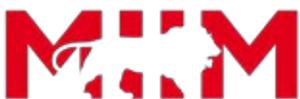




Achieving together

India Budget 2017

Analysis of Tax Changes – Impact on Business



MAKE IN INDIA MITTELSTAND!

Rödl & Partner – Exclusive „Legal & Tax Partner Germany“

Achieving together

"India is one of the strongest growth economies. Seize the opportunity that this enormous market offers. We advise you from a single source on all legal, tax, BPO, audit and other economic matters relating to your contemplated project or investment."

Rödl & Partner

"The formation of our towers always starts with a solid base; then we move on to building the stable middle and top levels. Only united and with a collaborative effort, are we, people of varied characters, able at all to complete our artistic formations. Once the tower is built, we dare to take a look into what lies ahead."

Castellers de Barcelona

Contents

| | |
|--|-----------|
| 1. Foreword | 4 |
| 2. Budget Highlights | 5 |
| Policy and Regulatory Framework | 5 |
| Income Tax | 5 |
| Indirect Taxes | 7 |
| 3. Budget Impact | 8 |
| Policy and Regulatory Framework | 9 |
| Income Tax | 11 |
| Changes in Tax Rates | 11 |
| Key proposals relating to Personal Taxation | 12 |
| Key proposals relating to Domestic Taxation | 14 |
| A. House Property | 14 |
| B. Capital Gains | 15 |
| C. Profits and Gains from Business or Profession | 16 |
| D. Income from other sources | 20 |
| E. Incentives and Deductions | 21 |
| Key Proposals relating to International Tax | 22 |
| Key Proposals relating to Transfer Pricing | 24 |
| Procedural Changes | 26 |
| Other important changes | 30 |
| Indirect Taxes | 31 |
| Goods and Services Tax | 31 |
| Service Tax | 32 |
| Excise Duty and CENVAT Credit Rules | 34 |
| Customs Duty | 35 |
| Common changes under Customs, Excise and Service Tax | 36 |
| 4. Annexures | 37 |
| Annexure A: Rates of Income Tax | 37 |
| Annexure B: Important changes in the rates of Excise Duty | 39 |
| Annexure C: Important changes in the rates of Customs Duty | 41 |

1. Foreword

On 1 February 2017, the Indian Finance Minister Arun Jaitley presented the Union Budget 2017. It comes at a time of global economic and political change and is still caught by the turmoil following last December's demonetisation campaign.

India is recognised as stable economy with an investor friendly attitude. Demonetisation is expected to have positive effects on transparency and the rule of law in the mid-term. Major public spending in the infrastructure, health and agricultural sector will boost these industries. India's biggest tax reform since 1947, the Goods and Services Tax (GST) is set to be implemented by 1 July 2017 simplifying India's diverse indirect tax system. This by itself will ease doing business and attract further investment. The International Monetary Fund and the World Bank estimate India's GDP growth rate to range between 7.7 % and 7.8 % for 2017-18. Hopes are high to even achieve a double-digit growth for 2018-19. The Budget concentrates on reducing bureaucracy and on creating a competitive tax environment.

- › On the regulatory side, the budget liberalises FDI inflow and sets a timeline for abolishing the Foreign Investment Promotion Board which is governing and supervising FDI restrictions;
- › On the direct tax side, the Income Tax rate for small and medium size domestic companies (by Indian standards) will be reduced by 5 % to then 25 %. The credit of Minimum Alternate Tax shall be extended from 10 to 15 years. Domestic Transfer Pricing regulations shall apply in fewer cases reducing documentation requirements. An important step is the introduction of thin capitalisation rules in line with an approach at the level of the Organisation for Economic Co-operation and Development (OECD);
- › On the indirect tax side, the Research and Development Cess (R&D Cess) applicable in cases of import of technology will be abolished.

The Budget further continues with deepening the demonetisation campaign. Cash payments in excess of INR 10,000 (currently INR 20,000) will not be allowed as a deduction from the taxable income in the hands of the payor. The payee faces penalties if he accepts INR 300,000 or more in cash. The amount of penalties will be equal to the amount received.

While the Budget is largely silent on the introduction of GST, the Indian economy focuses on its rollout. Companies are adapting their IT- and accounting systems and are developing strategies for adjusting their supply and distribution chains. The time for them to get GST-ready is considerably short.

On the following pages, we have summarised the changes assorted with the Finance Budget 2017.

2. Budget Highlights

Policy and Regulatory Framework

- › Further liberalisation of FDI policy has been proposed which would aim to allow FDI in most sectors through automatic route
- › Foreign Investment Promotion Board (FIPB) to be abolished in the financial year 2017-18.
- › For big-time offences – including economic offenders fleeing India, the government to introduce legislative change or introduce law to confiscate the assets of such persons within the country.
- › To ensure that the payees of dis-honoured cheques are able to realise the payments, Negotiable Instruments Act, 1881 is proposed be amended.
- › Legislative reforms proposed to simplify, rationalise and amalgamate the existing labour laws on wages, industrial relations, social security and welfare and safety and working conditions.
- › A dispute resolution mechanism to be put in place to address issues in the infrastructure space by making necessary amendment in the Arbitration and Conciliation Act, 1996.
- › Acceptance of the proposal to undertake legislative reforms to simplify, rationalise and amalgamate the existing labour laws
- › Model Shops and Establishment Bill already circulated to State Governments for adoption to open up additional opportunities for employment of women.
- › New metro rail policy to be unveiled with focus on innovative models of implementation and financing, as well as standardisation and indigenisation of hardware and software.
- › Infrastructure status proposed to be assigned to affordable housing to facilitate higher investments.

Income Tax

Changes in Tax Rates

For Individuals

- › Income tax slabs for individuals remain unchanged; however, rate of tax applicable to the first slab from INR 0.25 Million to INR 0.5 Million reduced to 5 % from existing 10 %. All other tax slabs and rates remain unchanged.
- › Surcharge of 10 % of tax payable is proposed for individuals having an income of INR 5 Million to INR 10 Million. Surcharge of 15 % on income exceeding INR 10 million for individual taxpayers continues to apply.
- › Rates of Education Cess remain unchanged.

For Corporates

- › Tax rate proposed to be reduced to 25 % for domestic companies whose total turnover or gross receipts in the previous year 2015-16 does not exceed INR 500 Million. Tax rates for all other corporates and foreign companies (including permanent establishments of non-resident entities in India) remain unchanged.
- › Rates of Surcharge & Cess remain unchanged for domestic and foreign companies.
- › Rates for Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) remain unchanged.
- › Concessional rates of withholding on interest of 5 % on External Commercial Borrowings (ECB) and Rupee Commercial Bonds (RCB) extended till 30 June 2020.

