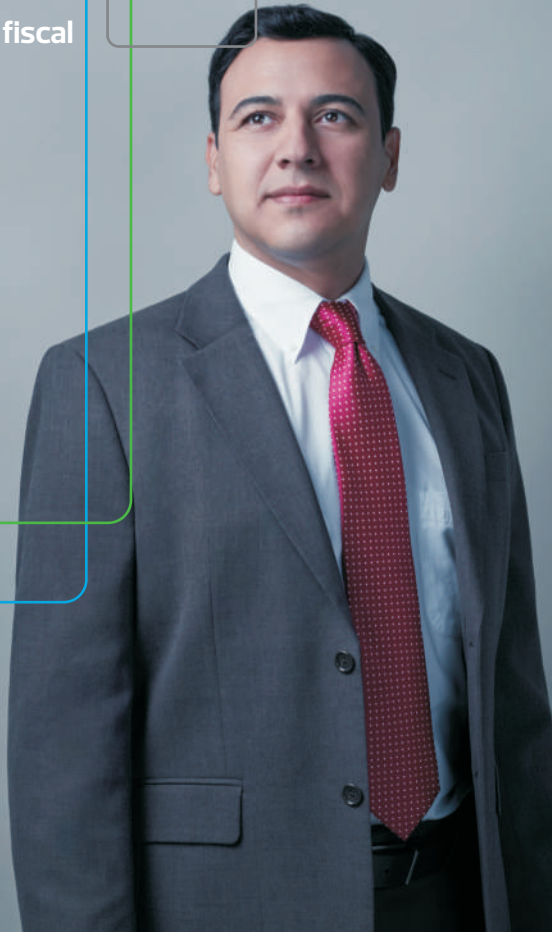
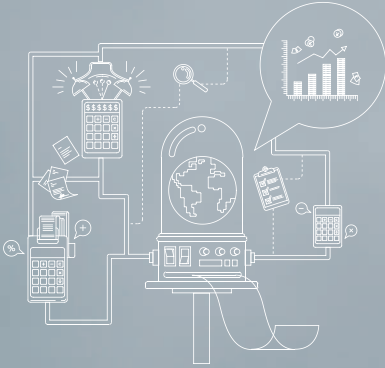


Decoding thoughts behind the fiscal move



INDIA BUDGET 2018

- Key Aspects

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INDIA BUDGET 2018
– Key Aspects

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Executive Summary

1.0 DIRECT TAXES

1.1 Effective Tax Rates

1.1.1 Personal Taxation

- No change in other tax slabs and deductions under section 80C of the IT Act.
- Education Cess and Secondary Higher Education Cess of 3% (of tax and surcharge) discontinued. Health and Education Cess introduced @ 4% (of tax and surcharge).



1.1.2 Corporate Taxation

- Tax rates for the companies having total turnover or gross receipts up to Rs. 250 crore in FY 2016–17 reduced to 25%.
- Education Cess and Secondary Higher Education Cess of 3% (of tax and surcharge) discontinued. Health and Education Cess introduced @ 4% (of tax and surcharge).

1.1.3 Partnership Firms / LLP

- No change in tax rates applicable to Partnership Firms and LLP.
- Education Cess and Secondary Higher Education Cess of 3% (of tax and surcharge) discontinued. Health and Education Cess introduced @ 4% (of tax and surcharge).

1.2 Tax Incentives and Proposals for Business

- In light of recent judicial pronouncement and to provide certainty on treatment of certain expenses and income, new provisions proposed to be inserted to align the IT Act with ICDS provisions with regards to:
 - MTM Losses
 - Foreign currency gain / loss
 - Revenue recognition from construction contract
 - Inventory valuation; etc.
- Section 80-IAC of the IT Act which provides 100% profit deduction for 3 consecutive years out of 7 years, is proposed to be amended as under:
 - Benefit to be available to start ups incorporated on or after 1 April 2019 but before 1 April, 2021;
 - Requirement of turnover not exceeding Rs. 25,00,00,000 for 7 financial years commencing from date of incorporation inserted;
 - Definition of eligible business expanded to include business of innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation.

- Minimum period of employment under section 80JJAA of the IT Act (which provides for deduction in respect of employment of new employees) relaxed to 150 days for footwear and leather industry. Further, the employment period condition rationalized by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.
- The scope of section 80P of the IT Act which provides for 100% profit deduction, extended to FPC providing assistance to its members engaged in primary agricultural activities and having a turnover up to Rs. 100 crore. The benefit shall be available for the period of 5 years from AY 2019–20.
- Provisions of section 115–O of the IT Act relating to DDT extended to deemed dividend under section 2(22)(e) of the IT Act which deems payment made by way of advance / loan to specified shareholders as dividend. DDT shall be applicable at the rate of 30% (without grossing up).
- Conversion of stock into capital asset shall be charged to tax as business income by considering fair market value of stock on the date of conversion as sales consideration. Further, for the purpose of capital gains, cost shall be the fair market value on date of conversion and period of holding shall be reckoned from the date of conversion.
- It is proposed to amend section 115JB of the IT Act to provide that the aggregate amount of unabsorbed depreciation and loss brought forward (excluding unabsorbed depreciation) shall be allowed to be reduced from the book profit, if a company's application for corporate insolvency resolution process under the IBC 2016 has been admitted by the Adjudicating Authority.
- Section 79 of the IT Act relating to carry forward and set-off of losses in case of change in shareholding would not apply to a company where a change in the shareholding takes place pursuant to a resolution plan approved under the IBC 2016.
- Transfer of capital asset by wholly owned subsidiaries to their Indian Holding company and by Holding company to Wholly owned Indian subsidiaries, proposed to be excluded from implications of section 56(2)(x) of the IT Act relating to transfer of assets for inadequate consideration or no consideration.
- Scope of accumulated profits in case of amalgamated companies widened to include accumulated profits of amalgamating companies for the purpose of calculation of deemed dividend chargeable to DDT.

- Compensation received or receivable, whether revenue or capital, in connection with termination or modifications of terms of business contract or employment contract, included within the scope of business income or other income respectively.
- No deduction under heading "C-Deductions in respect of certain incomes" of Chapter VIA would be admissible if return of income is not filed within prescribed due-date.
- For new manufacturing start-ups who have the option to be taxed at 25%, income which are applicable to scheduler tax, shall be taxed at such scheduler tax rate.
- Section 44AE of the IT Act relating to presumptive income for good carriages amended to provide in the case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would deemed to be an amount equal to Rs. 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of a month for each goods vehicle or the amount claimed to be actually earned by the assessee, whichever is higher.

1.3 Personal Taxation

- Standard deduction of Rs. 40,000 introduced for salaried individuals. Consequently the present exemption in respect of transport allowance (except in case of differently abled persons) and reimbursement of medical expenses withdrawn.
- Deduction under section 80D of the IT Act in respect of payments towards annual premium on health insurance policy, or preventive health check-up, of a senior citizen, or medical expenditure in respect of very senior citizen increased to Rs. 50,000 from existing limit of Rs. 30,000.
- Deduction under section 80DDB of the IT Act in respect of amount paid for medical treatment of specified diseases payments for senior citizens and very senior citizens increased to Rs. 1,00,000 from existing limit of Rs. 60,000 and Rs. 80,000 respectively.
- Section 80TTB of the IT Act inserted to provide deduction of Rs. 50,000 in respect of interest income from deposits held by senior citizens. Consequential amendment also proposed in section 194A of the IT Act to increase the threshold limit in such case to Rs. 50,000 for deduction of tax.
- Tax free withdrawal from NPS available to employee subscribers extended to non-employee subscribers to the extent of 40%.

1.4 Proposal for Non-residents

- Exemption from LTCG arising from transfer of equity shares, units of

equity oriented fund or a unit of business trust under section 10(38) of the IT Act, withdrawn. Clarity required for Cost of acquisition in hands of FII.

- Scope of dependent agent PE under section 9(1)(i) of the IT Act widened to include agent playing principal role in concluding the contracts on behalf of non-resident. This is in line with Multi-lateral Convention related to Tax Treaty matters.
- Section 9(1)(i) of the IT Act amended to provide that 'significant economic presence' in India shall also constitute 'business connection'.
- Clarificatory amendment to provide that MAT provisions not applicable to foreign company offering income under deemed income provisions of section 44B, section 44BB, section 44BBA or section 44BBB of the IT Act.
- Section 47 of the IT Act to be amended to provide that transactions by a non-resident on a recognised stock exchange located in IFSC in specified bond or GDR, rupee denominated bonds of an Indian company or derivative shall not be regarded as transfer, if the consideration is paid or payable in foreign currency. Section 115JC of the IT Act to be amended to provide that AMT at the rate of 9% would be applicable in case of a unit located in an IFSC.

1.5 Proposal for Transfer Pricing

- Based on model legislation of Action Plan 13 of BEPS of the OECD and others, certain amendments proposed relating to CbC Report so as to improve effectiveness and reduce compliance burden of such reporting.

1.6 Other Proposals

- Exemption from long term capital gains arising from transfer of equity shares, units of equity oriented funds or a unit of business trust under section 10(38) of the IT Act withdrawn. Effective 1 April 2018, tax would be levied at the rate of 10% on capital gains exceeding Rs. 1,00,000. Indexation benefit not available. Cost of acquisition for computing capital gains would be higher of the following:
 - actual cost; and
 - FMV as on 31 January 2018 or sale consideration, whichever is lower
- Scope of DDT extended to distribution of income by equity oriented mutual funds. DDT applicable at 10% of income so distributed.
- To improve transparency and accountability by eliminating interface between Income tax officers and taxpayer, a new scheme for scrutiny assessments shall be introduced by way of a notification.

- No adjustments would be made while processing of return of income on account of mismatch of income appearing in Form 26AS or Form 16 or Form 16A and return of income from AY 2018–19 onwards.
- No adjustments shall be made under sections 50C, 43CA or 56 of the IT Act in case of immovable property if the difference in stamp duty value and sale consideration does not exceed 5% of the sale consideration.
- No extension of sun set clause for power and infrastructure sector.
- Benefit of section 54EC of the IT Act to be available only in respect of capital gains arising from transfer of long term capital assets being land or building or both and not for other assets. Lock-in period of the investment is increased from 3 years to 5 years.
- It is proposed that every person, not being an individual, entering into a financial transaction of an amount aggregating to Rs. 2,50,000 or more in a financial year, shall be required to obtain PAN. Even persons competent to act on behalf of such entities shall have to apply for PAN.
- Section 43(5) of the IT Act to be amended to provide that transaction in respect of trading of agricultural commodity derivatives, which is not chargeable to CTT, over a registered stock exchange or registered association, will be treated as non-speculative transaction.
- Penalty for non-furnishing of statement of financial transaction or reportable account increased.

2.0 INDIRECT TAXES

2.1 GST & Service Tax

- No changes proposed in Central GST Act, 2017 and Integrated GST Act, 2017.
- It is proposed to provide retrospective exemption from service tax to life insurance services provided by the Naval Group Insurance Fund to personnel of Coast Guard during the period from 10 September 2004 up to 30 June 2017.
- It is proposed to provide retrospective exemption from service tax to services provided by the Goods and Services Tax Network (GSTN) to the Central Government / State Governments / Union territory during the period from 28 March 2013 to 30 June 2017.
- It is proposed to provide retrospective exemption from service tax to consideration paid to Government in the form of Government's share of profit petroleum in respect of services provided by Government by way of grant of license or lease to explore or mine petroleum crude or natural gas or both, during the period from 1 April 2016 to 30 June 2017

2.2 Custom

- No change in peak rate of BCD
- Social Welfare Surcharge (SWS) is being levied on imported goods to provide and finance education, health and social security. It will be levied @ 10% of aggregate duties of customs.
- Education Cess and Secondary & Higher Education Cess on imported goods abolished. Specified goods exempted from Education Cess and Secondary & Higher Education Cess to be exempted from SWS.
- Valuation provisions prescribed for calculation of value on which IGST and Compensation Cess is payable, for goods deposited in a warehouse and sold before clearance for home consumption / export.
- BCD on cellular mobile phones increased from 15% to 20%.
- BCD on imitation jewellery increased from 15% to 20%.
- BCD on diamonds including lab grown diamonds – semi-processed, half cut or broken increased from 2.5% to 5%.
- BCD on cut and polished coloured gemstones increased from 2.5% to 5%.
- BCD on non-industrial diamonds including lab grown diamonds (other than rough diamonds) is increased from 2.5% to 5%
- Silver (including silver plated with gold or platinum) and Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form exempted from newly imposed SWS in excess of amount calculated at 3% of the aggregate duties of customs.
- The limit of Indian Customs Waters is proposed to be extended to Exclusive Economic Zone (EEZ) from Contiguous Zone of India.
- It is proposed to empower government to exempt the customs duty on goods imported/reimported after export, in India for repair, further processing or manufacture.
- It is proposed to have definite time frame of 6 months or 1 year, as the case may be, for adjudication of demand notices. The time frame shall be extended by the officer senior to adjudicating authority for further period of 6 months or 1 year, as the case may be. In case, the demand notice is not adjudicated even within the extended period, it would be deemed as if no demand has been issued.

1.1 Background

The Indian economy has achieved an average growth of 7.5% in the last three years and is now a US\$ 2.5 trillion economy and 7th largest in the world. On PPP basis, India is already the 3rd largest economy. IMF, in its latest update, has forecast that India will grow at 7.4% next year. The fiscal deficit has been maintained in 2017-18 to 3.5%. India's ranking has improved by 42



places to 100th place as per the latest World Bank 'Ease of Doing Business' rankings. The implementation of GST with effect from 1 July 2017 subsuming most of the central and state level indirect taxes (except customs duty and stamp duty) for an uniform indirect tax regime across India, is termed as the largest indirect tax reform in the world in the past 2 decades.

The Union Budget 2018 is primarily driven with the objective of accelerating infrastructural and agricultural development and thrust on health protection program. There are no radical direct tax reforms and the focus is to maintain a stable tax regime.

The corporate tax rate is proposed to be reduced to 25% (plus surcharge and cess) for medium and small companies having annual turnover up to Rs. 250 crores (Rs.2.5 billion). These companies (aggregating to 99% of total companies in number) will get this benefit of lower corporate tax rate. Tax rates for other companies / LLPs / Firms / other entities remain unchanged. Health and education cess is proposed to be levied at 4% of the tax plus surcharge in lieu of present Cess of 3% of the tax plus surcharge. Provisions relating to ICDS are realigned in the provisions of the IT Act itself based on judicial ruling of Hon'ble Delhi Court. The scope of accumulated profits in case of amalgamated companies has been widened to include accumulated profits of amalgamating companies for the purpose of calculation of deemed dividend chargeable to DDT. However, there is no relief in the DDT or reduction of MAT rate. The companies enjoying tax holidays under section 10AA or chapter VIA deduction, would continue to be liable to pay MAT if the tax on book profits is higher than normal tax.

To facilitate Insolvency Resolution for revival of stressed companies, certain amendments have been introduced under MAT and benefit of carry forward of losses (under normal provisions). As per the existing provisions related to MAT, a deduction in respect of the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account, is available against the book profits. It is proposed to allow the aggregate amount of unabsorbed

depreciation and loss brought forward to be reduced from the book profit, if a company's application for corporate insolvency resolution process under the IBC, 2016 has been admitted by the Adjudicating Authority. However, there is no relief under Section 28 (iv) and 41(1) of the IT Act in respect of such write back of dues of creditors and lenders and such write-backs would continue to be taxable as per normal provisions. Further, in several cases under insolvency resolution under IBC, 2016, it would involve change in the beneficial owners of shares beyond the permissible limit of 51% under section 79. It is proposed that wherever resolution plan has been approved under the IBC, 2016, the provisions of section 79 shall be relaxed after providing a reasonable opportunity of being heard by the jurisdictional Principal Commissioner or Commissioner.

The personal tax rate structure has remained unchanged with basic exemption limit of Rs.2.50 lacs and slab rates of 5%, 20% and 30%. The surcharge has remained unchanged. The Health and Education cess is proposed to be levied at 4% of the tax plus surcharge in lieu of present cesses aggregating to 3% of the tax plus surcharge. Standard deduction of Rs. 40,000 is proposed to be allowed to the salaried employees. However, the tax deduction available for Medical Reimbursement (Rs. 15,000) and Transport Allowance (Rs. 19,200) i.e. cumulatively Rs. 34,200 has been taken away. There is no change in the deduction under section 80C of the Income-tax Act for savings up to Rs. 1,50,000 in respect of certain investments such as Provident fund, ELSS, life insurance premium, housing loan repayment and 5 year bank deposits. There has been certain increase in deductions pertaining to senior citizens and also deduction of Rs. 50,000 in respect of interest income from deposits held by senior citizens has been proposed. The benefit of tax free withdrawal from NPS up to 40% which is presently available only to employee subscribers has been proposed to be extended to non-employee subscribers.