Domestic Tax Provisions

- › Carry forward of credit of Minimum Alternate Tax (MAT)/Alternate Minimum Tax (AMT) extended from the present limit of 10 years to 15 years.
- › Loss from house property is allowed to be set off against any other income only up to INR 0.2 Million. Unabsorbed loss from house property to be carried forward which can be taken as set off against income from house property up to a period of eight years.
- › Long Term Capital Gains on transfer of equity shares exempt only if acquisition of shares was upon payment of Securities Transaction Tax (STT).
- › Period of holding in case of immovable property, being land or building or both, reduced from the existing 36 months to 24 months to qualify as long term capital asset.
- › Base year for computing indexation in case of capital gains to be 1 April 2001 instead of the present 1 April 1981. Consequential amendments proposed to align the cost inflation index to the proposed base year.
- › Several restrictions on cash transactions introduced with a view to promote digital economy. Presumptive Tax rate for small business reduced from 8 % to 6 % for turnover achieved through digital route. Similarly, disallowance of revenue and capital expenditure proposed for amounts paid in cash above INR 10,000.
- › Penalty provisions are introduced in case of receipt of cash above INR 300,000 in single transactions or on single day.
- › Eligible Start-up company can now claim the benefit of deduction of 100 % of profits for a period of 3 years out of 7 years instead of 3 years out of 5 years earlier.
- › Comprehensive framework proposed in respect of MAT computation for IND-AS.
- › Disallowance of 30 % of total expenditure on account of failure to withhold taxes at source extended to computation of income under the head "Income from other sources".

- › Time limit for filing a revised return reduced from one year from the end of the relevant Assessment Year to end of Assessment Year.
- › Time limit for completion of assessments reduced from existing 21 months to 18 months from the end of the Assessment Year 2018-19 and to 12 months from Assessment Year 2019-20 onwards.
- › Dividend income received from domestic companies in excess of INR 1 Million taxable at the rate of 10 % in the hands of all resident assesses except domestic companies and other specified funds (Budget 2016 had made this applicable only to Individuals, HUFs and Firms).
- › Tax rebate available to the Individuals proposed to be reduced from INR 2.5 Thousand from the present INR 5 Thousand.
- › Partial withdrawal from National Pension Scheme also eligible for an exemption up to 25 % of the contribution made by the individual (40 % exemption on full closure to continue).

International Tax Provisions

- › Concessional rate of tax of 10 % applicable on long term capital gains arising on transfer of shares of private companies to apply retrospectively from Financial Year 2012-13.
- › Concession available of reduced rate of taxation at the rate of 5 % on interest payable to Non-residents on borrowings made by it in foreign currency from sources outside India is extended to borrowings received up to 1st July 2020.
- › Reduced tax rate of 5 % extended to Rupee Denominate Bonds (Masala Bonds) issued outside India up to 1st July 2020.
- › Provisions relating to tax on indirect transfer of shares not applicable to Foreign Portfolio Investor (FPI).

Transfer Pricing Provisions

- › Thin capitalisation rules introduced by insertion of a new limiting deduction of interest in certain cases.
- › Subject to conditions prescribed, provisions related to secondary adjustment introduced which provide that if a primary arm's length price adjustment is not repatriated by the associated enterprise, then it will be deemed as an advance and notional interest would be computed.
- › Domestic Transfer Pricing provisions applicable only on transaction with related parties which are taking benefit of profit linked deductions.

Indirect Taxes

- › Research and Development Cess (R&D Cess) applicable at the rate of 5 % on all payments made towards import of technology in India under foreign collaboration agreements has been discontinued by abolishing the Research and Development Cess Act, 1986 with effect from 1 April 2017. Consequently, corresponding exemption available for the amount equivalent

- to R&D cess paid from the applicable Service Tax liability has been withdrawn.
- › No significant changes have been carried out under the existing Indirect Tax laws in view of proposed introduction of Goods and Services Tax (GST).
 - › While the Finance Minister did not re-iterate the target for introduction of GST by 1 July 2017, it was mentioned that the Government would reach out to trade and industry for awareness on GST from 1 April 2017.
 - › No changes have been made in the peak rates of Customs Duty, Excise Duty or Service Tax.
 - › In order to promote digital transactions, exemptions have been provided from Customs Duty and Excise Duty on import and manufacture of digital payment devices like POS card readers, Fingerprint and Iris Scanners, Micro ATMs etc.
 - › Customs Duty and Excise Duty exemptions have also been provided on specified parts used in the manufacture of Wind Operated Electricity Generators and Solar Panels for promotion of renewable energy projects.
 - › The Authorities of Advance Rulings for both Direct and Indirect Taxes have been merged and transition provisions for pending cases have been prescribed.

3. Budget Impact

The Union Budget 2017 put forth by the Finance Minister centered around the government's mission of "Transform, Energise and Clean India". While the policy related announcements reflected the Government's intentions of improving the ease of doing business in India for foreign investors by further liberalising the FDI policy and abolishing of the Foreign Investment Promotion Board, the thrust of tax proposals were on stimulating growth, relief to middle class, affordable housing, curbing black money, promoting digital economy, transparency of political funding and simplification of tax administration.

Year 2016 witnessed a major economic reform in the form of "Demonetisation" to cleanse the flow of black money and promote the use of digital currency in the country. In sync with this measure, most of the tax proposals put forth by the Finance Minister are taken to discourage cash transactions in businesses and promote the use of digital payments.

Further to the Equalisation Levy and Country by Country Reporting norms introduced in Budget 2016, thin capitalisation norms have been introduced for the first time in the domain of transfer pricing in line with the OECD Project for Base Erosion and Profit Shifting (BEPS) to curb excess interest deduction by multi-national entities [Action Plan 4]. Interest paid to foreign associated enterprise will be disallowed if they exceed 30 % of the payor's earnings before interest, taxes, depreciation and amortisation (EBITDA).

Further, owing to the proposed introduction of Goods and Services Tax in India with effect from 1 July 2017, no significant changes have been proposed in the Indirect Tax domain. This clearly reassures the Government's commitment to implement GST as per the revised schedule.

Individual tax payers stand to benefit marginally as tax rates applicable to the first slab have been halved. To make good for this loss of revenue, an additional surcharge is proposed on individuals with an income higher than INR 5 Million. Further, due to the proposed restriction on set off of losses under the head "House Property" only up to INR 0.2 Million in a particular year, the overall tax impact in case of individuals holding more than one house property and paying higher interest on housing loans may in fact be detrimental.

The Finance Minister in his Budget speech put forth some very interesting facts and figures pertaining to compliance with tax return filing obligation which revealed that India is largely a tax non-compliant society. To ensure that the larger tax base of individuals opt to file a return, it was announced that a simple one page form will be introduced for individuals having taxable income below Rupees five lakhs other than business income. Also, an individual filing an Income Tax return for the first time would not be subjected to any scrutiny in the first year unless there is specific information available with the Department. These are welcome measures to ensure simplicity in the tax environment.

This segment discusses significant policy/ regulatory reforms as well as direct and indirect tax amendments announced in the Budget. Most direct tax proposals contained in the Finance Bill are effective from 1 April 2018, i.e. for the Financial Year 2017-18, unless otherwise specified.

Policy and Regulatory Framework

Proposed reforms under the Indian Foreign Direct Investment (FDI) Policy

- › Staying committed to further relaxation of the FDI regime, the Government announced that further liberalisation of Indian FDI policy is under consideration and necessary announcements will be made in due course to allow FDI in most sectors through automatic route.
- › Post successfully implementing of e-filing and online processing of the FDI applications, at present more than 90 % of the total FDI inflows in India are now through the automatic route. Accordingly, the government has announced that the Foreign Investment Promotion Board which was directly looking after the FDI applications in India would be abolished in the financial year 2017-18. For the smooth closure, a roadmap will be announced in the next few months.

Proposal related to confiscation of assets of economic offenders

- › There have been several instances in the past where economic offenders have escaped justice fleeing out of country. In order to discourage this practice, the Government is considering introducing legislative changes or a new law for confiscation of the assets of such persons located within the country, till they submit to the jurisdiction of the appropriate legal forum.

Promotion of Digital Transactions

- › In view of demonetisation of high value currency notes, the Government has announced several measures for promotion of digital transactions and creation of cash less society such as:
 - › Prohibition of all cash transactions above INR 0.3 Million
 - › Launch of the “DigiGaon” initiative to provide tele-medicine, education and skills through digital technology
 - › Amendments to the Negotiable Instruments Act, 1881 in order to ensure that the payees of dis-honoured cheques are able to realise the payments.
 - › Setting up of Computer Emergency Response Team for Financial Sector (CERT-Fin) in order to ensure cyber security, integrity and stability of the financial sector.
 - › Limiting the maximum amount of cash donations by any person to a political party to INR 2 Thousand from existing INR 20 Thousand

Labour Law reforms

- › In April 2016, the Second National Commission on Labour recommended that the existing Labour laws totaling to more than 100 at present, be broadly grouped into four “Labour Codes” on functional basis. The Government of India has broadly accepted the proposal to undertake the said legislative reforms to simplify, rationalise and amalgamate the existing labour laws into 4 Codes on:
 - › Wages
 - › Industrial relations
 - › Social security and welfare
 - › Safety and working conditions
- › Further, the Model Shops and Establishment Bill which is already circulated to State Governments for adoption would open up additional opportunities for employment of women.

Promotion of Renewable Energy

- › The Government has proposed to take up the second phase of Solar Park development for additional 20,000 MW capacity. It further proposed to feed about 7,000 stations with solar power in the medium term. Further

the government has also announced that works will be taken up for 2,000 railway stations as part of 1,000 MW solar mission.

Rationalisation of existing Tribunals

- › It is proposed to rationalise the number of tribunals under several laws and merge them wherever appropriate to reduce their numbers that have been multiplied with overlapping functions. The tribunals would be identified and the proposals would be implemented in due course.

Dispute resolution in infrastructure projects

- › It is proposed that a bill would be introduced to institute the required mechanism as part of the Arbitration and Conciliation Act, 1996 to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, Public Private Partnerships (PPPs) and public utility contracts.

Introduction of the new Metro Rail Policy

- › The Government would announce a new Metro Rail Policy with a focus on innovative models of implementation and financing, as well as standardisation and indigenisation of hardware and software. This is expected to open up new job opportunities for the youth of the country. Subsequently, a new Metro Rail Act is also proposed to be enacted by rationalising the existing laws to facilitate greater private participation and investment in construction and operation.

Grant of “Infrastructure” status to affordable housing

- › “Infrastructure” status is proposed to be assigned to affordable housing in order to facilitate higher investments in this sector. The said status would mean cheaper cost of funding to developers and lower taxes on such housing projects.

Income Tax

Changes in Tax Rates

Personal Tax Rates

- › While the Income tax slabs for individuals remain unchanged, the rate of tax applicable to the first slab from INR 0.25 Million to INR 0.5 Million is proposed to be reduced from the existing rate of 10 % to 5 %. All other tax slabs and rates remain unchanged.
- › Surcharge of 10 % of tax payable is proposed for individuals having an

income of INR 5 Million to INR 10 Million. Surcharge of 15 % on income exceeding INR 10 million for individual taxpayers continues to apply.

- › Rates of Education Cess remain unchanged.

Corporate Tax Rates

- › Tax rate proposed to be reduced to 25 % for domestic companies whose total turnover or gross receipts in the previous year 2015-16 does not exceed INR 500 Million.
- › Tax rates for all other corporates and foreign companies (including permanent establishments of non-resident entities in India) remain unchanged.
- › Rates of Surcharge & Cess remain unchanged for domestic and foreign companies.
- › Rates for MAT and DDT remain unchanged.
- › Tax on dividend income from domestic companies received in excess of INR 1 Million proposed to be taxed at the rate of 10 % in respect of all resident assesses except domestic companies and other specified categories.

Key proposals relating to Personal Taxation

Rebate allowable to individuals

- › In view of proposed rationalisation of tax rates for individuals in the income slab of INR 0.25 Million to INR 0.5 Million, it is proposed to reduce the maximum amount of rebate available under this section from existing INR 5 Thousand to INR 2.5 Thousand.
- › It is also proposed to provide that this rebate shall be available to only resident individuals whose total income does not exceed INR 0.35 Million.

Tax exemption to partial withdrawal from National Pension Scheme (NPS)

- › Presently, payment from the NPS trust is exempt up to 40 % of total amount payable upon closing the account or opting out of the scheme.
- › It is proposed to provide a further exemption to partial withdrawal from the NPS trust by an employee not exceeding 25 % of the contribution made by an employee in accordance with the terms and conditions specified under Pension Fund Regulatory and Development Authority Act, 2013 and regulations made there under.
- › This amendment will apply in relation to the Assessment Year 2018-19 and subsequent assessment years.