As expected, from FY 2018-19 onwards, long term capital gains on sale of listed securities (on which securities transaction tax has been paid), exceeding Rs. 100,000, are proposed to be taxed @ 10% and benefit of grandfathering of gains up to 31 January 2018 shall be available. Further, tax on distributed income by equity oriented mutual fund shall be taxed @ 10%. The tax rate of 10% shall also be applicable to FIs.

One of the widespread apprehensions High Net worth Individuals had was the possible introduction of Inheritance Tax or Estate Duty. HNIs can now heave a sigh of relief as the Budget does not contain any such proposals.

Benefit of section 54EC to be available only in respect of capital gains arising from transfer of long term capital assets being land or building or both and not

for other assets. Lock-in period of the investment has been increased from 3 years to 5 years. Conversion of stock into capital asset shall be charged to tax as business income by considering fair market value of stock on the date of conversion as sales consideration. Further, for the purpose of capital gains, cost shall be the fair market value on date of conversion and period of holding shall be reckoned from the date of conversion.

Scope of dependent agent PE under section 9(1) (i) has been widened to include agent playing principal role in concluding the contracts on behalf of non-resident. This is in line with OECD Multi-lateral Convention related to Tax Treaty matters. DDT has been extended to deemed dividend under section 2(22)(e) which deems payment made by way of advance / loan to specified shareholders as dividend. DDT shall be applicable @ 30% without grossing up.

There has been no change under Central GST Act, 2017 and Integrated GST Act, 2017. The effective rate of Excise Duty on Motor spirit (commonly known as petrol and high speed diesel oil) remains unchanged. There has been no change in peak rate of Basic Custom Duty. Social Welfare Surcharge (SWS) is being levied on imported goods to provide and finance education, health and social security @ 10% of aggregate duties of customs.

The Government will review existing guidelines for overseas investment and processes and would bring out a coherent and integrated ODI policy. Hybrid instruments are suitable for attracting foreign investments in several niche areas, especially for the startups and venture capital firms for which Government will evolve a separate policy for the hybrid instruments. Reform measures will be taken with respect to stamp duty regime on financial securities transactions in consultation with the States and necessary amendments shall be made to the Indian Stamp Act. The H'ble Finance Minister has specifically mentioned that the government does not recognize crypto-currencies as a legal tender and efforts would be taken eliminate use of these crypto-assets in financing illegitimate activities or as part of the payment system.

The Budget is a serious Policy Statement for continuing India's march towards 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 2018 presented on 1 February 2018. 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, 2018, 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 2019–20 (Financial Year 1 April 2018 to 31 March 2019), 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, 2018" 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: 2017

- US\$ 9.446 trillion in terms of PPP




Rapid Advancement

- Fastest growing major economy
- Indian economy to double by 2025 and touch USD 5 trillion – Indian PM at World Economic Forum – Davos January 2018




GDP Growth Rate

- 7% to 7.50% in 2018–19 (Indian Economic Survey 2018)
- 7.50% in 2018–19 (Indian Economic Survey 2018)
- 7.4% for 2018 (IMF)
- 7.8% for 2019 (IMF)




Demography

- 1.326 billion (2016) with over 65% of the population aged under 35 years



**Forex reserves
(As on 19 January 2018)**

- US\$ 415 billion




Exchange Rate

- 1 US\$ = INR 63.61 (as on 1 February 2018)



Equity Market Capitalisation (BSE)

- US\$ 2.41 trillion as on 1 February 2018



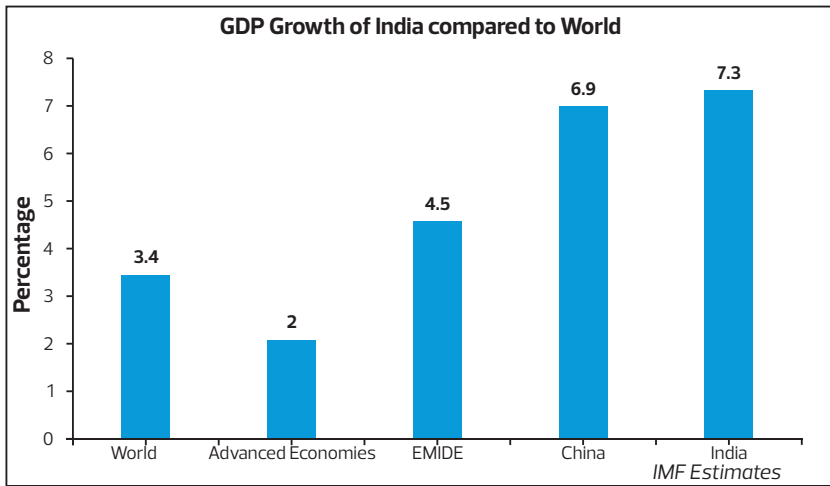
Political System

- Federal Republic with Parliamentary democracy
- Largest Democracy in the world.

2.2 General Review

Major reforms were undertaken over the past year. The transformational Goods and Services Tax (GST) was launched on July 1, 2017 and the long-festering Twin Balance Sheet (TBS) problem was addressed by sending the major stressed companies for resolution under the new Indian Bankruptcy Code and implementing a major recapitalization package to strengthen the public sector banks.

As per CSO estimates, the Indian economy is expected to grow at 6.75% in 2017–18 and rise to 7–7.5% in 2018–19, thereby re-instating India as the world's fastest growing major economy. India's GDP growth is higher than most economies of the world, wherein India's GDP growth is around 4% higher than the global growth average for the last 3 years and nearly 3% more than the average growth achieved by emerging market & developing economies (EMDE).



Reflecting the cumulative actions to improve the business climate, India jumped 30 spots on the World Bank's Ease of Doing Business rankings, while similar actions to liberalize the foreign direct investment (FDI) regime helped increase flows by 20%. The cumulative policy record combined with brightening medium-term growth prospects received validation in the form of a sovereign ratings upgrade, the first in 14 years.

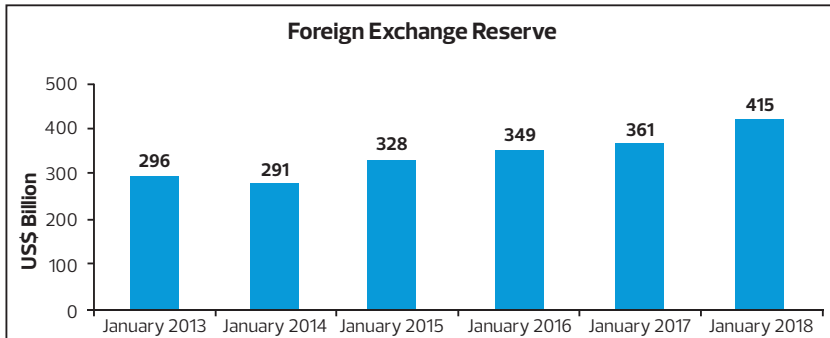
FY 2017-18 was a breakthrough year because of implementation of GST which has subsumed most of the central and state level indirect taxes (except customs duty and stamp duty) paving way for uniform indirect tax regime across India. One of the major benefits of GST has been an increase of about 50% in the number of indirect taxpayers. On the direct tax front, it is estimated that about 18 million taxpayers have been added recently. This seems to be in line with government's motive to increase the tax base of the country.

Headline inflation as per Consumer Price Index – Combined (CPI-C) in India hit a 6 year low of 3.3% in FY 2017-18. This decline in inflation was caused by decline in inflation for most of the commodities, with highest decline in food and beverages.

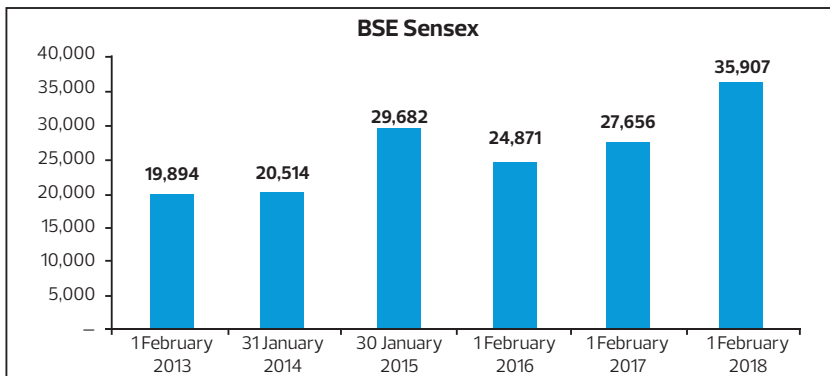
India's balance of payments position has been in good shape since 2013-14 and it continued so in the first half of FY 2017-18. Though India's Current Account Deficit stood at US\$ 15 billion at the end of 1st Quarter, it sharply declined to US\$ 7.2 billion in the 2nd Quarter. The fiscal deficit has also been brought down in FY 2017-18 to 3.2% which is closer to the 3% benchmark as per the earlier policy announcements.

The prospects for India's External Sector in this and coming years look bright with world trade projected to grow at 4.2% and 4% in 2017 and 2018 respectively. Foreign exchange reserves as on 12th January 2018 stood at US\$ 414 billion, which has increased by over to 14.1% since December 2016

The rupee strengthened by 2.5% to a level of Rs.63.68 per US dollar during January 2018, primarily due to increased FDI and Foreign Portfolio Investments. The rupee was one of the least volatile EM currencies during April–December 2017 and traded in the range of 63.63 to 65.76 per US dollar.



Indian equity market has seen an enormous growth in the past year with the BSE Sensex reaching a level of 35,907 on 1 February 2018 as compared to 27,656 on 1 February 2017.



2.3 India – Key Economic Indicators

Items	Unit	2014-15	2015-16	2016-17	2017-18
GDP and Related Indicators					
GDP at constant market prices	Rs. thousand crores	10,537	11,381	12,190 ^{PE}	12,985 ^{AE}
	US\$ billion	1723	1739	1817	2014
GDP Growth Rate	%	7.5	8.0	7.1	6.5
Per Capita Net National Income (at current prices)	Rs.	86454	94130	103219	111782
Production					
Food grains	Million tonnes	252.0	251.6	275.7 [*]	134.7 [#]
Index of Industrial Production ^a	%	4.0	3.3	4.6	3.2 ^b
Electricity Generation (growth)	%	14.8	5.7	5.8	4.9 ^b
Prices					
WPI Inflation (average)	% change	1.2	-3.7	1.7	2.9 ^c
CPI (Combined) Inflation (average)	% change	5.9	4.9	4.5	3.3 ^c
External Sector					
Foreign Exchange Reserves	US\$ billion	342	360	370.0	409 ^d
Average Exchange Rate	Rs. / US\$	61.14	65.46	67.07	64.49 ^c
Gross Fiscal Deficit	% of GDP	4.1	3.9	3.5	3.2 ^{BE}

^{PE} Provisional Estimates

^{AE} First Advance Estimates

^{BE} Budget Estimates

^{*} 4th Advance Estimates

[#] 1st Advance Estimates, Kharif crops only

^a Base (2011-12=100)

^b April–November 2017

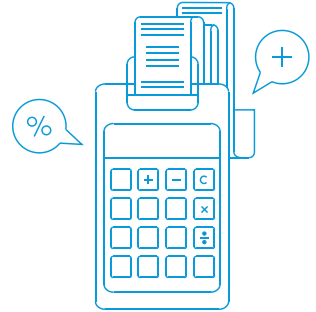
^c April–December 2017

^d As on end 29th December 2017

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. The slab structure has remained unchanged with basic exemption limit of Rs.2,50,000 and slab rates of 5%, 20% and 30%. The surcharge has remained unchanged. The Health and Education Cess is proposed to be levied at 4% of the tax plus surcharge in lieu of the present 'Education Cess on Income Tax' and 'Secondary and Higher Education Cess' aggregating to 3% of the tax plus surcharge. A resident individual having income upto Rs. 3,50,000 would continue to be entitled to a rebate of tax payable [excluding Health and Education Cess] or Rs. 2,500 whichever is less or (same as FY 2017-18). Consequently, the effective proposed and present tax rates for FYs 2018-19 and 2017-18, in case of individuals, HUFs, AOPs and BOIs are as follows:



FY 2018-19		FY 2017-18	
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*	5.20% [tax rate 5% plus health and education cess 4% thereon] of income exceeding Rs. 2,50,000	2,50,001# - 5,00,000*	5.15% [tax rate 5% plus cess 3% thereon] of income exceeding Rs. 2,50,000
5,00,001 - 10,00,000	Rs. 13,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000	5,00,001 - 10,00,000	Rs. 12,875 plus 20.60% [tax rate 20% plus cess 3% thereon] of income exceeding Rs. 5,00,000
10,00,001 - 50,00,000	Rs. 1,17,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000	10,00,001 - 50,00,000	Rs. 1,15,875 plus 30.90% [tax rate 30% plus cess 3% thereon] of income exceeding Rs. 10,00,000

FY 2018-19		FY 2017-18	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
50,00,001 [^] -1,00,00,000	Rs.15,01,500 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000	50,00,001 [^] -1,00,00,000	Rs.14,87,062 plus 33.99% [(tax rate 30% plus surcharge 10% thereon) plus cess 3% thereon] of income exceeding Rs. 50,00,000
1,00,00,001[^] and above	Rs. 33,63,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000	1,00,00,001[^] and above	Rs. 33,31,406 plus 35.535% [(tax rate 30% plus surcharge 15% thereon) plus 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 health and education cess] or Rs. 2,500 whichever is lesser, similar to FY 2017-18.
- [^] 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 health and education cess.

3.1.2 Proposed tax incidence

The proposed incidence of income-tax for FY 2018-19 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	2,600	-	-
4,00,000	7,800	5,200	-
5,00,000	13,000	10,400	-
8,00,000	75,400	72,800	62,400
10,00,000	1,17,000	1,14,400	1,04,000
25,00,000	5,85,000	5,82,400	5,72,000
50,00,000	13,65,000	13,62,400	13,52,000
75,00,000	23,59,500	23,56,640	23,45,200
1,00,00,000	32,17,500	32,14,640	32,03,200
1,50,00,000	51,57,750	51,54,760	51,42,800

*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 the tax rate for domestic companies with annual turnover or gross receipts not exceeding Rs. 250 crore in FY 2016-17, @ 25% [plus applicable surcharge and health and education cess thereon].

The Bill proposes to discontinue 'Education cess @ 2% and Secondary and Higher Education Cess @ 1%' from FY 2018-19. However, a new cess has been introduced (to be known as 'Health and Education Cess') @ 4% of income-tax including surcharge, wherever applicable.

- | |
|--|
| <p>I. Domestic companies having total turnover / gross receipts in FY 2016-17 up to Rs. 250 crore</p> |
|--|

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2018-19	FY 2017-18*	FY 2018-19	FY 2017-18
Having total income exceeding Rs. 10,00,00,000	29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]	28.84% [(tax rate 25% plus surcharge 12% thereon) plus cess 3% thereon]	21.5488% [(tax rate 18.5% plus surcharge 12% thereon) plus health and education cess 4% thereon]	21.3416% [(tax rate 18.5% plus surcharge 12% thereon) plus cess 3% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]	27.5525% [(tax rate 25% plus surcharge 7% thereon) plus cess 3% thereon]	20.5868% [(tax rate 18.5% plus surcharge 7% thereon) plus health and education cess 4% thereon]	20.38885% [(tax rate 18.5% plus surcharge 7% thereon) plus cess 3% thereon]
Having total income upto Rs. 1,00,00,000	26% (tax rate 25% plus health and education cess 4% thereon)	25.75% (tax rate 25% plus cess 3% thereon)	19.24% (tax rate 18.5% plus health and education cess 4% thereon)	19.055% (tax rate 18.5% plus cess 3% thereon)

* Domestic companies having total turnover / gross receipts in FY 2015-16 upto Rs.50 crore.

The effective tax rates and MAT rates for domestic companies other than above for FYs 2018-19 and 2017-18 are as follows:

II. Domestic companies having total turnover / gross receipts in FY 2016-17 exceeding Rs. 250 crore				
Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2018-19	FY 2017-18*	FY 2018-19	FY 2017-18
Having total income exceeding Rs. 10,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	34.608% [(tax rate 30% plus surcharge 12% thereon) plus cess 3% thereon]	21.5488% [(tax rate 18.5% plus surcharge 12% thereon) plus health and education cess 4% thereon]	21.3416% [(tax rate 18.5% plus surcharge 12% thereon) plus cess 3% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	33.384% [(tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]	33.063% [(tax rate 30% plus surcharge 7% thereon) plus cess 3% thereon]	20.5868% [(tax rate 18.5% plus surcharge 7% thereon) plus health and education cess 4% thereon]	20.38885% [(tax rate 18.5% plus surcharge 7% thereon) plus cess 3% thereon]
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	30.9% (tax rate 30% plus cess 3% thereon)	19.24% (tax rate 18.5% plus health and education cess 4% thereon)	19.055% (tax rate 18.5% plus cess 3% thereon)

* Domestic companies having total turnover / gross receipt in FY 2015–16 upto Rs.50 crore.