Tax Deduction at source on rent

- › It is proposed that Individuals or Hindu Undivided Families (other than those covered under tax audit), responsible for paying to a resident any income by

way of rent exceeding INR 50 Thousand for a month or part of month during the previous year, shall deduct an amount equal to 5 % of such income as income-tax thereon.

- › In order to reduce the compliance burden, it is further proposed that the deductor shall not be required to obtain Tax Deduction Account Number (TAN). It is also proposed that the deductor shall be liable to deduct tax only once in a previous year.
- › This amendment will take effect from 1 June 2017.

Increase in threshold of maintenance of books of accounts and audit

- › It is proposed to increase the monetary limits of income and total sales or turn over or gross receipts, for maintenance of books of accounts from INR 0.12 Million to INR 0.25 Million and from INR 1 Million to INR 2.5 Million respectively in the case of Individuals and HUFs carrying on business or profession.
- › This amendment will apply in relation to the assessment year 2018-19 and subsequent years.
- › Consequentially, it is proposed to exclude eligible persons, from requirement of audit of books of accounts under section 44AB of the Income Tax Act who declare profits in accordance with the scheme for presumptive taxation under section 44AD of the Income Tax Act and where total sales, total turnover or gross receipts, as the case may be, in business do not exceed INR 20 Million in such previous year.
- › This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the Assessment Year 2017-18 and subsequent years.

Rationalisation of deduction under section 80CCD (payment towards National Pension Scheme Trust) for self-employed individuals

- › The existing provisions of section 80CCD provide that employee or other individuals shall be allowed a deduction for amount deposited in National Pension System trusts (NPS).
- › In order to provide parity between an individual who is an employee and an individual who is self-employed, it is proposed to amend section 80CCD so as to increase the upper limit of
- › 10 % of gross total income to 20 % in case of individual other than employee.
- › This amendment will apply in relation to Assessment Year 2018-19 and subsequent years.

Tax on Joint Development Agreement

- › Under existing provisions, capital gain is chargeable to tax in the year in which transfer takes place except in certain cases. Execution of Joint Development Agreement between the owner of immovable property and the developer triggers the capital gains tax liability in the hands of the

owner in the year in which the possession of immovable property is handed over to the developer for development of a project.

- › It is proposed that in case of an individual or HUFs, who enters into a specified agreement for development of a project, the capital gains shall be chargeable to Income Tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority.

Enabling filing of Form 15G/15H for commission payments

- › The existing provision of sub-section 194D of the Income Tax Act, inter-alia, provides for TDS at the rate of 5 % for payments in the nature of insurance commission beyond a threshold limit of INR 15 Thousand per financial year.
- › In order to reduce compliance burden in the case of Individuals and HUFs, it is proposed that they would be eligible to file a self-declaration in Form No. 15G/15H for non-deduction of tax at source in respect insurance commission where the tax on their estimated income is "Nil".
- › This amendment will be effective from 1 June 2017.

Key proposals relating to Domestic Taxation

A. House Property

Set off of House Property loss

- › Section 71 of the Act relates to set-off of loss from one head against income from another. It is proposed to provide that set-off of loss under the head "Income from house property" against any other head of income shall be restricted to INR 0.2 Million for any assessment year.
- › However, the unabsorbed loss shall be allowed to be carried forward for set-off in subsequent years in accordance with the existing provisions of the Act.
- › These amendments will apply in relation to the Assessment Year 2018-19 and subsequent years.
- › This provision will adversely affect the tax liability for the Taxpayer since he was allowed to set off the loss irrespective of the amount at present.

Annual Value of house property held as Stock in Trade to be "Nil" under specific conditions

- › It is proposed that where the house property consisting of any building and land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be "NIL".
- › This amendment will apply in relation to Assessment Year 2018-19 and subsequent years.

B. Capital Gains

Change in the period of holding

- › Presently, to qualify as long-term capital asset, a taxpayer is required to hold an asset for more than 36 months, subject to certain exceptions (shares, where the period of holding is 24 months). It is proposed to reduce the period of holding from the existing 36 months to 24 months in case of immovable property, being land or building or both, to qualify as long term capital asset.
- › These amendments will apply in relation to the Assessment Year 2018-19 and subsequent years.

Change in the Base Year for computing Capital gains

- › The present base year for computation of indexed capital gains is 1 April 1981: It is proposed to provide that the cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as fair market value as on the said date and the cost of improvement shall include only those capital expenses which are incurred after 1 April 2001.
- › Consequential amendments are also proposed so as to align the provisions relating to cost inflation index to the proposed base year.
- › These amendments will apply in relation to the Assessment Year 2018-19 and subsequent years.

Conversion of preference shares into equity shares

- › In order to provide tax neutrality to the conversion of preference share of a company into equity share of that company, it is proposed that the conversion of preference share of a company into its equity share shall not be regarded as transfer.
- › These amendments will apply in relation to the Assessment Year 2018-19 and subsequent years.

Tax Neutral Demerger of a foreign company

- › Under the existing provision, transfer of shares of an Indian company by a demerged foreign company to a resulting foreign company is not regarded as transfer.
- › It is proposed to provide that cost of acquisition of the shares of Indian company in the hands of the resulting foreign company shall be the same as it was in the hands of demerged foreign company.
- › Exemption of Long Term Capital Gains under section 10 (38) of the Income Tax Act
- › It is proposed that exemption from long term capital gains on income arising from transfer of equity shares or equity oriented funds on which STT is paid

shall be available only if the acquisition of shares is also chargeable to STT under Chapter VII of Finance (No. 2) Act, 2004. Appropriate protection for genuine cases will be provided where STT could not have been paid like acquisition of shares in IPO, FPO, bonus or right issue by a listed company, acquisition by non-resident in accordance with FDI policy of the Government, etc.

- › These amendments will apply in relation to the Assessment Year 2018-19 and subsequent years.

Fair Market Value deemed to be Full Value of consideration of unquoted shares

- › It is proposed that where consideration for transfer of shares of a company (other than quoted shares) is less than the fair market value of such shares determined in accordance with the prescribed manner, the fair market value shall be deemed to be the full value of consideration for the purposes of computing income under the head "Capital gains".
- › Similar tax provision was already applicable for Immovable property. Now even Shares will follow the same tax treatment.
- › These amendments will apply in relation to the Assessment Year 2018-19 and subsequent years.

C. Profits and Gains from Business or Profession

Rationalisation of provisions relating to tax credit for MAT and AMT

- › It is proposed to extend the time limit for availing tax credit for MAT (corporate assesses) and AMT (non-corporate assesses) up to 15 assessment years (from the current 10 assessment years) immediately succeeding the assessment years in which such tax credit becomes allowable.
- › It is further proposed that the amount of tax credit in respect of MAT shall not be allowed to be carried forward to subsequent year to the extent the MAT credit relates to the difference between the amounts of Foreign Tax Credit (FTC) allowed against MAT and FTC allowable against the tax computed under regular provisions of Act.
- › These amendments will apply in relation to the Assessment Year 2018-19 and subsequent years.

Rationalisation of provisions of computation of MAT in line with Indian Accounting Standards

- › Under the existing provisions pertaining to payment of MAT, book profit is computed by making certain prescribed adjustments to the net profit in the profit and loss account drawn up as per Indian GAAP.
- › As the book profit based on Ind-AS compliant financial statement is likely to be different from that based on existing Indian GAAP, introduction of certain comprehensive provisions for computing

- › MAT are proposed in case the financial statements of a company are prepared as per Ind-AS, in the year of adoption of Ind-AS and thereafter.
- › The proposed framework in this regard is as follows:
 - › For arriving at book profits for MAT purposes, no further adjustments to the net profits to be made other than those already specified under section 115JB, except for “other comprehensive income” of Ind-AS compliant companies.
 - › “Other comprehensive income” which includes certain items (as mentioned in below table) permanently to be recorded in reserves, shall only be included in book profits for MAT purposes at the point of time as specified in below table.

| S.No | Items | Point of time (Ind-AS compliant companies) | Point of time (MAT on first time adoption) |
|------|--|---|--|
| 1. | Changes in revaluation surplus of Property, Plant or Equipment (PPE) and Intangible assets (Ind-AS 16 and Ind-AS 38) | To be included in book profits at the time of realisation/ disposal/retirement or otherwise transferred | To be included in book profits at the time of realisation/ disposal/retirement or otherwise transferred |
| 2. | Gains and losses from investments in equity instruments designated at fair value through other comprehensive income (Ind-AS 109) | To be included in book profits at the time of realisation/ disposal/retirement or otherwise transferred | To be included in book profits at the time of realisation/ disposal/retirement or otherwise transferred |
| 3. | Remeasurements of defined benefit plans (Ind-AS 19) | To be included in book profits every year as the remeasurement gains and losses arise | To be included in book profits equally over a period of five years starting from the year of first time adoption of Ind-AS |
| 4. | Any other item | To be included in book profits every year as the gains and losses arise | To be included in book profits equally over a period of five years starting from the year of first time adoption of Ind-AS |

- › Several other provisions are introduced for the computation of MAT for first time adoption of Ind-AS by companies.
- › It is clarified that the above adjustments for first time adoption for companies adopting Ind-AS from Financial Year 2016-17 will apply in relation to Assessment Year 2017-19 and subsequent assessment years.

Capital Expenditure payments in cash

- › It is proposed that where a taxpayer incurs any expenditure for acquisition of assets in respect of which a payment or aggregate payments are made in cash exceeding INR 10 Thousand, such expenditure shall be ignored for the purposes of determination of actual cost of such asset. Consequentially, no depreciation will be allowable on such assets.
- › It is further proposed to amend section 35AD (investment linked deduction) of the Income Tax Act to provide that any expenditure in respect of which a payment or aggregate payments are made in cash exceeding INR 10 Thousand, no deduction shall be allowed in respect of such expenditure under section 35AD of the Income Tax Act.

Revenue Expenditure – Disallowance on account cash payments

- › Presently, an expenditure made in cash in excess of INR 20 Thousand in a single day is not allowed as a deduction. To restrict cash payments, it is proposed that:
- › The existing permissible threshold for allowance of cash payments is decreased from INR 20 Thousand rupees to INR 10 Thousand in a single day; i.e. any payment in cash above INR 10 Thousand to a person in a day, shall not be allowed as deduction in computation of Income from “Profits and gains of business or profession”;
- › Payments be deemed as “Profits and gains of business or profession” if payment are made towards provisions, i.e. expenditure is incurred in a particular year but the cash payment is made in any subsequent year of a sum exceeding INR 10 Thousand to a person in a single day;
- › Specified modes of payment have been expanded to include apart from “account payee cheque” or “account payee bank draft”, “use of electronic clearing system through a bank account”
- › These amendments will apply in relation to the Assessment Year 2018-19 and subsequent years.

Measures to promote digital payments in unorganised businesses

- › Under the existing provisions of section 44AD of the Income Tax Act, a presumptive income scheme is provided in case of eligible assesses carrying out eligible business having total turnover or gross receipts not exceeding two crore rupees in a previous year.
- › Under this scheme, a sum equal to 8 % of the total turnover or gross receipts or a higher sum declared by the taxpayer in his return of income, is deemed to be the profits and gains of such business chargeable to tax under the head “profits and gains of business or profession”.
- › In order to promote digital transactions and to encourage small unorganised business to accept digital payments, it is proposed to amend section 44AD of the Income Tax Act to reduce the existing rate of deemed total income

of 8 % to 6 % in respect of the amount of total turnover or gross receipts received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date for filing the return of income for that year.

- › However, the existing rate of deemed profit of 8 % referred to in section 44AD of the Act, shall continue to apply in respect of total turnover or gross receipts received in any other mode.

Carry forward of losses in case of start-up companies

- › Carry forward and set off of losses is allowed in case of private companies' subject to certain conditions of shareholding.
- › It is proposed that in case of a company, not being a company in which the public are substantially interested and being an eligible start-up as referred to in section 80-IAC of the Income Tax Act, loss shall be carried forward and set off only if all shareholders who held shares carrying voting power on the last day of the year or years in which the loss was incurred:
 - › continue to hold those shares on the last day of such previous year; and
 - › such loss has been incurred during the period of seven years beginning from the year in which such company is incorporated.
- › This amendment will apply in relation to the Assessment Year 2018-19 and subsequent years.

Provision for bad and doubtful debts in case of companies operating in the banking sector

- › The existing provisions provide that a scheduled bank (not being a bank incorporated by or under the laws of a country outside India); or a non-scheduled bank; or a co-operative bank other than a primary agricultural credit society; or a primary co-operative agricultural and rural development bank can claim deduction in respect of provision for bad and doubtful debts up to 7.5 % of the total income, subject to satisfaction of certain conditions.
- › It is proposed to enhance the aforesaid deduction limit from 7.5 % to 8.5 % of the amount of the total income with the earlier conditions being continued.
- › This amendment will apply to Assessment Year 2018-19 and subsequent years.