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 health and education cess.

3.2.2 Foreign companies

No change is proposed in the tax rate. However, the bill proposes to discontinue 'Education cess @ 2% and Secondary and Higher Education Cess @ 1%' from FY 2018–19 and introduce a new cess to be known as 'Health and Education Cess' @ 4% of income–tax including surcharge, wherever applicable.

The effective tax rates for foreign companies for FYs 2018–19 and 2017–18 are as follows:

Foreign Company	Effective Tax Rates	
	FY 2018–19	FY 2017–18
Having total income exceeding Rs. 10,00,00,000	43.68% [(tax rate 40% plus surcharge 5% thereon) plus health and education cess 4% thereon]	43.26% [(tax rate 40% plus surcharge 5% thereon) plus cess 3% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	42.432% [(tax rate 40% plus surcharge 2% thereon) plus health and education cess 4% thereon]	42.024% [(tax rate 40% plus surcharge 2% thereon) plus cess 3% thereon]
Having total income upto Rs. 1,00,00,000	41.60% (tax rate 40% plus health and education cess 4% thereon)	41.20% (tax rate 40% plus 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 health and education cess.

3.2.3 Tax on Dividend / Income distributed by domestic companies

No changes are proposed in the DDT rates for FY 2018–19 except the increase in cess from 3% of tax and surcharge to 4% of tax and surcharge. The effective DDT rates for FY 2018–19 and 2017–18 are as follows:

Dividend Distribution Tax Rate	Effective Tax Rates	
	FY 2018–19	FY 2017–18
Rate of DDT on the amount of dividend received by the shareholders	20.5553% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon considering the grossing up provisions]	20.3576% [(tax rate 15% plus surcharge 12% thereon) plus cess 3% thereon considering the grossing up provisions]

Tax on dividend @ 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 health and education cess thereon) is on gross basis on the amount of dividend.

3.3 Partnership Firms/LLPs

No changes are proposed in the tax rates. However, there is increase in cess from 3% of tax and surcharge to 4% of tax and surcharge. The effective tax rates for partnership firms/LLPs for FYs 2018–19 and 2017–18 are as follows:

Partnership Firms / LLPs	Effective Tax Rates	
	FY 2018–19	FY 2017–18
Having total income exceeding Rs. 1,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	34.608% [(tax rate 30% plus surcharge 12% thereon) plus cess 3% thereon]
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	30.90% (tax rate 30% plus 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 health and education cess.

3.4 AMT on non-corporate assesseees

AMT continues on non-corporate assesseees 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 except the increase in cess from 3% of tax and surcharge to 4% of tax and surcharge. The surcharge rate of 10% for non-corporate assesses other than firms shall 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 2018-19 and 2017-18 are as follows:

Non-corporate assessee	Effective AMT Rates	
	FY 2018-19	FY 2017-18
Individuals, HUF, AOP, BOI etc.		
Having total income exceeding Rs. 1,00,00,000	22.126% [(tax rate 18.50% plus surcharge 15% thereon) plus health and education cess 4% thereon]	21.9133% [(tax rate 18.50% plus surcharge 15% thereon) plus cess 3% thereon]
Having total income exceeding Rs. 50,00,000 but not exceeding Rs. 1,00,00,000	21.164% [(tax rate 18.50% plus surcharge 10% thereon) plus health and education cess 4% thereon]	20.9605% [(tax rate 18.50% plus surcharge 10% thereon) plus cess 3% thereon]
Having total income upto Rs. 50,00,000	19.24% [(tax rate 18.50% plus health and education cess 4% thereon)]	19.055% [(tax rate 18.50% plus cess 3% thereon)]
Firms / Others		
Having total income exceeding Rs. 1,00,00,000	21.5488% [(tax rate 18.50% plus surcharge 12% thereon) plus health and education cess 4% thereon]	21.3416% [(tax rate 18.50% plus surcharge 12% thereon) plus cess 3% thereon]
Having total income upto Rs. 1,00,00,000	19.24% (tax rate 18.50% plus health and education cess 4% thereon)	19.055% (tax rate 18.50% plus 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 health and education cess.

3.5 Tax on Dividend Distributed by Mutual Funds

The Bill proposes to charge dividend distribution tax on dividend payouts by mutual funds to unit holders in equity oriented funds.

The effective tax rates for tax on dividend distributed by mutual funds for FYs 2018-19 and 2017-18 are as follows:

Type of Income	Effective Tax Rate	
	FY 2018-19	FY 2017-18
Income distributed by a money market mutual fund or a liquid mutual fund to – an Individual or a HUF	38.83%# (considering the grossing up provisions)	38.45%* (considering the grossing up provisions)
– others	49.92%# (considering the grossing up provisions)	49.44%* (considering the grossing up provisions)
Income distributed by a mutual fund to non-residents (not being company) under infrastructure debt scheme	6.13%* (considering the grossing up provisions)	6.07%* (considering the grossing up provisions)
Income distributed by a mutual fund to its unit holders in an equity oriented fund	12.94%# (considering the grossing up provisions)	NIL

The tax rates are inclusive of surcharge of 12% and health and education cess of 4% thereon.

* The tax rates are inclusive of surcharge of 12% and education cess of 3% thereon.

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

No change being proposed except the increase in cess from 3% of tax and surcharge to 4% of tax and surcharge. The effective tax rate for distributed income of domestic companies for buy-back of shares, for FYs 2018-19 and 2017-18 are as follows:

Particulars	Effective Tax Rates	
	FY 2018-19	FY 2017-18
Rate of tax on the amount of distributed income of domestic company	23.296% [(tax rate 20% plus surcharge 12% thereon) plus health and education cess 4% thereon]	23.072% [(tax rate 20% plus surcharge 12% thereon) plus cess 3% thereon]

3.7 Other Entities

3.7.1 Co-operative societies

No change is proposed in the tax rate. However, except the increase in cess from 3% of tax and surcharge to 4% of tax and surcharge. As such, the tax rates for co-operative societies for FYs 2018-19 and 2017-18 are as follows:

Income slab (Rs.)	Effective Tax Rates	
	FY 2018-19	FY 2017-18
0 - 10,000	10.4%	10.3%
10,001 - 20,000	Rs. 1,040 plus 20.8% of income exceeding Rs. 10,000	Rs. 1,030 plus 20.6% of income exceeding Rs. 10,000
20,001 - 1,00,00,000	Rs. 3,120 plus 31.2% of income exceeding Rs.20,000	Rs. 3,090 plus 30.9% of income exceeding Rs.20,000
Above 1,00,00,000	Rs. 34,90,906 plus 34.944% of income exceeding Rs. 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 health and education cess.

3.7.2 Local authorities

No change is proposed in the tax rate. However, except the increase in cess from 3% of tax and surcharge to 4% of tax and surcharge. As such, the tax rates for local authorities for FYs 2018-19 and 2017-18 are as follows

Local authorities	Effective Tax Rates	
	FY 2018-19	FY 2017-18
Having total income exceeding Rs. 1,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	34.608% [(tax rate 30% plus surcharge 12% thereon) plus cess 3% thereon]
Having total income up to Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	30.90% (tax rate 30% plus 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 health and education cess.

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 tabulated below.



Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 and 2]
1.	Argentina	35%	35%
2.	Australia	30%	47%
3.	Brazil	34%	27.50%
4.	Canada	31%	54%
5.	China	25%	45%
6.	France	33.33%	45%
7.	Germany	32.98%	47.50%
8.	India	29.12% [Note 7] / 34.944%	35.88%
9.	Indonesia	25%	30%
10.	Italy	27.90%	43%
11.	Japan [Note 3]	30.62%	55%
12.	Mexico	30%	35%
13.	Russia	20%	13%
14.	Saudi Arabia [Note 4]	0%	0%
15.	South Africa	28%	45%
16.	South Korea	27.50%	46.20%
17.	Turkey	20%	35%
18.	United Kingdom	19%	45%
19.	United States of America [Note 5]	21%	37%

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 @ 30.62% 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 (21%) as well as state and local government taxes which vary from state to state. Personal tax comprises of federal tax (37%) 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
7. Budget 2018 proposes to cut corporate tax rate to 25% (plus applicable surcharge and cess) in case of companies having annual turnover upto Rs. 250 crores during financial year 2016-17. For more details, please refer Chapter 3: Tax 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, 2018 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 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 @ 18.5% (plus applicable surcharge and health 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"> The amount of deduction referred to in section 10AA shall be allowed from the total income computed in accordance with provisions of the IT 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. 		
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, transmission or 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 1 April 2015 and ending before 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; and ii. 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 border="1" data-bbox="161 1107 1038 1426"> <thead> <tr> <th data-bbox="161 1107 202 1166">Sr. No</th> <th data-bbox="202 1107 753 1166">Specified Business</th> <th data-bbox="753 1107 1038 1166">Specified year of Commencement</th> </tr> </thead> <tbody> <tr> <td data-bbox="161 1166 202 1198">1</td> <td data-bbox="202 1166 753 1198">Setting up and operating a cold chain facility</td> <td data-bbox="753 1166 1038 1198">From 1 April 2009 onwards *</td> </tr> <tr> <td data-bbox="161 1198 202 1257">2</td> <td data-bbox="202 1198 753 1257">Setting up and operating a warehousing facility for storing agricultural produce</td> <td data-bbox="753 1198 1038 1257">From 1 April 2009 onwards *</td> </tr> <tr> <td data-bbox="161 1257 202 1342">3</td> <td data-bbox="202 1257 753 1342">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 data-bbox="753 1257 1038 1342">From 1 April 2007 onwards</td> </tr> <tr> <td data-bbox="161 1342 202 1426">4</td> <td data-bbox="202 1342 753 1426">Building and operating a new hotel of two star and above category as classified by the Central Government anywhere in India</td> <td data-bbox="753 1342 1038 1426">From 1 April 2010 onwards **</td> </tr> </tbody> </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. However, 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. ■ 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: <ul 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	New 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.	150%* 100%**	150%* 100%**
35(1)(ia)	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.	100%	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.	100%	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.	150%* 100%**	150%* 100%**
35(2AB)	Any expenditure incurred (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.	150%* 100%**	150%* 100%**

* From FY 2017-18 to FY 2019-20.

** From FY 2020-21 onwards.

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, being land or building or both, 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. ■ It is proposed to provide that long-term specified asset, for making any investment under this section in bonds issued on or after 1 April 2018, shall mean any bond redeemable after five years.
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.
54GA	<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 SEZ shall be eligible for exemption. This exemption shall be least of the following:</p> <ul style="list-style-type: none"> - Amount of capital gains;

Exemptions from Capital Gains in certain cases ^	
Section	Eligibility Criteria, Quantum and Period of Deduction
	<ul style="list-style-type: none"> - 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 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 STT 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 recognized 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>Exemption under section 10(38) for income arising on transfer of equity shares acquired on or after 1 October 2004 shall be available only if the acquisition of shares is chargeable to STT.</p> <p>The Government has notified transactions for which the condition of chargeability to STT on acquisition shall not be applicable. Some of the types of acquisitions which have been specifically exempted are:</p> <ul style="list-style-type: none"> ■ Acquisition of shares by mode of transfer referred to in sections 47 (such as acquisition of shares by way of gift, will, on merger or demerger) or 50B of the IT Act;

Section	Eligibility criteria, Quantum and period of deduction
	<ul style="list-style-type: none"> ■ Acquisition of listed equity shares in a company which has been approved by the Supreme Court, High Court, NCLT, SEBI or RBI; ■ Acquisition of listed equity shares in a company by any Non-resident in accordance with foreign direct investment guidelines issued by the Government of India; ■ Acquisition of shares by a SEBI regulated Alternative Investment Fund / Venture Capital fund/ Qualified Institutional Buyer; ■ Acquisition of listed equity shares in a company through preferential issue to which the provisions of chapter VII of SEBI (ICDR) Regulations does not apply; ■ Acquisition of shares by scheduled banks, reconstruction or securitization companies or public financial institutions during their ordinary course of business; ■ Acquisition of shares issued under ESOP/ESPS scheme; ■ Acquisition of shares of company is made under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011. <p>It is proposed to withdraw the exemption under section 10(38) and to introduce a new section 112A in the IT Act to provide that long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% (plus applicable surcharge and Health and Education cess) of such capital gains exceeding Rs. 1,00,000.</p> <p>Certain relief is provided in respect of grandfathering of long term capital gains upto 31 January 2018 and gains after that period shall be taxable under the new rate of 10%. In other words, the cost of acquisition in respect of the long term capital asset acquired by the assessee before 1 February 2018, shall be deemed to be the higher of –</p> <ul style="list-style-type: none"> a) the actual cost of acquisition of such asset; and b) the lower of – <ul style="list-style-type: none"> (i) the fair market value of such asset as on 31 January 2018; and (ii) the full value of consideration received or accruing as a result of the transfer of the capital asset. <p>The grandfathering benefit would not be available under the MAT regime and would continue to be taxed as per applicable rates on the book profits based on the provisions of Section 115JB related to MAT.</p> <p>As in the case of domestic investors, the FIs will also be liable to tax on such long term capital gains only in respect of amount of such gains exceeding Rs. 1,00,000. The provisions of section 115AD are proposed to be amended accordingly.</p>
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)	<p>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 referred to in section 10(48A) shall also be exempt subject to such conditions as may be notified by the Central Government.</p> <p>It is proposed to amend section 10(48B) to provide that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein</p>
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% (plus applicable surcharge and cess).

Section	Eligibility criteria, Quantum and period of deduction
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.
115-0	<p>In computing DDT liability, dividend declared by the domestic holding company to its shareholders shall be reduced to the extent of:</p> <ol style="list-style-type: none"> Dividend received from domestic subsidiary company during the year in which DDT has already been paid by subsidiary under this section. Dividend received from specified foreign subsidiary during the year in which tax is payable by the holding company under section 115BBD of the IT Act. <p>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.</p>

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 / 80JJAA / 80LA/80PA) ^

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
1.	<p><u>Specified Infrastructure Projects</u> [Section 80-IA(4)(i)]</p> <p>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 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.</p>	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 and sewerage system or solid waste management system).

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	No deduction shall be available if the specified activity commences on or after 1 April 2017.			
2.	<p><u>Telecommunication Service Providers</u> <i>[Section 80-IA(4)(ii)]</i> 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.</p>	All	100% 30%	First 5 years Next 5 years Any 10 consecutive years out of first 15 years
3.	<p><u>Development of Industrial Park</u> <i>[Section 80-IA(4)(iii)]</i> 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.</p>	All	100%	Any 10 consecutive years out of first 15 years
4.(a)	<p><u>Power Undertakings</u> <i>[Section 80-IA(4)(iv)]</i></p> <ul style="list-style-type: none"> ■ 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 distribution by laying a network of new transmission or distribution lines between 1 April 1999 and 31 March 2017 ■ 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. 	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
4.(b)	<p>Undertakings for revival of Power Generating Units <i>[Section 80-IA(4)(v)]</i> 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>Developer of SEZ <i>[Section 80-IAB]</i> Any assessee being developer of a SEZ notified by the Central Government after 1 April 2005, can claim deduction under section 80-IAB. 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>Start-up Undertaking <i>[Section 80-IAC]</i></p> <ul style="list-style-type: none"> ■ Undertaking being an eligible start-up which is engaged in business of innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation. ■ The total turnover of the company should not exceed Rs. 250 million in any of the 7 previous years beginning from the year in which it is incorporated. ■ It holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government. ■ 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 	Company or LLP incorporated between 1 April 2016 to 1 April 2021	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>existence.</p> <ul style="list-style-type: none"> ■ As per section 79 for an eligible start-up, the 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</u> [Section 80-IB(9)]</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
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. 	<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>

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<ul style="list-style-type: none"> ■ 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. 			
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 of residential and commercial unit. ■ Carpet area shall not exceed 30 square meters for Chennai, Delhi, Kolkata or Mumbai and 60 square meters for any other place ■ 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. 	All	100%	Not Applicable

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
11.	<p><u>Undertakings in special category states</u> <i>[Section 80-IC]</i></p> <ul style="list-style-type: none"> ■ Undertakings and enterprises, which begin to manufacture or produce any article or thing which is not specified in Thirteenth Schedule or undertakings and enterprises, which manufacture or produce 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"> i. If located in Sikkim, from 23 December 2002 to 31 March 2007. ii. If located in North Eastern States*, from 24 December 1997 to 31 March 2007. iii. If located in Himachal Pradesh and Uttaranchal, 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>
12.	<p><u>Convention Centres and Hotels in notified areas</u> <i>[Section 80-ID]</i></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. 	All	100%	First 5 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<ul style="list-style-type: none"> ■ 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 to 31 March 2013. ■ The benefit is available to 2 star, 3 star or 4 star hotels. 			
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 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 information technology hardware and bio-technology. 	All	100%	First 10 years
14.	<p><u>Deduction of Additional Wages</u> [Section 80JAA]</p> <ul style="list-style-type: none"> ■ Deduction of an amount equal to 30% of additional employee cost of any new employee (whose total emolument is less than or equal to Rs. 25,000 per month). ■ However, no deduction shall be allowed in respect of employees for whom the entire contribution under notified Employees' Pension Scheme is paid by the Government. 	All assessee covered under tax audit provisions	30% of additional employee cost of new employee *	3 AYs including the AY relevant to the FY in which such employment is provided

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<ul style="list-style-type: none"> ■ The minimum number of days of employment of such new employees in a financial year is 240 days. ■ However, the minimum period of employment 150 days in the case of apparel industry. In order to encourage creation of new employment, it is proposed to extend the relaxation of minimum period employment of 150 days to footwear and leather industry. ■ It is further proposed to provide that where a new employee is employed during the previous year for a period of less than 240 days or 150 days, as the case may be, but is employed for a period of 240 days or 150 days, as the case may be, in the immediately succeeding year, he shall be deemed to have been employed in the succeeding year and the provisions of this section shall apply accordingly. <p>* 30% of employees' cost in case of first year of business.</p>			
15.	<p><u>Offshore banking unit in SEZ and International Financial Services Centre</u> [Section 80LA]</p> <p>Income from:</p> <ul style="list-style-type: none"> ■ Offshore banking unit in SEZ or ■ The business referred to in section 6(1) of the Banking Regulation Act, 1949 or ■ Any unit of the International Financial Services Center from its approved business. 	Scheduled Bank or any bank incorporated by or under the law of a country outside India or a unit of an International Financial Services Center.	100% 50%	First 5 years (beginning with the year in which prescribed permissions are obtained) Next 5 years
16.	<p><u>Deduction in respect of income of Farm Producer Companies</u> [Section 80PA]</p> <ul style="list-style-type: none"> ■ It is proposed to insert a new section 80PA relating to deduction in respect of certain income of Producer Companies. having a total turnover of Rs. 1,000 million or less in any FY and whose, gross total 		100%	5 years beginning from AY 2019-20

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>income includes any income from</p> <ul style="list-style-type: none"> (i) the marketing of agricultural produce grown by its members, or (ii) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or (iii) the processing of the agricultural produce of its members <p>■ It is further proposed to provide that where the assessee is entitled also to deduction under any other provision or provisions of Chapter VIA, the deduction under this section shall be allowed from the gross total income as reduced by the deductions under such other provision or provisions of the said Chapter.</p>			

*^1. The above deductions, exemption, incentive and allowance are subject to fulfillment of specified conditions mentioned in the IT Act.

^2. It is proposed to amend section 80AC to provide that the benefit of deduction under the entire class of deductions under the heading ‘C.—Deductions in respect of certain incomes’ in Chapter VIA shall not be allowed unless the return of income is filed by the due date specified under section 139(1) of the IT Act.

6.1 Business Entities

6.1.1 Reduction in corporate tax rate

Corporate tax rate for companies having annual turnover upto Rs. 250 crore (for FY 2016–17) is reduced to 25% (plus applicable surcharge and cess). Such companies are provided a huge cut in the corporate tax rate to 25%, although there is a marginal increase in cess rates from 3% to 4%. Earlier, companies having annual turnover upto Rs. 50 crore during FY 2015–16 were eligible for the concessional rate. However, there is no relief in DDT or reduction of MAT rate. The companies enjoying tax holidays under section 10AA of the IT Act (SEZ Units) or chapter VIA deductions, would continue to be liable to pay MAT if the tax on book profits are higher than normal tax.



6.1.2 ICDS embedded into IT Act

It is proposed to:

- (i) amend section 36 of the IT Act to provide that marked to market loss or other expected loss as computed in the manner provided in ICDS notified under section 145(2) of the IT Act, shall be allowed as deduction.
- (ii) amend section 40A of the IT Act to provide that no deduction or allowance in respect of marked to market loss or other expected loss shall be allowed except as allowable under the newly inserted section 36(1)(xviii) of the IT Act.
- (iii) insert a new section 43AA in the IT Act to provide that, subject to the provisions of section 43A of the IT Act, any gain or loss arising on account of effects of changes in foreign exchange rates in respect of specified foreign currency transactions shall be treated as income or loss, which shall be computed in the manner provided in ICDS as notified under section 145(2).
- (iv) insert a new section 43CB in the IT Act to provide that profits arising from a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method except for certain service contracts and that the contract revenue shall include retention money and contract cost shall not be reduced by incidental interest, dividend and capital gains.

- (v) amend section 145A of the IT Act to provide that, for the purpose of determining the income chargeable under the head “Profits and gains of business or profession” –
 - a. the valuation of inventory shall be made at lower of actual cost or net realizable value computed in the manner provided in ICDS as per section 145(2) of the IT Act.
 - b. the valuation of purchase and sale of goods or services and of inventory shall be adjusted to include the amount of any tax, duty, cess or fee actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation.
 - c. inventory being securities not listed, or listed but not quoted, on a recognised stock exchange, shall be valued at actual cost initially recognised in the manner provided in ICDS as per section 145(2) of the IT Act.
 - d. inventory being listed securities, shall be valued at lower of actual cost or net realisable value in the manner provided in ICDS as per section 145(2) of the IT Act and for this purpose the comparison of actual cost and net realisable value shall be done category-wise.
- (vi) insert a new section 145B in the IT Act to provide that –
 - a. interest received by an assessee on compensation or on enhanced compensation, shall be deemed to be the income of the year in which it is received.
 - b. the claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realisation is achieved.
 - c. income referred to in section 2(24)(xviii) of the IT Act shall be deemed to be the income of the previous year in which it is received, if not charged to income tax for any earlier previous year.

These amendments will take effect retrospectively from 1 April 2017 i.e. the date on which the ICDS was made effective and will apply to AY 2017-18 and subsequent AYs.

6.1.3 Measure to promote start-ups

Section 80-IAC of the IT Act provides that deduction under this section shall be available to an eligible start-up for 3 consecutive assessment years out of 7 years at the option of the assessee, if:

- it is incorporated on or after 1 April 2016 but before 1 April 2019;
- the total turnover of its business does not exceed Rs. 25,00,00,000 in any of the previous years beginning on or after 1 April 2016 and ending on 31 March 2021; and
- it is engaged in the eligible business which involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

In order to improve the effectiveness of the scheme for promoting start-ups in India, it is proposed to make following changes in the taxation regime for the start-ups:

- The benefit would also be available to start-ups incorporated on or after 1 April 2019 but before 1 April 2021;
- The requirement of the turnover not exceeding Rs. 25,00,00,000 would apply to 7 previous years commencing from the date of incorporation;
- The definition of eligible business has been expanded to provide that the benefit would be available if it is engaged in innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation.

This amendment will take effect retrospectively from AY 2018-19 and subsequent years

6.1.4 Thrust on employment generation

As per existing provisions of section 80JJAA of the IT Act, a deduction of 30% is allowed in addition to normal deduction of 100% in respect of emoluments paid to eligible new employees who are employed for a minimum period of 240 days during the year. However, the minimum period of employment is relaxed to 150 days in case of apparel industry.

In order to encourage creation of new employment, it is proposed to extend the aforesaid relaxation of reduced number of 150 days to footwear and leather industry too.

Further, it is also proposed to rationalize this deduction of 30% by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.

6.1.5 Deduction in respect of income of farm producer companies

It is proposed to insert a new section 80PA in the IT Act for granting deduction in respect of certain income of Farm Producer Companies ('FPC') having total turnover upto Rs. 1,00,00,00,000, whose gross total income includes any income from:

- the marketing of agricultural produce grown by its members, or
- the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or
- the processing of the agricultural produce of its members

In computing the total income of such assessee, the proposed deduction would be the whole of the amount of income or profits and gains and business attributable to any one or more of such activities for the previous year relevant to any assessment year commencing on or after 1 April 2019, but before 1 April 2025.

6.1.6 Deemed dividend subject to DDT

Under the existing regime, deemed dividend under section 2(22)(e) of the IT Act is taxed in the hands of the recipient at the applicable MMR. With a view to prevent camouflaging of dividend in various ways such as loans and advances, it is proposed to bring under the scope of DDT under section 115 O of the IT Act. The Company would be liable to DDT @ 30% without grossing up.

These amendments will apply to the transactions undertaken on or after 1 April 2018.

6.1.7 Rationalisation of provision relating to conversion of stock-in-trade into capital asset

Section 45 of the IT Act provides that capital gains arising from a conversion of capital asset into stock-in-trade shall be chargeable to tax. However, in cases where stock-in-trade is converted into, or treated as, capital asset, the existing law does not provide for its taxability.

It is proposed that:

- Any profit or gains arising from conversion of inventory into capital asset or its treatment as capital asset shall be charged to tax as business income as on the date of conversion. It is also proposed to provide that FMV of inventory on the date of conversion or treatment determined in the prescribed manner, shall be deemed to be the full value of consideration received or accruing as a result of such conversion or treatment;
- Such FMV to be included in the definition of income;
- FMV on the date of conversion shall be the cost of acquisition for the purposes of computation of capital gains arising on transfer of such capital assets,
- The period of holding of such capital asset shall be reckoned from the date of conversion or treatment.

6.1.8 MAT in respect of companies under insolvency

Section 115JB of the IT Act, provides for levy of MAT on the 'book profits' of a company. In computing the book profit, it provides, inter alia, for a deduction in respect of the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account. Consequently, where the loss brought forward or unabsorbed depreciation is Nil, no deduction is allowed. This non-deduction is a barrier to rehabilitating companies seeking insolvency resolution.

In order to provide relief to companies seeking insolvency resolution, it is proposed to amend section 115JB of the IT Act, to provide that the aggregate amount of unabsorbed depreciation and loss brought forward (excluding unabsorbed depreciation) shall be allowed to be reduced from the book profit, if a company's application for corporate insolvency resolution process under the IBC, 2016 has been admitted by the Adjudication Authority.

This amendment will take effect retrospectively from AY 2018–19 and subsequent years.

6.1.9 Relaxation of provision of section 79 of the IT Act to companies under insolvency

Section 79 of the IT Act provides that carry forward and set off of losses in a closely held company shall be allowed only if there is a continuity in the

beneficial owner of the shares carrying not less than 51% of the voting power, on the last day of the year or years in which the loss was incurred.

In order to provide relief to companies seeking insolvency resolution, it is proposed that section 79 of the IT Act relating to carry forward and set-off of losses in case of change in shareholding would not apply to a company where a change in the shareholding takes place pursuant to a resolution plan approved under the Insolvency and Bankruptcy Code, 2016.

This amendment will take effect retrospectively from AY 2018-19 and subsequent years

6.1.10 Tax neutral transfers between holding and subsidiary companies

Section 47 of the IT Act provides for certain tax neutral transfers. Section 56 of the IT Act also excludes income arising out of certain tax neutral transfers from its ambit. However, the transfers referred to in section 47(iv) and section 47(v) of the IT Act are not excluded from the scope of section 56 of the IT Act.

In order to further facilitate the transaction of money or property between a wholly owned subsidiary company and its holding company, it is proposed to amend section 56 of the IT Act so as to exclude such transfer from its scope.

This amendment will take effect from AY 2018-19 and subsequent years.

6.1.11 Scope of 'accumulated profit' has been widened for the purpose of dividend in respect of amalgamation

The existing provisions of section 2(22) of the IT Act define 'accumulated profit' for the purpose of 'dividend' as all profits of the company up to the date of distribution or payment or liquidation, subject to certain conditions.

It is observed that certain companies with large accumulated profits resorted to amalgamation route to reduce capital and circumvent provisions of section 2(22)(d) of the IT Act. It has been proposed to widen the scope of the term 'accumulated profits'. Accordingly, it has been proposed that in the case of an amalgamated company, accumulated profits, whether capitalised or not, or losses as the case may be, shall be increased by the accumulated profits of the amalgamating company, whether capitalized or not, on the date of amalgamation.

6.1.12 Taxability of compensation in connection to business or employment

It is proposed to amend section 28 of the IT Act to provide that, any compensation received or receivable, whether revenue or capital, in connection

with the termination or the modification of the terms and conditions of any contract relating to its business shall be taxable as business income.

It is further proposed that any compensation received or receivable, whether in the nature of revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its employment shall be taxable under section 56 of the IT Act.

6.1.13 Deductions in respect of certain incomes not to be allowed unless return is filed by the due date

It is proposed to extend the scope of section 80AC of the IT Act to provide that the benefit of deduction under the entire class of deductions under the heading "C.—Deductions in respect of certain incomes" under chapter VIA, shall not be allowed unless the return of income is filed by the due date as specified under section 139(1) of the IT Act.

This amendment will take effect from AY 2018-19 and subsequent years.

6.1.14 Presumptive income under section 44AE in case of goods carriage

It is proposed to amend section 44AE of the IT Act to provide that in case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would be deemed to be an amount equal to Rs. 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of a month for each goods vehicle or the amount claimed to be actually earned by the assessee, whichever is higher. The vehicles other than heavy goods vehicle will continue to be taxed as per the existing rates mentioned in section 44AE of the IT Act.

6.1.15 Rationalisation of section 276CC relating to prosecution for failure to furnish return in case of company assessee

Section 276CC of the IT Act provides that if a company assessee willfully fails to furnish in due time the return of income which he is required to furnish, he shall be punishable with imprisonment for a term, as specified therein, with fine. Proviso (ii)(b) to section 276CC of the IT Act further provides that a person shall not be subject to punishment with imprisonment and fine if the tax payable by him on the total income determined on regular assessment as reduced by the advance tax, if any, paid and any TDS, does not exceed Rs. 3,000.

In order to prevent abuse of this proviso by shell companies or by companies holding benami properties, it is proposed that the said sub-clause shall not apply in respect of a company.

6.1.16 Rationalisation of provision of section 115BA relating to certain domestic companies

Section 115BA of the IT Act provides that the total income of a newly set up domestic company engaged in business of manufacture or production of any article or thing and research in relation thereto, or distribution of such article or thing manufactured or produced by it, shall, at its option, be taxed @ 25% subject to conditions specified therein.

It is proposed to amend section 115BA of the IT Act so as to clarify that the provisions of section 115BA of the IT Act are restricted to the income from business of manufacturing, production, research or distribution referred to therein; and income which are at present taxed at a scheduler rate will continue to be so taxed.

This amendment will take effect retrospectively from AY 2017-18 and subsequent years.

6.2 Personal

6.2.1 Standard deduction on salary income

As per existing provisions of section 16 of the IT Act, certain deductions in computing income chargeable under the head Salaries are allowed.

It is proposed to provide for standard deduction of upto Rs. 40,000 or the amount of salary received, whichever is less, for the purpose of computing the income chargeable under the head Salaries.

Consequently, the present exemptions in respect of Transport Allowance (except in case of differently abled persons) and reimbursement of medical expenses, aggregating to Rs. 34,200 is proposed to be withdrawn.

6.2.2 Deductions available to senior citizens in respect of health insurance premium and medical treatment

As per existing provisions of section 80D of the IT Act, deduction upto Rs. 30,000 shall be allowed to an assessee, being an individual or a HUF, in respect of payments towards annual premium on health insurance policy, or preventive health check-up, of a senior citizen or medical expenditure in respect of very senior citizen.

It is proposed to amend section 80D of the IT Act to raise the monetary limit of deduction from Rs. 30,000 to Rs. 50,000.

In case of single premium health insurance policies having cover of more than 1 year, it is proposed that the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specified monetary limit.

6.2.3 Enhanced deduction to senior citizens for medical treatment of specified diseases

As per existing provisions of section 80DDB of the IT Act, a deduction is available to an individual and HUF with regard to amount paid for medical treatment of specified diseases in respect of very senior citizen upto Rs. 80,000 and in case of senior citizens upto Rs. 60,000, subject to specified conditions.

It is proposed to amend the provisions of section 80DDB of the IT Act to raise the monetary limit of deduction to Rs. 1,00,000 for both, senior citizens as well as very senior citizens.

6.2.4 Deduction in respect of interest income to senior citizen

As per existing provisions of section 80TTA of the IT Act, a deduction upto Rs. 10,000 is allowed to an assessee in respect of interest income from savings account.

It is proposed to insert a new section 80TTB of the IT Act so as to allow a deduction upto Rs. 50,000 in respect of interest income from deposits held by senior citizens. However, no deduction under section 80TTA of the IT Act shall be allowed in these cases to senior citizens.

Further, consequential amendment is proposed in section 194A of the IT Act to raise the threshold for TDS on interest income for senior citizens from Rs. 10,000 to Rs. 50,000.

6.2.5 Extending the benefit of tax-free withdrawal from NPS to non-employee subscribers

Under the existing provisions of section 10(12A) of the IT Act, an employee contributing to the NPS is allowed an exemption of 40% of the total amount payable to him on closure of his account or on his opting out.