Deduction of interest to co-operative banks

- › The provisions provide that any interest income received by certain institutions, banks or corporations in relation to certain categories of bad and doubtful debts shall be chargeable to tax when such interest is credited to the profit and loss account or when such interest is actually received, whichever is earlier.
- › It is now proposed to extend the scope of the above provision to co-operative banks (other than a primary agricultural credit society or a primary

co-operative agricultural and rural development bank) in order to level the playing field between the co-operative banks and scheduled banks.

- › This amendment will apply to Assessment Year 2018-19 and subsequent years.

D. Income from other sources

Receipt of sum of money or property without or for inadequate consideration

- › Presently, under section 56 of the Income Tax Act, any sum of money or any property which is received without consideration or for inadequate consideration (in excess of the specified limit of INR 50 Thousand) by an individual or HUF is chargeable to income-tax in the hands of the resident under the head "Income from other sources" subject to certain exceptions.
- › The existing definition of property for the purpose of this section includes immovable property, jewellery, shares, paintings, etc. Presently, these anti-abuse provisions are applicable only in case of Individuals or HUFs. Therefore, receipt of sum of money or property without consideration or for inadequate consideration does not attract these anti-abuse provisions in cases of other taxpayers.
- › It is proposed to extend the scope of this section to all other taxpayers so that receipt of sum of money or the property without consideration or for inadequate consideration in excess of INR 50 Thousand shall be chargeable to tax in the hands of the recipient under the head "Income from other sources".
- › Consequential amendment is also proposed in section 49 for determination of cost of acquisition.
- › These amendments will take effect from 1 April 2017 and the said receipt of sum of money or property on or after 1 April 2017 shall be chargeable to tax in accordance with the provisions of section 56 of the Income Tax Act.

Provisions relating to non-deduction of tax at source to apply to Income from other sources

- › For computing income under the head "Profits and gains of business or profession", a disallowance is made for non-deduction of taxes at source on specific payments. It is proposed that parallel provisions be introduced for computing income chargeable under the head "Income from other sources" as they apply in computing income chargeable under the head "Profit and gains of business or Profession". Accordingly, any payments which are otherwise liable to non-deduction of tax at source, made without an appropriate tax deduction will be disallowed even when computing "Income from other Sources".
- › This amendment will apply to Assessment Year 2018-19 and subsequent years.

E. Incentives and Deductions

Extension of period for claiming deduction by start-ups

- › The existing provisions of section 80-IAC, inter alia, provide that an eligible start-up shall be allowed a deduction of an amount equal to 100 % of profits and gains derived from an eligible business for 3 consecutive assessment years out of 5 years beginning from the year in which such eligible start-up is incorporated.
- › It is proposed that deduction under this section 80-IAC can be claimed by an eligible start-up for any 3 consecutive assessment years out of 7 years beginning from the year in which such eligible start-up is incorporated.
- › This amendment will apply in relation to Assessment Year 2018-19 and subsequent years.

Rationalisation of provisions in section 10AA of the Income Tax Act pertaining to deductions granted to Special Economic Zones (SEZ)

- › It is proposed to clarify that the amount of deduction in respect of profits derived by a SEZ unit shall be allowed from the total income of the taxpayer computed in accordance with the provisions of the Income Tax Act before giving effect to the provisions of the section 10AA and the deduction under section 10AA, in no case shall exceed the said total income.
- › This amendment will apply in relation to Assessment Year 2018-19 and subsequent years.

Deduction in respect of Profits and Gains derived from Housing Projects

- › The existing provisions of section 80-IBA provide for 100 % deduction in respect of profits and gains from developing and building housing projects subject to specified conditions.
- › In order to promote the development of affordable housing sector, it is proposed to provide the following relaxations in section 80-IBA so as provide for the following:
 - › The size of residential unit shall be measured by taking into account the "carpet area" as defined in Real Estate (Regulation and Development) Act, 2016 and not the "built-up area".
 - › The restriction of 30 square meters on the size of residential units shall not apply to the place located within a distance of 25 KM from the municipal limits of the Chennai, Delhi, Kolkata or Mumbai.
 - › The condition of period of completion of project for claiming deduction under this section shall be increased from existing three years to five years.
- › These amendments will apply in relation to Assessment Year 2018-19 and subsequent years.

Key Proposals relating to International Tax

Clarifications regarding applicability of concessional rate of tax on transfer of shares

- › Finance Act 2016 clarified that Long Term Capital Gain arising on transfer of shares of a company in which public are not substantially interested shall be chargeable to tax at the rate of 10 %.
- › As the concessional rate was provided with effect from 1 April 2013, there was uncertainty about the applicability of the amendment to the intervening period.
- › With a view to clarify the above, it is proposed that the effective date of amendment shall be 1 April 2013 instead of 1 April 2017. Therefore, transfer of shares of a private company will be taxable at a concessional rate of 10 %.
- › This amendment will take effect retrospectively from 1 April 2013 and will, accordingly, apply in relation to the Assessment Year 2013-14 and subsequent assessment years.

Extension of concessional rate of withholding on interest on External Commercial Borrowings, Rupee Denominated Bonds and interest payments to Foreign Institutional Investor (FII's) and Qualified Foreign Investor (QFI's)

- › The existing provisions provide concessional rate of withholding of 5 % will apply in respect of external commercial borrowing made under a loan agreement at any time on or after the 1 July 2012 but before the 1 July 2017.
- › It is proposed to extend the concessional rate of withholding on interest payment of 5 % in respect of borrowings made before 1 July 2020.
- › Further, it is also proposed to extend the benefit of concessional withholding of 5 % on interest will apply to Rupee Denominated Bonds issued outside India before 1 July 2020.
- › Furthermore, it is also proposed to extend the benefit of concessional withholding of 5 % to apply to interest payable to FIIs and QFIs before 1 July 2020.

Enabling claim of credit for foreign taxes paid

- › Rule 128 of the Income-tax Rules, 1962 provides a mechanism for claim of foreign tax credit.
- › It is proposed to insert sub-section (14A) in section 155 of the Income tax Act in cases where credit for foreign taxes paid is not given for the relevant assessment year on the grounds that the payment of such foreign tax was in dispute. In such cases, the Assessing Officer shall rectify the assessment order or an intimation under sub-section (1) of section 143, if the taxpayer, within six months from the end of the month in which the dispute is settled,

furnishes proof of settlement of such dispute and submits evidence before the Assessing Officer that the foreign tax liability has been discharged and furnishes an undertaking that credit of such amount of foreign tax paid has not been directly or indirectly claimed or shall not be claimed for any other assessment year.