In order to provide a level playing field, it is proposed to amend section 10(12A) of the IT Act to extend the said benefit to non-employee subscribers too.

6.3 Non-Residents

6.3.1 Taxation of LTCG in case of FIIs

The existing provisions of section 115AD of the IT Act provide that where the total income of FIIs includes income by way of LTCG arising from the transfer of certain securities, it shall be chargeable to tax @10%. However, LTCG arising from LTCA being equity shares of a company or a unit of equity oriented fund or a units of business trust, is exempt from income-tax under section 10(38) of the IT Act.

Consequent to the proposal for withdrawal of exemption under section 10(38) of the IT Act, it has been proposed to amend the provisions of section 115AD of the IT Act so that FIIs shall also be taxed on LTCG exceeding Rs. 1,00,000 @10%, arising from the transfer of LTCA, being equity shares of a company or units of an equity oriented fund or units of a business trust. The detailed mechanism for computation of LTCG as provided under section 112A of the IT Act has not been provided under section 115AD of the IT Act.

6.3.2 Aligning the scope of 'business connection' with modified PE Rule as per MLI

Under the existing provisions of Explanation 2 to section 9(1)(i) of the IT Act, 'business connection' includes business activities carried on by non-resident through dependent agents. The scope of 'business connection' under the IT Act is similar to the provisions relating to DAPE in India's DTAA's. In terms of the DAPE rules in tax treaties, if any person acting on behalf of the non-resident is habitually authorised to conclude contracts for the non-resident, then such agent would constitute a PE in the source country.

It is proposed to amend the provision of section 9 of the IT Act to align them with the provisions in the DTAA as modified by MLI. Accordingly, section 9(1)(i) of the IT Act is amended to provide that 'business connection' shall also include any business activities carried through a person who, acting on behalf of the non-resident, habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by the non-resident.

It is further proposed that the contracts should be-

- (a) in the name of the non-resident; or
- (b) for the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that the non-resident has the right to use; or

(c) for the provision of services by that non-resident.

6.3.3 The term 'business connection' has been broadened to include 'significant economic presence' to introduce new nexus rule to tax Digital Economy

The existing provisions under section 9(1)(i) of the IT Act define 'business connection' in narrow in its scope as it essentially provides for physical presence based nexus rule for taxation of business income of a non-resident in India. It does not cover emerging digital businesses which do not require physical presence of itself or any agent in India.

In order to address the tax challenges in a digital economy, OECD under its BEPS Action Plan 1 discussed several options to tackle the direct tax challenges arising in digital businesses. It recommended certain factors to determine significant economic presence. In order to align with these recommendations, it is proposed to insert explanation 2A to section 9(1)(i) of the IT Act to clarify that significant economic presence of a non-resident shall constitute 'business connection' in India and 'significant economic presence' for this purpose, shall mean:

- (a) transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India, if the aggregate of payments arising from such transaction or transactions during the previous year exceeds such amount as may be prescribed; or
- (b) systematic and continuous soliciting of business activities or engaging in interaction with number of users as may be prescribed, in India through digital means.

The threshold of 'revenue' and the 'users' in India will be decided after consultation with the stakeholders.

It is further proposed that transactions or activities shall constitute significant economic presence in India, whether or not the non-resident has a residence or place of business in India or renders services in India.

It is further proposed to provide that only so much of income as is attributable to transactions or activities referred to in clause (a) or clause (b) shall be deemed to accrue or arise in India.

While the aforesaid amendments are proposed under the IT Act, unless corresponding modifications to PE rules are made in the DTAAAs, the cross border business profits will continue to be taxed as per the existing treaty rules.

6.3.4 Exemption in respect of sale of leftover crude oil on termination of agreement or arrangement

In order to extend the benefit of exemption of income for a Foreign Company from sale of leftover stock of crude oil on termination of agreement or arrangement, it is proposed to amend section 10(48B) of the IT Act to provide the benefit of tax exemption in respect of income from left over stock to be available even if the agreement is terminated in accordance with the terms mentioned therein.

6.3.5 Clarification for applicability of MAT provisions to certain foreign companies

With a view to clarify the position of applicability of MAT to certain foreign companies whose total income comprises solely of profits and gains from business referred to in section 44B or section 44BB or section 44BBA or section 44BBB of the IT Act and such income has been offered to tax at the rates specified in the said sections. It is proposed to amend section 115JB of the IT Act to provide that the provisions of section 115JB of the IT Act shall not be applicable to such foreign companies.

This amendment will take effect retrospectively from AY 2001–02 and subsequent years.

6.3.6 Measures to promote units located in IFSC

In order to promote the development of world class financial infrastructure in India, it is proposed to amend section 47 of the IT Act so as to provide that transactions in the following assets, by a non-resident on a recognized stock exchange located in any IFSC shall not be regarded as transfer, if the consideration is paid or payable in foreign currency;

- bond or Global Depository Receipt, as referred to in section 115AC(1) of the IT Act; or
- rupee denominated bond of an Indian company; or
- derivative.

Section 115JC of the IT Act provides for AMT @ 18.5% of adjusted total income in case of a non-corporate person.

It is proposed to amend section 115JC of the IT Act to provide that in case of unit located in an IFSC and deriving its income solely in convertible foreign exchange, AMT under section 115JC of the IT Act shall be charged @ 9%.

6.4 Transfer Pricing

6.4.1 Rationalisation of provisions relating to Country-by-Country Report

Section 286 of the IT Act contains provisions relating to specific reporting regime in the form of CbC Report in respect of an international group. Based on model legislation of Action Plan 13 of BEPS of the OECD and others, following amendments are proposed to be made:

- i. the time allowed for furnishing the CbC Report, in case of parent entity or ARE, resident in India, is proposed to be extended to 12 months from the end of reporting accounting year;
- ii. constituent entity resident in India, having a non-resident parent, shall also furnish CbC Report in case its parent entity outside India has no obligation to file the report in the latter's country or territory;
- iii. the time allowed for furnishing the CbC Report, in case of constituent entity resident in India, having a non-resident parent, shall be 12 months from the end of reporting accounting year;
- iv. the due date for furnishing of CbC Report by the ARE of an international group, the parent entity of which is outside India, with the tax authority of the country or territory of which it is resident, will be the due date specified by that country or territory;
- v. Agreement would mean an agreement referred to in section 90(1) of the IT Act or of section 90A(1) of the IT Act; and also an agreement, as may be notified by the Central Government, for exchange of CbC Report;
- vi. Reporting Accounting Year is defined to mean the accounting year in respect of which the financial and operational results are required to be reflected in the CBC Report.

These amendments are clarificatory in nature which will retrospectively take effect from 1 April 2017 and apply in relation to AY 2017-18 and subsequent AYs.

6.5 General

6.5.1 LTCG Tax exemption for listed securities withdrawn

Under the existing regime, LTCG arising from transfer of LTCA, being equity shares of a company or units of an equity oriented fund or units of a business trust, is exempt from income-tax under section 10(38) of the IT Act provided that said transaction in such LTCA carried out on a recognised stock exchange is

liable to STT.

It has been proposed to withdraw the exemption under section 10(38) of the IT Act and to introduce a new section 112A in the IT Act. The new regime provides that LTCG arising from transfer of a LTCA, being an equity share in a company or an unit of an equity oriented fund or an unit of a business trust, shall be taxed @ 10% of such amount of capital gain exceeding Rs. 1,00,000.

This concessional rate of 10% will be applicable to such LTCG if:

- i) in a case where LTCA is in the nature of an equity share in a company, STT has been paid on both acquisition and transfer of such capital assets; and
- ii) in case where LTCA is in the nature of a unit of an equity oriented fund or a unit of a business trust, STT has been paid on transfer of such capital assets.

Further, new provision of section 112A of the IT Act also proposes to provide the following:

- i) LTCG will be computed without giving effect to the first and second proviso of section 48 of the IT Act i.e. inflation indexation in respect of cost of acquisition and cost of improvement, if any, and the benefit of computation of capital gain in foreign currency in the case of a non-resident, will not be allowed.
- ii) Cost of acquisition in respect of LTCA acquired by the assessee before 1 February 2018, shall be deemed to be higher of;
 - a) Actual cost of acquisition of such asset; and
 - b) Lower of:
 - FMV of such asset as on 31 January 2018 and
 - Full value of consideration received or accrued as a result of transfer of the capital asset.
- iii) 'Equity Oriented Fund' has been defined to mean a fund set up under a scheme of a mutual fund specified under section 10(23D) of the IT Act and,
 - a) In case where the fund invests in units of another fund which is traded on a recognised stock exchange, –
 - A minimum of 90% of total proceeds of such fund is invested in the units of such other funds; and

- Such other fund also invests a minimum of 90% of its total proceeds in the equity shares of domestic companies listed on recognised stock exchange;
 - b) In any other case, a minimum of 65% of the total proceeds of such fund is invested in the equity shares of domestic companies listed on recognised stock exchange.
- iv) FMV has been defined to mean–
- a) In a case where the capital asset is listed on any recognised stock exchange, the highest price of the capital asset quoted on such exchange on 31 January 2018.

However, where there is no trading in such assets on such exchange on 31 January 2018, the highest price of such asset on such exchange on a date immediately preceding 31 January 2018 when such asset was traded on such exchange shall be the FMV; and
 - b) In a case where the capital asset is a unit and is not listed on recognised stock exchange, the net asset value of such assets as on 31 January 2018.
- v) The benefit of deduction under chapter VI–A shall be allowed from the gross total income as reduced by such capital gain. Similarly, rebate under section 87A of the IT Act shall be allowed from the income–tax on the total income as reduced by tax payable on such capital gains.

Further, it has been proposed to empower the Central Government to specify by notification the nature of acquisitions in respect of which the requirement of payment of STT shall not apply in the case of equity shares in a company. Similarly, the requirement of payment of STT at the time of transfer of LTCA, being a unit of equity oriented fund or a unit of business trust, shall not apply if the transfer is undertaken on recognized stock exchange is located in any IFSC and the consideration of such transfer is received or receivable in foreign currency

6.5.2 DDT on dividend pay-outs to unit holders in an equity oriented fund

The existing provision of section 115R of the IT Act provides that any amount of income distributed by the specified company or a mutual fund to its unit holders be chargeable to tax and such specified company or mutual fund shall be liable to pay additional income tax on such distributed income at the rate specified in

the section. However, in respect of any income distributed to a unit holder of equity oriented funds is not chargeable to tax under the said section.

With a view to provide level playing field between growth oriented funds and dividend paying funds in the wake of new capital gains tax regime for unit holders of equity oriented funds, it is proposed to provide that where any income is distributed by a mutual fund being, an equity oriented fund, the mutual fund shall be liable to pay additional income tax @ 10% on income so distributed.

6.5.3 New scheme for scrutiny assessment for effective tax administration

In order to impart greater transparency and accountability in scrutiny assessments, it is proposed to prescribe a new scheme for the purpose of making assessments electronic based, by eliminating the interface between the Assessing Officer and the assessee.

6.5.4 Rationalisation of prima-facie adjustments during processing of return of income

Section 143(1)(a) of the IT Act provides that at the time of processing ROI, the total income or loss shall be computed after making the adjustments specified in sub-clauses (i) to (vi) thereof.

Section 143(1)(a)(vi) of the IT Act provides for adjustment in respect of addition to income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in ROI.

With a view to restrict the scope of adjustments, it is proposed to insert a new proviso to sub-clause (vi) to provide that no adjustment under sub-clause (vi) shall be made in respect of any ROI furnished on or after AY 2018-19.

6.5.5 Rationalization of section 43CA, section 50C and section 56 of the IT Act

At present, while taxing income from capital gains (section 50C of the IT Act), business profits (section 43CA of the IT Act) and other sources (section 56 of the IT Act) arising out of transactions in immovable property, the sale consideration or stamp duty value, whichever is higher is adopted.

It is proposed to provide that no adjustments shall be made in case where the variation between stamp duty value and sale consideration is not more than 5% of the sale consideration.

6.5.6 No extension of sunset clause for Power and Infrastructure sector

Any power sector undertaking and specified infrastructure projects which

commences operations after 1 April 2017 shall not be eligible for deduction under section 80-IA(4)(iv) and section 80-IA (4)(l) of the IT Act respectively.

6.5.7 Rationalization of the provisions of section 54EC

It is proposed to amend section 54EC of the IT Act to provide that, capital gains arising from the transfer of a LTCA, being land or building or both, invested in the long-term specified asset at any time within a period of 6 months after the date of such transfer, the capital gain shall not be charged to tax subject to certain conditions as specified.

It is also proposed to provide that long-term specified asset, for making any investment under this section on or after 1 April 2018, shall mean any bond, redeemable after 5 years (instead of 3 years earlier) and issued on or after 1 April 2018 by NHAI or by RECL or any other bond notified by the Central Government in this behalf.

6.5.8 TDS obligations and restriction on cash payment introduced to specified entities claiming exemption under section 10(23C) and section 11

It has been proposed to insert a new explanation to section 11 of the IT Act to provide that, for the purpose of determining the application of income under provisions of section 11(1) of the IT Act, the provision of section 40 (a), 40(ia), 40A(3) and 40A (3A) of the IT Act shall apply as they apply in computing the income chargeable under the head PGBP.

It is also proposed to insert a similar provisions in section 10(23C) of the IT Act so as to provide similar restriction as above on the entities exempt under sub clause (iv),(v),(vi) or (via) of the said section 10(23C) of the IT Act in respect of application of income.

6.5.9 Non-individual entities to apply for PAN

The existing provision of section 139A of the IT Act provides that every person specified therein and who has not been allotted a PAN shall apply to the Assessing Officer for allotment of a PAN.

In order to use PAN as Unique Entity Number (UEN) for non-individual entities, it has been proposed that every person, not being an individual, which enters into a financial transaction of an amount aggregating to Rs. 2,50,000 or more in a FY shall be required to apply to the Assessing Officer for allotment of PAN.

Further, in order to link the financial transactions with the natural persons, it is also proposed that the managing director, director, partner, trustee, author,

founder, Karta, chief executive officer, principal officer or office bearer or any person competent to act on behalf of such entities shall also apply to the Assessing Officer for allotment of PAN.

6.5.10 Tax treatment of transactions in respect of trading in agricultural commodity derivatives

CTT was introduced vide Finance Act 2013 to bring transactions relating to non-agricultural commodity derivatives under the tax net while keeping the agricultural commodity derivatives exempt from CTT. Since no CTT is paid, the benefit of section 43(5)(e) is not available to transaction in respect of trading of agricultural commodity derivatives and accordingly, such transactions are held to be speculative transactions.

In order to encourage participation in trading of agricultural commodity derivatives, it is proposed to amend provisions of section 43(5)(e) of the IT Act to provide that a transaction in respect of trading of agricultural commodity derivatives, which is not chargeable to CTT, in a registered stock exchange or registered association, will be treated as non-speculative transaction.

6.5.11 Tax deduction at source on 7.75% GOI Savings (Taxable) Bonds, 2018

It is proposed to amend the provisions of section 193 of the IT Act to provide that the person responsible, for paying to a resident, any interest on 7.75% Savings (Taxable) Bonds, 2018 (instead of 8% Savings (Taxable) Bonds, 2003 earlier) shall at the time of payment or credit of interest, deduct tax at source, if the interest payable on such bonds exceeds Rs. 10,000 during the financial year.

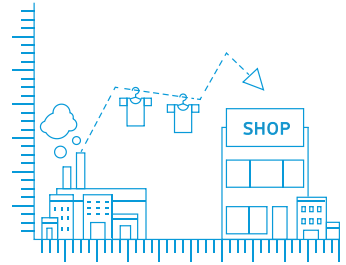
6.5.12 Penalty for failure to furnish statement of financial transaction or reportable account as required under section 271FA of the IT Act

It is proposed to amend section 271FA of the IT Act so as to increase the penalty leviable, from Rs. 100 to Rs. 500 (for failure to furnish statement under section 285BA(1) of the IT Act) and from Rs. 500 to Rs. 1,000 (for failure to furnish statement under section 285BA(5) of the IT Act), for each day of continuing default.

6.5.13 Appeal against penalty imposed by Commissioner (Appeals) under section 271J

It is proposed to amend section 253(1)(a) of the IT Act so as to make the order passed by a Commissioner (Appeals) under section 271J of the IT Act appealable before the Appellate Tribunal.

The change in rates in the Customs and Central Excise regulations shall be effective from 2 February 2018 and the legislative changes shall be effective from the enactment of Finance Bill, 2018 unless otherwise specified. The 'Central Board of Excise & Customs' (CBEC) has been renamed to 'Central Board of Indirect Tax & Customs' (CBIC).



7.1 GST & Service Tax

- No changes proposed in Central GST Act, 2017 and Integrated GST Act, 2017.
- It is proposed to provide retrospective exemption from service tax to life insurance services provided by the Naval Group Insurance Fund to personnel of Coast Guard during the period 10 September 2004 up to 30 June 2017.
- It is proposed to provide retrospective exemption from service tax to services provided by the Goods and Services Tax Network (GSTN) to the Central Government / State Governments / Union territory during the period 28 March 2013 to 30 June 2017.
- It is proposed to provide retrospective exemption from service tax on consideration paid to Government in the form of Government's share of profit in respect of services provided by Government by way of grant of license or lease to explore or mine petroleum crude or natural gas or both, during the period from 1 April 2016 to the 30 June 2017.

7.2 Central Excise

The effective rate of excise duty on Motor spirit (commonly known as petrol and high speed diesel oil) remains unchanged. However, the composition has been changed as follows:

Sr. No.	Description of excisable goods							
Item	Duty rates applicable upto 1 February 2018 (Rs. Per Litre)				Duty rates applicable on or after 2 February 2018 (Rs. Per Litre)			
Product	Basic Excise Duty (BED)	Addit- ional Excise Duty (AED – Road Cess)	Special Addit- ional Excise Duty (SAED)	Total Excise Duty	Basic Excise Duty (BED)	Road & Infrastr- ucture Cess (RIC)	Special Addit- ional Excise Duty (SAED)	Total Excise Duty
Petrol (Unbranded)	6.48	6	7	19.48	4.48	8	7	19.48
Petrol (Branded)	7.66	6	7	20.66	5.66	8	7	20.66
Diesel (Unbranded)	8.33	6	1	15.33	6.33	8	1	15.33
Diesel (Branded)	10.69	6	1	17.69	8.69	8	1	17.69

7.3 Customs Duty

7.3.1 General

- Peak rate of Basic Customs Duty (BCD) remains unchanged @ 10%.
- **Social Welfare Surcharge (SWS) is being levied on imported goods to provide and finance education, health and social security. The same is levied @ 10% of the aggregate duties of customs.**
- **Education Cess and Secondary & Higher Education Cess on imported goods has been abolished. Specified goods exempted from levy of Education Cess and Secondary & Higher Education Cess have been exempted from levy of SWS.**

7.3.2 Electronics/Hardware

- BCD on cellular mobile phones increased from 15% to 20%.
- BCD on specified parts and accessories, including lithium ion battery of cellular mobile phones, increased from 7.5%/10% to 15%.
- BCD on smart watches/wearable devices increased from 10% to 20%.
- BCD on LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs increased from 7.5%/10% to 15%.

7.3.3 Gems and jewellery

- BCD on imitation jewellery increased from 15% to 20%.
- BCD on cut and polished coloured gemstones increased from 2.5% to 5%.
- BCD on diamonds including lab grown diamonds – semi-processed, half cut or broken diamonds increased from 2.5% to 5%.
- BCD on non-industrial diamonds, including lab grown diamonds (other than rough diamonds), increased from 2.5% to 5%.
- Silver (including silver plated with gold or platinum) and Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form, exempted from newly imposed SWS in excess of amount calculated at 3% of the aggregate duties of customs.

7.3.4 Footwear

- BCD on footwear increased from 10% to 20%.
- BCD on parts of footwear increased from 10% to 15%.

7.3.5 Automobile and automobile parts

- BCD on CKD imports of motor vehicles, motor cars, motor cycles increased from 10% to 15%.
- BCD on CBU imports of motor vehicles increased from 20% to 25%.
- BCD on truck and bus Radial Tyres increased from 10% to 15%.
- BCD on specified parts/accessories of motor vehicles, motor car, motor cycles increased from 7.5%/10% to 15%.

7.3.6 Textiles

- BCD on silk fabrics increased from 10% to 20%.

7.3.7 Medical devices

- BCD on raw materials, parts or accessories for the manufacture of cochlear implants reduced from 2.5% to NIL.

7.3.8 Other key changes

- It is proposed to expand the scope of Customs Act to any offence or contraventions committed outside India by any person.
- **It is proposed to extend the limit of 'Indian Customs Waters' to 'Exclusive Economic Zone' from 'Contiguous Zone of India.'**
- It is proposed to empower the Government to exempt the customs duty on goods imported in India for repair, further processing or manufacture, subject to certain conditions.
- It is proposed to empower the Government to exempt the customs duty on goods re-imported in India after export for repair, further processing or manufacture, subject to certain conditions.
- It is proposed to provide pre-notice consultation before issue of demand notice in cases not involving collusion, willful mis-statement or suppression.
- It is proposed to have definite time frame of 6 months or 1 year, as the case may be, for adjudication of demand notices. The time frame shall be extended by the officer senior to adjudicating authority for further period of 6 months or 1 year, as the case may be. In case, the demand notice is not adjudicated even within the extended period, it would be deemed as if no demand has been issued, subject to certain conditions.
- It is proposed to allow Commissioner (Appeals) to remand back the matters to original adjudicating authority in specified categories of cases, namely:
 - where an order or decision has been passed without following the principles of natural justice; or
 - where no order or decision has been passed after re-assessment; or
 - where an order of refund has been issued crediting the amount to the fund without recording any finding on the evidence produced by the applicant.

8.1 FEMA

8.1.1 ODI from India has grown to US\$15 billion per annum. The Government will review existing guidelines and processes and bring out a coherent and integrated ODI policy.

8.1.2 Hybrid instruments are suitable for attracting foreign investments in several niche areas, especially for the startups and venture capital firms. The Government will evolve a separate policy for such hybrid instruments.



8.2 Financial Sector

8.2.1 PAN would be mandatory for any entity entering into a financial transactions of Rs. 250,000 or more.

8.2.2 The Reserve Bank of India has issued guidelines to nudge Corporates access bond market. SEBI will also consider mandating, beginning with large corporates, to meet about one-fourth of their financing needs from the bond market.

8.2.3 It is proposed to onboard public sector banks and corporates on TReDS platform and link this with GSTN. Online loan sanctioning facility for MSMEs will be revamped for prompt decision making by the banks.

8.2.4 It is proposed to review refinancing policy and eligibility criteria set up by MUDRA for better refinancing of NBFCs.

8.2.5 It is proposed to take additional measures to strengthen the environment for growth of Venture Capital Funds and the angel investors and successful operation of alternative investment funds in India.

8.2.6 It is proposed to take reform measures with respect to stamp duty regime on financial securities transactions in consultation with the States and make necessary amendments to the Indian Stamp Act.

8.2.7 It is proposed to examine the policy and institutional development measures required for creating right environment for Fintech companies to grow in India.

8.3 Infrastructure Development

8.3.1 The Government and market regulators have taken necessary measures for development of monetizing vehicles like InvIT and REITs in India. It is proposed to initiate monetizing select CPSE assets using InvIT from next year.

8.3.2 It is proposed to leverage the IIFCL to help finance major infrastructure projects, including investments in educational and health infrastructure, on strategic and larger societal benefit considerations.

8.3.3 It is proposed that NHAI will consider organizing its road assets into Special Purpose Vehicles and use innovative monetizing structures like Toll, Operate and Transfer and Infrastructure Investment Funds.

8.4 Commodity Transaction Tax

8.4.1 It is proposed to amend section 116 of the Finance Act, 2013 to include options in commodity futures as taxable commodities transactions, other than agricultural commodities.

8.4.2 It is proposed to amend the provisions of section 117 of the Finance Act, 2013 so as to prescribe the rate at which sale of an option on commodity derivative, where option is exercised, shall be chargeable and the tax shall be payable by the purchaser.

8.4.3 It is proposed to amend provisions of section 118 of the Finance Act, 2013 so as to include the value of taxable commodities transaction, being option on commodities, chargeable under section 117 of the Finance Act, 2013, in the said section.

8.5 Amendment to the Prevention of Money–Laundering Act, 2002

8.5.1 As per Section 2(1)(u) of PMLA, the 'proceeds of crime' means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property or where such property is taken or held outside the country, then the property equivalent in value held within the country. As per the proposed amendment, the property equivalent in value held abroad shall be covered under the definition of 'proceeds of crime'.

8.5.2 For the purpose of Section 5 of the PMLA Act, where the Director or any other officer not below the rank of Deputy Director authorised by him for the purposes of this section, has reason to believe (the reason for such belief to be recorded in writing), on the basis of material in his possession, that–

- (a) any person is in possession of any proceeds of crime;
- (b) such proceeds of crime are likely to be concealed, transferred or dealt with in any manner which may result in frustrating any proceedings relating to confiscation of such proceeds of crime under this Chapter, he may, by order in writing, provisionally attach such property for a period not exceeding 180 days from the date of the order, in such manner as may be prescribed.

8.5.3 It is hereby proposed that for the purposes of computing the period of 180 days, the period during which the proceedings under this section is stayed by the High Court, the same shall be excluded and a further period not exceeding 30 days from the date of order of vacation of such stay order shall be counted.

8.5.4 It has been proposed to amend the Schedule to the PMLA Act to insert section 447 of the Companies Act, 2013 to include corporate frauds under the purview of money laundering whereby proceeds of crime are relating to such frauds.

8.6 Employment Generation – Contributions to Provident Fund

8.6.1 Government will contribute 12% of wages of new employees in the EPF for all the sectors for next 3 years. Also, the facility of fixed term employment will be extended to all sectors. It is proposed to make amendments in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 to reduce women employees' contribution to 8% for first 3 years of their employment against existing rate of 12% or 10% with no change in employer's contribution.

8.7 Certain Other Proposals

8.7.1 It is proposed to establish a unified authority for regulating all financial services in IFSCs in India.

8.7.2 It is proposed to launch a Mission on Cyber Physical Systems to support establishment of centres of excellence, to invest in research, training and skilling in robotics, artificial intelligence, digital manufacturing, big data analysis, quantum communication and internet of things.

8.7.3 It is proposed to bring out an industry friendly Defence Production Policy 2018 to promote domestic production by public sector, private sector and MSMEs.

8.7.4 National Housing Bank Act is being amended to transfer its equity from the Reserve Bank of India to the Government. Indian Post Offices Act, Provident Fund Act and National Saving Certificate Act are being amalgamated and certain additional people friendly measures are being introduced.

8.7.5 It is proposed to evolve a Scheme to assign every individual enterprise in India a unique ID.

8.7.6 It is proposed to revamp Gold Monetization Scheme to enable people to open a hassle-free Gold Deposit Account.

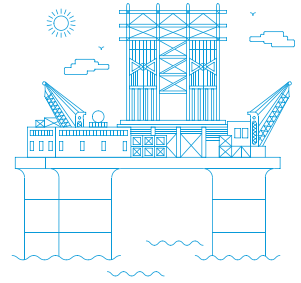
8.7.7 It is proposed to take all measures to eliminate use of crypto-assets in financing illegitimate activities or as part of the payment system.

8.7.8 It is proposed to launch a flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto Rs. 5,00,000 per family per year for secondary and tertiary care hospitalization. This will be the world's largest government funded health care programme.

9.1 Gems And Jewellery Industry

9.1.1 Key highlights

- India is the largest processor of cut and polished diamonds in the world and exports 93% of its production. Its market size is about US\$ 60 billion as of 2017 and is expected to reach US\$ 100–110 billion by 2021–22. The overall net exports of gems and jewellery stood at US\$ 36 billion during FY 2016–17 registering a growth of 9% over FY 2015–16. The sector is home to more than 300,000 gems and jewellery players.
- India's gems and jewellery sector has been contributing around 13%–15% over the past 5 years to India's total merchandise exports and employs over 4.64 million employees. It contributes around 6%–7% of the country's GDP. Gems and jewellery sector is declared as a focus area for export promotion.
- Enhanced outlay for smart cities to benefit Surat Smart City project and the gems and jewellery industry.
- Enhanced investments in infrastructure, health and education, rural schemes and SME sector to contribute to higher growth and lead to higher demand for gems and jewellery products in future.
- Focus on development of bond markets by mandating 25% of borrowings by companies to be in form of bonds will aid the gems and jewellery industry which used a considerable amount of borrowed funds in the working capital cycle.



9.1.2 Positive proposals / impact

- Corporate tax rate for companies having annual turnover upto Rs. 250 crore (for FY 2016–17) reduced to 25% (plus applicable surcharge and cess). The changes in corporate tax rate structure have aroused mixed feelings. Companies (99% of the total number of companies) having annual turnover upto Rs. 250 crore during FY 2016–17 are provided a huge cut in corporate tax rate to 25% although there is a marginal increase in cess rate from 3% to 4%. Earlier, companies having annual turnover upto Rs. 50 crore during FY 2015–16 were eligible for the concessional rate. However, there is no relief in the DDT or reduction of MAT rate. The companies enjoying tax holidays under section 10AA (SEZ Units) or Chapter VIA deductions would continue to be liable to pay MAT if tax on book profits are higher than normal tax.

- Additional 30% of the employee cost shall be available as deduction even if the eligible new employee has been employed for less than 240 days during the current year, but continues to remain employed in the subsequent year under section 80JJAA of the IT Act.
- Standard deduction of Rs. 40,000 is proposed to be allowed to the salaried employees. However, the tax deduction available of medical reimbursement and transport allowance (except in case of differently abled persons) i.e. cumulatively Rs. 34,200 is abolished.
- Government contribution of Employment Provident Fund @ 12% for new employees: The Hon'ble Finance Minister announced that the government would contribute 12% of wages of new employees in EPF for all sectors for next 3 years. This announcement would be a booster measure for such new employees across all sectors. Further, contribution to PF of new women employees reduced to 8%— In order to increase the disposal salary income in the hands of women employees, it is proposed to reduce the women employees' contribution to 8% for the first 3 years of employment, as against the current contribution rate of 12% / 10%. For this necessary amendments shall be carried out in the Employees Provident Fund and Miscellaneous Provisions Act, 1952.
- If application has been admitted under IBC 2016 against the company, than the company can set-off brought forward book loss and unabsorbed depreciation for computing book profit under section 115JB of the IT Act.
- Further, the company would be able to carry forward and set-off brought forward business losses even if there is a change of more than 49% of the shareholding in a previous year if such change is pursuant to a resolution plan approved under IBC 2016.
- The transfer of capital asset by a holding company to its wholly owned subsidiary company and vice-a- versa shall not be considered for taxability under section 56(2)(x) of the IT Act.

9.1.3 Negative proposals / impact

- Education Cess chargeable @ 2% and Secondary and Higher Education Cess chargeable @ 1% have been replaced with Health and Education Cess chargeable @ 4%.
- Marked to market or other expected loss not computed in accordance with ICDS shall be disallowed under section 40A(13) of the IT Act.
- Any gain or loss arising on account of change in foreign exchange rates computed in accordance with ICDS shall be treated as income or loss for

the year as per section 43AA of the IT Act.

- The inventory shall be valued at lower of cost or net realizable value computed in accordance with the ICDS as per section 145A of the IT Act.
- For the purpose of section 2(22)(d) of IT Act, the accumulated profits of the amalgamated company shall be increased by the accumulated profits of the amalgamating company.
- DDT @ 30% to be paid on the loans or advances to be considered as deemed dividend under section 2(22)(e) of the IT Act.
- Long term capital gains exceeding Rs. 1,00,000, arising from transfer of equity share or equity oriented fund or unit of a business trust which are chargeable to STT, is to be taxed @10% (effective 1 April 2018) and benefit of indexation will not be available. Cost of acquisition for computing capital gains would be higher of the following:
 - actual cost; and
 - FMV as on 31 January 2018 or sale consideration, whichever is lower
- Any compensation received or accrued, both revenue and capital, in connection with the termination or modification of the contract relating to business shall be chargeable to tax as business income.
- The profits or gains arising from the conversion of inventory into capital asset shall be charged to tax as business income in the year of conversion. The fair market value shall be considered as cost of acquisition for computing the capital gains when converted inventory is transferred / sold. The period of holding for computing capital gains shall be reckoned from the date of conversion.
- The interest received by an assessee on compensation or on enhanced compensation shall be deemed to be the income of the year in which it is received.
- Claim for escalation of price in a contract or export incentive shall be deemed to be the income of the year in which reasonable certainty or its realization is achieved.
- The grant or subsidy shall be deemed to be the income of the year in which it is received if not charged to tax in the earlier years.
- BCD on imitation jewellery increased from 15% to 20%.
- BCD on cut and polished coloured gemstones increased from 2.5% to 5%.
- BCD on diamonds including lab-grown diamonds, semi-processed, half-cut or broken diamonds increased from 2.5% to 5%.
- BCD on non-industrial diamonds, including lab-grown diamonds (other

than rough diamonds), increased from 2.5% to 5%.

- Silver (including silver plated with gold or platinum) and Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form, exempted from newly imposed SWS in excess of amount calculated at 3% of the aggregate duties of customs.
- SWS is being levied on imported goods to provide and finance, education, health and social security. The same is levied @ 10% of the aggregate duties of customs.
- Education Cess and Secondary and Higher Education Cess on imported goods has been abolished. Specified goods exempted from levy of Education Cess and Secondary and Higher Education Cess has been exempted from levy of SWS.