- › This amendment will take effect from 1 April, 2018 and will, accordingly apply in relation to Assessment Year 2018-19 and subsequent years.

Interpretation of “terms” used in an Agreement entered into under Section 90 or 90A of the Income Tax Act

- › It is proposed to provide that where any “term” used in any Double Taxation Avoidance Agreement, is defined under the said agreement, the said term shall be assigned the meaning as provided in the said agreement and where the term is not defined in the agreement, but is defined in the Income Tax Act, it shall be assigned the meaning as definition therein or any explanation issued by the Central Government.
- › These amendments will apply in relation to the Assessment Year 2018-19 and subsequent years.

Clarifications in relation to Indirect Transfer provisions

- › The Finance Act, 2012 inserted certain clarificatory amendments in terms of which Explanation 5 was inserted to clarify that an asset or capital asset, being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be situated in India, if the share or interest derives, directly or indirectly, its value substantially from the assets located in India.
- › It is now proposed to clarify that Explanation 5 shall not apply to any asset or capital asset which are investments held by non-residents, directly or indirectly, as Foreign Institutional Investor, as referred to in clause (a) of the Explanation to section 115AD, and registered as Category-I or Category II Foreign Portfolio Investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992, as these entities are regulated and broad based.
- › The proposed amendment being clarificatory in nature will take effect retrospectively from 1 April 2012 and accordingly, will apply in relation to Assessment Year 2012-13 and subsequent years.

Special Taxation Regime for offshore funds

- › Section 9A of the Income Tax Act provides for a special regime in respect of offshore funds. It provides that in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager acting on behalf of such fund shall not constitute business connection in

India of the said fund.

- › The benefit under section 9A is available subject to the conditions prescribed therein. These conditions, inter-alia, are related to residence of fund, corpus, size, investor broad basing, investment diversification and payment of remuneration to fund manager at arm's length. In respect of corpus of the fund, the condition is that the monthly average of the corpus of the fund shall not be less than INR 1 Billion.
- › In order to rationalise the regime and to address the concerns of the stakeholders, it is proposed to provide that in the previous year in which the fund is being wound up, the condition that the monthly average of the corpus of the fund shall not be less than INR 1 Billion, shall not apply.
- › This amendment will take effect retrospectively from 1 April, 2016 and shall apply to the Assessment Year 2016-17 and subsequent years.

Key Proposals relating to Transfer Pricing

Applicability of Domestic Transfer Pricing provisions

- › The existing provision of section 92BA which defines the meaning of Specified Domestic Transactions (SDT) has been amended. The reference to transactions in the nature of expenditure made to or entered into with person covered under section 40A(2)(b) has been omitted.
- › The scope of domestic transfer pricing thus stands curtailed and would apply only to transactions entered with related parties which are enjoying specified profit-linked deductions, such as eligible SEZ entities, etc.
- › Considering that the above change is proposed under the heading of "Ease of Doing Business", these provisions are effective retrospective from 1 April 2016 i.e. for FY 2016-17 and shall apply for Assessment Year 2017-18.
- › It appears that the compliance burden of tax payers is sought to be reduced for those which are entering into transactions with related parties who are tax neutral. However, it may be noted that certain domestic companies would pay tax at the rate of 25 % in case of turnover upto INR 500 Million. However, after the proposed amendment, the provisions of domestic transfer pricing would not be applicable for transactions between two domestic entities covered under section 40A(2)(b) and enjoying different tax rates i.e. one is taxed at 25% and the other at normal rates of 30 %. This tax arbitrage may still be misused. It is pertinent to note that such misuse may be curbed by the Assessing Officer using the power granted to him under section 40A(2)(a).
- › The important change is that the section 40A(2)(a) talks about fair market value of goods/ services, whereas under domestic transfer pricing the discussion was about arm's length price of goods/services, which was determined by Chapter X of the Income Tax Act.

Secondary Adjustment under Transfer Pricing

- › The concept of “Secondary Adjustment” is introduced through insertion of new Section 92CE. It provides for the following in case where primary adjustment in transfer prices:
 - › Has been made suo moto by the assessee;
 - › Has been made by tax officer and has been accepted by the assessee;
 - › Is determined by an advance pricing agreement entered by the assessee;
 - › Has been made as per the safe harbour rules;
 - › Arising out of mutual agreement procedure.
- › Where as a result of primary adjustment to the transfer price, there is an increase in the total income or reduction in the loss, the excess money which is available with its associated enterprise, if not repatriated to India within the time as may be prescribed, shall be deemed to be an advance made by the taxpayer to such associate enterprise and the interest on such advance, shall be computed as the income of the assessee.
- › However, such secondary adjustment shall not be made if the amount of primary adjustment made in the case of a taxpayer in any financial year does not exceed INR 10 Million and also in cases of primary adjustment in respect of the assessment years before 2017-18.
- › The proposed amendment is effective from 1 April, 2018 i. e. for Assessment Year 2018-19 and shall apply for the Financial Year 2017-18. There is no clarification about the application of the proposed amendment for the Financial Year 2016-17.
- › The rules relating to interest rates to be applied, and the time period to be considered for secondary adjustment would be prescribed in due course. Based on the present provision, it appears that if the amount equivalent to the primary adjustment is not recovered from the associated enterprise, interest amount on the adjustment amount would have to be considered as deemed income of the assessee on perpetuity basis.
- › The applicability clause “primary adjustment made by the assessing officer and accepted by the assessee” needs to be clarified further, whether an appeal filed by the assessee against the assessing officer’s primary adjustment, would be sufficient for exclusion from the application of the said provision.

Thin Capitalisation Rules

- › In keeping pace with the implementation of BEPS project, Action Plan 4 “Limiting Base Erosion Involving Interest Deductions and Other Financial Payments” recommendations have been proposed to be assimilated into Income Tax Act through Section 94B.
- › Section 94B provides for that any interest expenses paid by the taxpayer to a non-resident associated enterprise and thereafter claimed as deduction from its business income, the claim for interest allowance shall be restricted to 30 % of taxpayer’s earnings before interest, taxes, depreciation and amortisation (EBITDA) or actual interest paid/payable, whichever is less.

- › Further, the provision shall also apply in cases where the debt is borrowed from unrelated lender but the associated enterprise has provided an implicit or explicit guarantee to the lender or has deposit of a corresponding and matching amount of funds with the unrelated lender.
- › The provisions allow for carry forward of disallowed interest expense to succeeding eight assessment years and deduction against the business income to the extent of maximum allowable interest expenditure (i.e. 30 % as mentioned above).
- › The above provision is applicable only where the interest expenditure exceeds INR 10 Million in a previous year. Further, banking and insurance businesses are excluded from the applicability of the said provisions.
- › The provisions are effective from 1 April, 2018 i.e. for Assessment Year 2018-19 and shall apply for the Financial Year 2017-18.