9.2 Media and Entertainment Industry

9.2.1 Key highlights:

- The M & E industry is anticipated to grow at a CAGR of 13.9% during 2016–21 to reach US\$ 37.55 billion. The industry provides employment to 3.5–4 million people, including both direct and indirect employment as of 2017.
- The Indian advertising industry is projected to be the second fastest growing advertising market in Asia after China. At present, advertising revenue accounts for around 0.38% of India's GDP. India is one of the highest spending and fastest growing advertising market globally. The country's expenditure on advertising is expected to grow @12% to Rs 61,100 crore (US\$ 9.47 billion) in the year 2017. Mobile advertisement spending in India is estimated to grow to Rs 10,000 crore (US\$ 1.55 billion) by end of 2018.
- 5 lakh WiFi hotspots will be set up in rural areas to provide easy internet access thereby widening user base. The telecom department (DoT) along with IIT Madras will support a 5G technologies test bed which is an added advantage to the industry in terms of speedy communication.

9.2.2 Positive proposals / impact

- Corporate tax rate for companies having annual turnover upto Rs. 250 crore (for the FY ending 2016–17) is reduced to 25% (plus applicable surcharge and cess). This will boost the small and medium players in M&E.
- Additional 30% of the employee cost shall be available as deduction even if the eligible new employee has been employed for less than 240 days during the current year, but continues to remain employed in the

subsequent year under section 80JJAA of the IT Act.

- Government contribution of Employment Provident Fund @ 12% for new employees: The Hon'ble Finance Minister announced that the government would contribute 12% of wages of new employees in EPF for all sectors for next 3 years. This announcement would be a booster measure for such new employees across all sectors. Further, contribution to PF of new women employees reduced to 8%— In order to increase the disposal salary income in the hands of women employees, it is proposed to reduce the women employees' contribution to 8% for the first 3 years of employment, as against the current contribution rate of 12% / 10%. For this necessary amendments shall be carried out in the Employees Provident Fund and Miscellaneous Provisions Act, 1952.
- Standard deduction of Rs. 40,000 is proposed to be allowed to the salaried employees. However, the tax deduction available of medical reimbursement and transport allowance (except in case of differently abled persons) i.e. cumulatively Rs. 34,200 is abolished.
- If application has been admitted under IBC 2016 against the company, than the company can set-off brought forward book loss and unabsorbed depreciation for computing book profit under section 115JB of the IT Act.
- Further, the company would be able to carry forward and set-off brought forward business losses even if there is a change of more than 49% of the shareholding takes place in a previous year if such change is pursuant to a resolution plan approved under IBC 2016.
- If the difference between the stamp duty value and consideration received on transfer does not exceed 5% then no addition is required to be made under section 43CA, 50C and 56 of the IT Act.
- The transfer of capital asset by a holding company to its wholly owned subsidiary company and vice versa shall be not be considered for taxability under section 56(2)(x) of the IT Act.

9.2.3 Negative proposals / impact

- Education cess chargeable @ 2% and Secondary and Higher Education Cess chargeable @ 1% have been replaced with Health and Education Cess chargeable @ 4%.
- For the purpose of section 2(22)(d) of IT Act the accumulated profits of the amalgamated company shall be increased by the accumulated profits of the amalgamating company.
- DDT @ 30% is required to be paid on the loans or advances considered as

deemed dividend under section 2(22)(e) of the IT Act.

- Long term capital gains exceeding Rs. 1,00,000, arising from transfer of equity share or equity oriented fund or unit of a business trust which are chargeable to STT, is to be taxed @10% (effective 1 April 2018) and benefit of the indexation will not be available. Indexation benefit not available. Cost of acquisition for computing capital gains would be higher of the following:
 - actual cost; and or
 - FMV as on 31 January 2018 or sale consideration, whichever is lower
- Any compensation received or accrued, both revenue and capital, in connection with the termination or modification of the contract relating to business shall be chargeable to tax as business income.
- The profits or gains arising from conversion of inventory into capital asset shall be charged to tax as business income in the year of conversion. The fair market value shall be considered as cost of acquisition for computing the capital gains when converted inventory is transferred / sold. The period of holding for the computing capital gains shall be reckoned from the date of conversion.
- Marked to market or other expected loss not computed in accordance with ICDS shall be disallowed under section 40A(13) of the IT Act.
- Any gain or loss arising on account of change in foreign exchange rates computed in accordance with the ICDS shall be treated as income or loss for the year as per section 43AA of the IT Act.
- The inventory shall be valued at lower of cost or net realizable value computed in accordance with the ICDS as per section 145A of the IT Act.
- The interest received by an assessee on compensation or on enhanced compensation shall be deemed to be the income of the year in which it is received.
- Claim for escalation of price in a contract or export incentive shall be deemed to be the income of the year in which reasonable certainty or its realization is achieved.
- The grant or subsidy shall be deemed to be the income of the year in which it is received if not charged to tax in the earlier years.
- SWS is being levied on imported goods to provide and finance education, health and social security. The same is levied @ 10% of the aggregate duties of customs.
- Education Cess and Secondary and Higher Education Cess on imported

goods has been abolished. Specified goods exempted from levy of Education Cess and Secondary and Higher Education Cess has been exempted from levy of SWS

9.3 Information Technology / ITES Sector

9.3.1 Key highlights

- India is the world's largest sourcing destination for IT Industry and employs about 10 million people
- The IT industry has also created significant demand in the Indian education sector, especially for engineering and computer science. It is divided into 4 major segments – IT services, Business Process Management (BPM), software products and engineering services and hardware. This industry has led the economic transformation of the country and altered the perception of India in the global economy. India's cost competitiveness in providing IT services, which is approximately 3–4 times cheaper than the USA, continues to be the mainstay of its Unique Selling Proposition (USP) in the global sourcing market.
- The global IT and ITeS market (excluding hardware) reached US\$ 1.2 trillion in F.Y 2016–17, while the global sourcing market increased by 1.7 times to reach US\$ 173–178 billion. India remained the world's top sourcing destination in F.Y 2016–17 with a share of 55%. Indian IT and ITeS companies have set up over 1,000 global delivery centres in over 200 cities around the world.
- Public cloud service revenue market in India is slated to grow 35.9% to reach US\$ 1.3 billion during the year. 5 lakh WiFi hotspots will be set up in rural areas to provide easy internet access thereby widening user base. DoT along with IIT Madras will support a 5G technologies test bed which is an added advantage to the industry in terms of speedy communication.

9.3.2 Positive proposals / impact

- Corporate tax rate for companies having annual turnover upto Rs. 250 crore (for FY 2016–17) is reduced to 25% (plus applicable surcharge and cess).
- Additional 30% of the employee cost shall be available as deduction even if the eligible new employee has been employed for less than 240 days during the current year, but continues to remain employed in the subsequent year under section 80JJAA of the IT Act.
- Standard deduction of Rs. 40,000 is proposed to be allowed to salaried employees. However, the tax deduction available of medical

reimbursement and transport allowance (except in case of differently abled persons) i.e. cumulatively Rs. 34,200 is abolished.

- If application has been admitted under IBC 2016 against the company, than the company can set-off brought forward book loss and unabsorbed depreciation for computing book profit under section 115JB.
- Further, the company would be able to carry forward and set-off brought forward business losses even if there is a change of more than 49% of the shareholding in a previous year if such change is pursuant to a resolution plan approved under IBC 2016.
- The transfer of capital asset by a holding company to its wholly owned subsidiary company and vice versa shall be not be considered for taxability under section 56(2)(x) of the IT Act.

9.3.3 Negative proposals / impact

- The Education Cess chargeable @ 2% and Secondary and Higher Education Cess chargeable @ 1% have been replaced with Health and Education Cess chargeable @ 4%.
- For the purpose of section 2(22)(d) of IT Act, the accumulated profits of the amalgamated company shall be increased by the accumulated profits of the amalgamating company.
- DDT @ 30% is required to be paid on the loans or advances considered as deemed dividend under section 2(22)(e) of the IT Act.
- Long term capital gains exceeding Rs. 1,00,000, arising from transfer of equity share or equity oriented fund or unit of a business trust which are chargeable to STT, is to be taxed @ 10% (effective 1 April 2018) and benefit of the indexation will not be available. Cost of acquisition for computing capital gains would be higher of the following:
 - actual cost; and
 - FMV as on 31 January 2018 or sale consideration, whichever is lower
- Any compensation received or accrued, both revenue and capital, in connection with the termination or modification of the contract relating to business shall be chargeable to tax as business income.
- The profits or gains arising from the conversion of inventory into capital asset shall be charged to tax as business income in the year of conversion. The FMV shall be considered as cost of the acquisition for computing capital gains when converted inventory is transferred / sold. The period of holding of for computing capital gains shall be reckoned from the date of conversion.

- Marked to market or other expected loss not computed in accordance with ICDS shall be disallowed under section 40A(13) of the IT Act.
- Any gain or loss arising on account of change in foreign exchange rates computed in accordance with ICDS shall be treated as income or loss for the year as per section 43AA of the IT Act.
- The inventory shall be valued at lower of cost or net realizable value computed in accordance with ICDS as per section 145A of the IT Act.
- 'Significant economic presence' in India shall also constitute 'business connection'.
- Interest received by an assessee on compensation or on enhanced compensation shall be deemed to be the income of the year in which it is received.
- Claim for escalation of price in a contract or export incentive shall be deemed to be the income of the year in which reasonable certainty or its realization is achieved.
- The grant or subsidy shall be deemed to be the income of the year in which it is received if not charged to tax in the earlier years.
- SWS is being levied on imported goods to provide and finance education, health and social security. The same is levied @ 10% of the aggregate duties of customs.
- Education Cess and Secondary and Higher Education Cess on imported goods has been abolished. Specified goods exempted from levy of Education Cess and Secondary and Higher Education Cess has been exempted from levy of SWS.
- BCD on cellular mobile phones increased from 15% to 20%.
- BCD on specified parts and accessories, including lithium ion battery of cellular mobile phones, increased from 7.5%/10% to 15%.
- BCD on LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs increased from 7.5%/10% to 15%.

9.4 Real Estate and Infrastructure Industry

9.4.1 Key highlights / policy matters

- Real estate sector is one of the most globally recognized sectors. In India, real estate is the second largest employer after agriculture and is slated to grow @ 30 % over the next decade. The real estate sector comprises 4 sub sectors – housing, retail, hospitality and commercial.
- The Indian real estate market is expected to touch US\$ 180 billion by 2020. The housing sector alone contributes 5%-6% to the country's

GDP.

- In Union Budget 2017–18, allocation of Rs. 23,000 crore (US\$ 3.57 billion) had been made for Pradhan Mantri Awaas Yojana – Gramin, with a target to complete 10 million houses in rural areas by 2019.
- A total of 2,17,900 new houses in 6 Indian states were sanctioned by the Ministry of Housing and Urban Affairs, Government of India under the Pradhan Mantri Awas Yojana (Urban) to push affordable housing in the urban areas of the country.
- 100% FDI is permitted in real estate projects within the SEZ
- The Government and market regulators have taken necessary measures for development of monetizing vehicles like Infrastructure Investment Trust and Real Investment Trust in India. It is proposed to initiate monetizing select CPSE assets using InvITs from next year.

9.4.2 Positive proposals / impact

- Corporate tax rate for companies having annual turnover upto Rs. 250 crore (for the FY 2016–17) is reduced to 25% (plus applicable surcharge and cess).
- Additional 30% of the employee cost shall be available as deduction even if the eligible new employee has been employed for less than 240 days during the current year, but continues to remain employed in the subsequent year under section 80JJAA of the IT Act.
- Government contribution of Employment Provident Fund @ 12% for new employees: The Hon'ble Finance Minister announced that the government would contribute 12% of wages of new employees in EPF for all sectors for next 3 years. This announcement would be a booster measure for such new employees across all sectors. Further, contribution to PF of new women employees reduced to 8%— In order to increase the disposal salary income in the hands of women employees, it is proposed to reduce the women employees' contribution to 8% for the first 3 years of employment, as against the current contribution rate of 12% / 10%. For this necessary amendments shall be carried out in the Employees Provident Fund and Miscellaneous Provisions Act, 1952.
- The standard deduction of Rs. 40,000 is proposed to be allowed to the salaried employees. However, the tax deduction available of medical reimbursement and transport allowance (except in case of differently abled persons) i.e. cumulatively Rs. 34,200 is abolished.
- If application has been admitted under IBC 2016 against the company, than the company can set-off brought forward book loss and

unabsorbed depreciation for computing book profit under section 115JB of the IT Act.

- Further, the company would be able to carry forward and set-off brought forward business losses even if there is a change of more than 49% of the shareholding in a previous year if such change is pursuant to a resolution plan approved under IBC 2016.
- The transfer of capital asset by a holding company to its wholly owned subsidiary company and vice versa shall be not be considered for taxability under section 56(2)(x) of the IT Act.
- If the difference between the stamp duty value and consideration received on transfer does not exceed 5% then no addition is required to be made under sections 43CA, 50C and 56 of the IT Act.
- The Government and market regulators have taken necessary measures for development of monetizing vehicles like InvIT and REIT in India. It is proposed to initiate monetizing select CPSE assets using InvITs from next year.

9.4.3 Negative proposal / impact

- The Education Cess chargeable @ 2% and Secondary and Higher Education Cess chargeable @ 1% have been replaced with Health and Education Cess chargeable @ 4%.
- For the purpose of section 2(22)(d) of IT Act. the accumulated profits of the amalgamated company shall be increased by the accumulated profits of the amalgamating company.
- DDT @ 30% is required to be paid on the loans or advances considered as deemed dividend under section 2(22)(e) of the IT Act.
- Long term capital gains exceeding Rs. 1,00,000, arising from transfer of equity share or equity oriented fund or unit of a business trust which are chargeable to STT, is to be taxed @ 10% (effective 1 April 2018) and benefit of the indexation will not be available. Cost of acquisition for computing capital gains would be higher of the following:
 - actual cost; and
 - FMV as on 31 January 2018 or sale consideration, whichever is lower.
- Any compensation received or accrued, both revenue and capital, in connection with the termination or modification of the contract relating to business shall be chargeable to tax as business income.
- The profits or gains arising from the conversion of inventory into capital asset shall be charged to tax as business income in the year of

conversion. The FMV shall be considered as cost of the acquisition for computing capital gains when converted inventory is transferred / sold. The period of holding for computing capital gains shall be reckoned from the date of conversion.

- Marked to market or other expected loss not computed in accordance with the ICDS shall be disallowed under section 40A(13) of the IT Act.
- Any gain or loss arising on account of change in foreign exchange rates computed in accordance with ICDS shall be treated as income or loss for the year as per section 43AA of the IT Act.
- The profits and gains arising from a construction or service contract shall be determined on the basis of percentage completion method in accordance with ICDS as per section 43CB of the IT Act.
- The inventory shall be valued at lower of cost or net realizable value computed in accordance with ICDS as per section 145A of the IT Act.
- The interest received by an assessee on compensation or on enhanced compensation shall be deemed to be the income of the year in which it is received.
- Claim for escalation of price in a contract or export incentive shall be deemed to be the income of the year in which reasonable certainty or its realization is achieved.
- The grant or subsidy shall be deemed to be the income of the year in which it is received if not charged to tax in the earlier years.



One of the major aspects considered by businesses, while conducting international business, 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 double taxation, permit foreign tax credit 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%/5% [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 trade-mark]	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%	<ol style="list-style-type: none"> 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%. 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]. 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.
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	<ol style="list-style-type: none"> 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%. MFN clause with respect to Royalty shall be applicable if Nepal enters into treaty with any other country for a lower rate on royalties.
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	<ol style="list-style-type: none"> 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%. 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%. 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.

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 provision	Interest taxable at 5% if recipient is a bank or similar financial institution; 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 @ 20.5553%. 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,

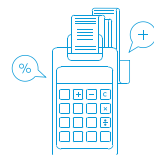
distributed or paid by Indian companies on which DDT is applicable such as deemed dividend under Section 2(22)(e) of the IT Act].

2. Unless otherwise provided in the DTAA, both the countries have right to tax.
3. The rate of tax under the IT Act on Royalty and/or FTS receivable by a non-resident is 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 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 FTS will not require PAN if alternative documents/details such as TRC, 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 may be denied to a non-resident.

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 [Note 1 & 16]	Proposed Threshold for Deduction w.e.f. 1 April 2018	Proposed Rate at which tax is to be Deducted [Note 1 & 16]
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 p.a. for interest on debentures by public company to individuals and HUF	10%	Rs. 5,000 p.a. 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 / Rs. 50,000 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. 10,000	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 p.a.	2% (1% for individual and HUF)	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)
8	Insurance commission [Note-6]	194D	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	5%
9	Payment in respect of life insurance policy [Notes-5 and 6]	194DA	Less than Rs. 1,00,000 p.a.	1%	Less than Rs. 1,00,000 p.a.	1%
10	Payment to non-resident sportsmen (including an athlete) / 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 p.a.	20%	Less than Rs. 2,500 p.a.	20%
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 & 16]	Proposed Threshold for Deduction w.e.f. 1 June 2018	Proposed Rate at which tax is to be Deducted [Note1 & 16]
13	Commission or brokerage [Note-7]	194H	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	5%
14a	Rent of Land / Building / including factory building / Furniture or fitting [Note-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	Rs. 50,000 p.m. or part of the month	5%	Rs. 50,000 p.m. or part of the month	5%
17	Monetary Consideration payable under joint development agreement	194-IC	No threshold (w.e.f. 1 April 2017)	10%	No threshold	10%
18	Fees for professional and technical services / royalty / remuneration to Director other than salary [Notes7, 10 and 11]	194J	Rs. 30,000 p.a.	10%	Rs. 30,000 p.a.	10%
19	Payment of compensation for acquisition of certain immovable property [Note-12]	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 a	Income from units of a business trust by way of interest from a special purpose vehicle	194 LBA	No threshold	10%, (5% for non-residents)	No threshold	10%, (5% for non-residents)
21 b	Income from units of real estate investment trust by way of leasing or leasing out any real estate asset	194 LBA	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is	No threshold	10% and for non-residents as per rate in force or rate

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note1 & 16]	Proposed Threshold for Deduction w.e.f. 1 June 2018	Proposed Rate at which tax is to be Deducted [Note1 & 16]
				beneficial [Note-15]		specified in the relevant DTAA's, whichever is beneficial [Note-15]
22	Income in respect of units of investment fund	194 LBB	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note-15]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note-15]
23	Income in respect of investment in securitization trust	194 LBC	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note-15]	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note-15]
24	Income by way of Interest payable to non-residents from Indian company or a business trust.[Note-13]	194LC	No threshold	5%	No threshold	5%
25	Income by way of Interest on certain Bonds and Government Securities held by FII and QFI [Note-14]	194LD	No threshold	5%	No threshold	5%
26	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 15 and 17]			

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 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 35.88%.
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. The section also provides for certain cases where tax is not to be deducted at source.
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. However, if the payee is a senior citizen, then the threshold limit is Rs. 50,000.
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 (not being a company or a firm) 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. No threshold limit of Rs 30,000 p.a. is applicable for the same.
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. If payment is made in respect of any award or agreement which is exempted from levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013), no tax will be deducted at source under Section 194LA.
13. 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 (including long term infrastructure bond) issued on or 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 October 2014; or,
 - rupee denominated bond issued outside India before the 1 July 2020.
14. Interest payable on or after 1 June 2013 but before 1 July 2020 in respect of investment made by FII or QFI in:
 - Rupee denominated bond of an Indian Company
 - Government Security
15. 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.
16. 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. With the introduction of new GST regime, w.e.f. 1 July 2017, CBDT has further clarified to substitute 'Service tax' in an agreement/ contract by 'GST on services' from 1 July 2017
17. It is proposed to amend section 10 so as to provide that the income arising to non-resident or a foreign company, by way of royalty from, or fees for technical services rendered in or outside India to, the NTRIO will be exempt from income tax. Accordingly, NTRIO will not be required to deduct tax at source on such payments.

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.



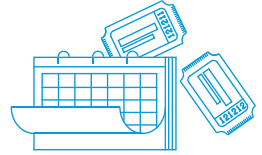
Sr. No.	Nature of Goods / Service	Relevant Section	Existing Threshold for Collection	Rate at which Tax is to be Collected [Note-1]	Proposed Threshold for Collection w.e.f. 1 April 2018	Proposed Rate at which tax is to be Collected [Note-1]
1	Scrap [Note-2 & 8]	206C(1)	-	1%	-	1%
2	Alcoholic Liquor for Human Consumption [Note-2 & 8]	206C(1)	-	1%	-	1%
3	Tendu leaves [Note-2 & 8]	206C(1)	-	5%	-	5%
4	Timber obtained under a forest lease [Note-2 & 8]	206C(1)	-	2.5%	-	2.5%
5	Timber obtained by any mode other than a forest lease [Note-2 & 8]	206C(1)	-	2.5%	-	2.5%
6	Any other forest produce (not being timber / tendu leaves) [Note-2 & 8]	206C(1)	-	2.5%	-	2.5%
7	Minerals, being coal or lignite or iron ore [Note-2 & 8]	206C(1)	-	1%	-	1%
8	Parking lot [Note-4]	206C(1C)	-	2%	-	2%
9	Toll plaza [Note-4]	206C(1C)	-	2%	-	2%
10	Mining and Quarrying (Except Mining and Quarrying of Mineral Oil) [Note-4]	206C(1C)	-	2%	-	2%
11	Motor Vehicle [Note- 5,6,& 8]	206C(1F)	above Rs.10,00,000	1%	above Rs.10,00,000	1%

Notes:

1. Surcharge and health & 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. Provisions of section 206C (1C) are not applicable where licensee or lessee is a public sector company.
5. TCS is not applicable on sale of motor vehicle by manufacturers to dealers / distributors.
6. Sale of goods of nature referred to in section 206 C(1F) to the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate, trade representation of a foreign state, local authority as defined in explanation to section 10(20) of the IT Act; a public sector company which is engaged in the business of carrying passengers are not subject to levy of TCS.
7. The seller for the purposes of collection of tax under section 206C(1)/ (1F) of the IT Act 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 of the IT Act during the financial year immediately preceding the financial year in which the goods of nature specified in section 206C (1) are sold.
8. 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.
9. A lower collection certificate can be obtained with respect to section 206C (1) and(1C).
10. 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) @ 5%.

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

We have provided an overview of the various direct tax and GST 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 & 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 preceding 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			
Tax deducted under section 194(IA), must be deposited in bank within period of 30 days from the end of month of deduction	Applicable		
Tax shall be deducted under section 194(IB) 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 preceding previous year
IV. Tax Collected at Source ('TCS') (Note 5)			
Tax must be collected at the time of debiting 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 preceding 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 2018	31 October		
For declarations received in Form 60 by March 2019	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 service 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 communicated		
XII. Due dates for deduction and deposit of Equalization Levy			
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		

XIII. Due dates for various Forms for CbC Report and Master File Compliances

Form Name	Description	In relation to	Who needs to file	Due date
Form No. 3CEAA	Report to be furnished under Section 92D(4) of the IT Act			
PART A	Every person, being a constituent entity of an international group	All constituent entities of international group resident in India		30 November 2018
Form No. 3CEAA PART B	Constituent entity of an international group, in those cases where the conditions as provided in Rule 10DA(1) are satisfied	Master File	Designated Constituent entity resident in India	
Form No. 3CEAB	Where there are more than one constituent entity resident in India of an international group, then the constituent entity which has been designated to furnish the master file	Master File	Designated Constituent entity irrespective of whether the parent entity is resident in India or not	31 October 2018
Form No. 3CEAC	Intimation by a constituent entity, resident in India, for the purpose of section 286(2) of the IT Act	CbC Report	Constituent entity resident in India but parent entity is non-resident in India	31 January 2019
Form No. 3CEAD	Report by a parent entity or an alternate reporting entity or any other constituent entity, resident in India, for the purposes of sub-section (2) or sub-section (4) of section 286 of the IT Act	CbC Report	Parent or Alternative reporting entity resident in India	31 March 2019
Form No. 3CEAE	Intimation on behalf of the international group for the purposes of the proviso to sub-section (4) of section 286 of the IT Act	CbC Report	Designated Constituent entity irrespective of whether the parent entity is resident in India or not	Yet to be notified

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 of the IT Act 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 one 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 AO.
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.

Goods and Services Tax (GST) Compliance Calendar

Nature of Compliances		Due dates / quantum of interest and late filing fees
Forms	Description	
GSTR-1	Details of outward supplies (Originally prescribed)	10th day of the succeeding month
	Taxpayer whose aggregate turnover does not exceeds Rs.1.5 crores in preceding financial year or current financial year	Within prescribed days from end of quarter (Note 1)
	Taxpayer whose aggregate turnover exceeds Rs.1.5 crores in preceding financial year or current financial year	Within prescribed days from end of month (Note 2)
GSTR-2	Details of inward supplies (Originally prescribed) (Note 3)	15th day of the succeeding month
GSTR-3	Monthly Return (Originally prescribed) (Note 3)	20th day of the succeeding month
GSTR-4	Return by Composition scheme dealers	Within 18 days from end of quarter
GSTR-3B	Summary monthly Return	20th day of the succeeding month
GSTR-5	Return by Non-Resident taxable person	20th day of the succeeding month
GSTR-5A	Return by OIDAR service provider	20th day of the succeeding month
GSTR-6	Return by Input Service Distributor	13th day of the succeeding month
GSTR-7	Return by Person deducting Tax at Source (TDS)	10th day of the succeeding month
GSTR-8	Return by E-commerce Operator	10th day of the succeeding month
Due date for filing Annual Return		
GSTR-9	Annual Return	31st December of succeeding financial year
GSTR-9A	Annual Return for Composition scheme dealers	31st December of succeeding financial year
GSTR-9B	Annual Return by E-commerce operator collecting tax u/s 52	31st December of succeeding financial year
Due date for furnishing reconciliation statement		
In case of GST audit under section 35(5) of Central GST Act, registered person shall also furnish the reconciliation statement along with annual return.		
GSTR-9C	Reconciliation statement, in case of audit	31st December of succeeding financial year
Due date of payment of GST		
GST amount due as per return shall be paid on or before last date of filing of return in form GSTR-3B or form GSTR-3, as applicable.		
Interest on delayed payment of GST		
Failure to pay GST		18% p.a.
Undue / excess claim of input tax credit or undue / excess reduction in output tax liability		24% p.a.
Late fees for delay in filing of returns (Note 4)		
Rs.200/- per day subject to maximum Rs.5,000/-		

Notes:**1. Extended Due date of GSTR-1 returns till March 2018****Quarterly Return**

Tax Period	Extended due date
July to September 2017	On or before 10 January 2018
October to December 2017	On or before 15 February 2018
January to March 2018	On or before 30 April 2018

2. Extended Due date of GSTR-1 returns till March 2018**Monthly Returns**

Tax Period	Extended due date
July to November 2017	On or before 10 January 2018
December 2017	On or before 10 February 2018
January 2018	On or before 10 March 2018
February 2018	On or before 10 April 2018
March 2018	On or before 10 May 2018

3. The Government has clarified that special procedure and extension of time limit for furnishing GSTR-2 and GSTR-3 for the period July 2017 to March 2018 shall be subsequently notified in Official Gazette.
4. As per Notification No.64/2017- Central Tax dated 15 November 2017, late fees, for delay in filing GSTR-3B for the month of October 2017 and onwards, shall be Rs.50/- per day and in case of Nil return Rs. 20/- per day.

5. Time limit for GST registration

Every person whose aggregate turnover exceeds Rs.20 lacs or Rs.10 lacs in case of special category state shall apply for the registration within 30 days from the date on which he becomes liable to registration.

ABBREVIATIONS

A		EC	Education Cess
AE	Associated Enterprise	ECB	External Commercial Borrowing
AMT	Alternate Minimum Tax	EMDE	Emerging Market and Developing Economies
AOP	Association of Persons	EPF	Employees Provident Fund
APA	Advance Pricing Agreement	ETF	Exchange Traded Fund
ATM	Automatic Teller Machine	EU	European Union
AY	Assessment Year		
B		F	
BCD	Basic Customs Duty	FDI	Foreign Direct Investment
BED	Basic Excise Duty	FEMA	Foreign Exchange Management Act, 1999
BEPS	Base Erosion and Profit shifting	FII	Foreign Institutional Investor
BHIM	Bharat Interface for Money App	FIPB	Foreign Investment Promotion Board
BOI	Body of Individuals	FMV	Fair Market Value
BSE	Bombay Stock Exchange	FOB	Free On Board
		FPI	Foreign Portfolio Investor
C		FPO	Follow-on Public Offer
CAD	Current Account Deficit	FTC	Foreign Tax Credit
CAGR	Compounded Average Growth Rate	FTS	Fees for Technical Services
CAT	Common Admission Test	FY	Financial Year
CBDT	Central Board of Direct Taxes		
CBEC	Central Board of Excise and Customs	G	
CBIC	Central Board of Indirect Tax and Customs	GAAP	Generally Accepted Accounting Principles
CBU	Completely Built Up	GAAR	General Anti Avoidance Rules
CENVAT	Central Value Added Tax	GDP	Gross Domestic Product
CESTAT	Customs Excise & Service Tax Appellate Tribunal	GST	Goods and Services Tax
CGST	Central Goods and Services Tax	GSTN	Goods and Services Tax Network
CIF	Cost Insurance and Freight		
CIT	Commissioner of Income Tax	H	
CKD	Complete Knocked Down	HNI	High Net-worth Individual
CPI	Consumer Price Index	HUF	Hindu Undivided Family
CPSE	Central Public Sector Enterprise		
CRGO	Cold Rolled Grain Oriented	I	
CSO	Central Statistics Office	IBC	Insolvency and Bankruptcy Code, 2016
CTT	Commodity Transaction Tax	ICDS	Income Computation and Disclosure Standard
		IDS	Income Disclosure Scheme, 2016
D		IFRS	International Financial Reporting Standards
DAPE	Dependent Agent Permanent Establishment	IFSC	International Financial Services Centre
DDT	Dividend Distribution Tax	IGST	Integrated Goods and Services Tax
DTAA	Double Taxation Avoidance Agreement	IIFCL	Indian Infrastructure Finance Corporation Limited
		IMF	International Monetary Fund
E		InvIT	Infrastructure Investment Trust
EBITDA	Earnings Before Interest Tax Depreciation And Amortisation	IPO	Initial Public Offer
		IRCON	Indian Railway Construction Company Limited
		IRCTC	Indian Railway Catering and Tourism Corporation
		IRFC	Indian Railway Finance Corporation

ABBREVIATIONS

IT	Information Technology	PPP	Purchasing Power Parity
IT Act	Income-tax Act, 1961		
IT Rules	Income-tax Rules, 1962	R	
ITeS	Information Technology enabled Services	R&D	Research & Development
J		RBI	Reserve Bank of India
JDA	Joint Development Agreement	RDB	Rupee Denominated Bond
L		REC / RECL	Rural Electrification Corporation Limited
LED	Light-Emitting Diode	REIT	Real Estate Investment Trust
LLP	Limited Liability Partnership	ROI	Return of Income
LTCA	Long Term Capital Asset	S	
LTCG	Long Term Capital Gain	SAD	Special Additional Duty of Customs levied under sub-section (5) of section 3 of the Customs Tariff Act, 1975
M		SARFAESI	The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
MAP	Mutual Agreement Procedure	SBI	State Bank of India
MAT	Minimum Alternate Tax	SEBI	Securities Exchange Board of India
MgO	Magnesium Oxide	SEZ	Special Economic Zone
MFs	Mutual Funds	SHEC	Secondary & Higher Education Cess
MFN	Most Favored Nation	SLM	Straight Line Method
MMR	Maximum Marginal Rate	SME	Small And Medium Enterprises
MLI	Multilateral Instrument	STT	Security Transaction Tax
M&E	Media & Entertainment	SWS	Social Welfare Surcharge
MSME	Micro, Small and Medium Enterprises	T	
N		TAN	Tax Deduction and Collection Account Number
NABARD	National Bank for Agriculture and Rural Development	TCS	Tax Collected at Source
NBFC	Non-Banking Financial Company	TDS	Tax Deducted at Source
NHAI	National Highway Authority of India	TP	Transfer Pricing
NPAs	Non Performing Assets	TRC	Tax Residency Certificate
NPS	National Pension Scheme	TReDS	Trade Electronic Receivable Discounting System
NTR0	National Technical Research Organisation	U	
O		UEN	Unique Entity Number
OECD	Organization for Economic Co-operation and Development	US\$	United States Dollar
ODI	Overseas Direct Investment	V	
P		VAT	Value Added Tax
PAN	Permanent Account Number		
PCIT	Principal Commissioner of Income Tax		
PMLA	Prevention of Money Laundering Act, 2002		
POEM	Place of Effective Management		
POS	Point Of Sale		
PPE	Property, Plant & Equipment		
PPP	Public Private Partnership		

RSM India



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Mumbai – 400 021

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Technopolis Knowledge Park
Mahakali Caves Road, Andheri (E)
Mumbai – 400 093

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

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II Main Road, R. A. Puram
Chennai – 600 028

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

3rd Floor, B Wing
Jubilee Building, 45, Museum
Road, Bengaluru – 560 025

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
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Hyderabad

217, Maruthi Corporate Point
Swapnalok Complex
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Secunderabad – 500 003

Ahmedabad

B-504, Narnarayan Complex
Navrangpura
Ahmedabad – 380 009

Pune

102, 1st Floor
Shree Residency
Baner Balewadi Road
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Gandhidham

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