Procedural Changes

Interest on refund due to deductor

- › It is proposed that where refund of any amount becomes due to deductor, such person shall be entitled to receive, in addition to the normal refund, simple interest on such refund, calculated at the rate of 2 % per cent. for every month or part of a month comprised in the period, from the date on which claim for refund is made in the prescribed form or in case of an order passed in appeal, from the date on which the tax is paid, to the date on which refund is granted.
- › It is also proposed to provide that the interest shall not be allowed for the period for which the delay in the proceedings resulting in the refund is attributable to the deductor.
- › This amendment will take effect from 1 April 2017.

Rationalisation of time limits for completion of assessments, reassessment and filing revised return of income

| S. No | Particulars | Existing | Proposed |
|-------|--|--------------------------|--------------------------|
| 1. | Scrutiny Assessment under section 143 of the Income Tax Act (effective AY 18-19) | 21 months from end of AY | 18 months from end of AY |
| 2. | Scrutiny Assessment under section 143 of the Income Tax Act (effective AY 19-20) | 21 months from end of AY | 12 months from end of AY |

| S. No | Particulars | Existing | Proposed |
|-------|---|--------------------------------------|---|
| 3. | Re-assessment under section 147 of the Income Tax Act (effective AY 17-18) | 21 months from end of AY | 12 months from end of FY in which notice was served |
| 4. | Revised Return of Income under section 139 (5) of the Income Tax Act (effective AY 18-19) | One year from end of the relevant AY | End of the relevant AY |

Rationalisation of provisions relating to advance tax

- › It is proposed to provide that that if shortfall in payment of advance tax is on account of under estimation or failure in estimation of dividend income in excess of INR 1 Million, the interest under section 234C shall not be levied subject to fulfilment of conditions specified therein.
- › These amendments will accordingly apply to returns furnished for Assessment Year 2017-18 and subsequent years.

Merger of Authority for Advance Rulings (AAR)

- › In order to improve the efficiency and efficacy of the AAR, it is proposed merge the AAR for Income Tax, Central Excise, Customs Duty and Service Tax. Consequential amendments are proposed in related sections to facilitate this merger.

Fee for delayed filing of Return

- › In order to ensure that return is filed within due date, it is proposed to insert a new section 234F in the Income Tax Act to provide that a fee for delay in furnishing of return shall be levied for Assessment Year 2018-19 onwards.
- › The proposed fee structure would be as follows:
 - › A fee of INR 5 Thousand shall be payable, if the return is furnished after the due date but on or before 31 December of the relevant Assessment Year;
 - › A fee of INR 10 Thousand shall be payable in any other case.
 - › However, in a case where the total income does not exceed INR 0.5 Million, it is proposed that the fee amount shall not exceed INR 1 Thousand.
- › It is further proposed to make consequential amendments to include that in case of delay in furnishing of return of income, along with the tax and interest payable, fee for delay in furnishing of return of income shall also be payable upon self-assessment.

- › It is also proposed to make consequential amendment in sub-section (1) of section 143, to provide that in computation of amount payable or refund due, as the case may be, on account of processing of return under the said sub-section, the fee payable under section 234F shall also be taken into account.
- › Consequentially, the provisions of section 271F in respect of penalty for failure to furnish return of income shall not apply in respect of Assessment Year 2018-19 and onwards.
- › These amendments will apply in relation to Assessment Year 2018-19 and subsequent years.

Penalty on professionals for incorrect information in statutory reports or certificates

- › It is proposed that where an “Accountant” or a “Merchant Banker” or a “Registered Valuer” furnishes incorrect information in a report or certificate under any provisions of the Income Tax Act or Rules, the Assessing Officer or the Commissioner (Appeals) may direct him to pay a sum of INR 10 Thousand for each such report or certificate by way of penalty.
- › It is further proposed to define the expressions “Accountant”, “Merchant Banker” and “Registered Valuer”. It is also proposed that such person proves that there was reasonable cause for the failure then penalty shall not be imposable.
- › These amendments will take effect from 1 April 2017.

Requirements of quoting of PAN in Tax Collection at Source regime

- › In order to extend the quoting of PAN in cases of Tax Collection at Source, it is proposed to insert a new section to provide that any person paying any sum or amount, on which tax is collectable at source shall furnish his PAN to the person responsible for collecting such tax, failing which tax shall be collected at twice the rate mentioned in the relevant section or at the rate of five per cent, whichever is higher. Specific conditions have also been prescribed in this proposed section.
- › A non-resident not having a permanent establishment in India is exempted from this requirement.
- › These amendments will take effect from 1 April 2017.

Rationalisation of provisions in relation to search

- › “Search” and “Seizure” can be proceeded with by Income tax authorities in case they have “reason to believe” or “reason to suspect”.
- › To put an end to controversy revolving around disclosure of reasons, it is proposed that the “reason to believe” or “reason to suspect”, as the case may be, shall not be disclosed to any person or any authority or the Appellate Tribunal.
- › These amendments will take effect retrospectively from the enactment of the provisions.

Provisional Attachment and reference to Valuation Officer

- › It is proposed that during the course of a search or seizure or within a period of sixty days from the date on which the last of the authorisation for search was executed, the authorised officer on being satisfied that for protecting the interest of revenue, may attach provisionally any property belonging to the taxpayer with the prior approval of prescribed authorities. It has been proposed that such provisional attachment shall cease to have effect after the expiry of six months from the date of order of such attachment.
- › In order to enable correct estimation and quantification of undisclosed income held in the form of investment or property by the Investigation wing of the Department, it is further proposed that in a case of search, the authorised officer may, for the purpose of estimation of fair market value of a property, make a reference to a Valuation Officer.
- › These amendments will take effect from 1 April 2017.

Rationalisation of provisions relating to Search Assessments

- › In order to protect the interest of the revenue in cases where tangible evidence is found during a search or seizure operation, it is proposed that provisions relating to search assessments be amended to provide that notice under the said section can be issued for an assessment year or years beyond the sixth assessment year already provided up to the tenth assessment year if:
 - › The Assessing Officer has in his possession books of accounts or other documents or evidence which reveal that the income which has escaped assessment amounts to or is likely to amount to INR 5 Million or more in one year or in aggregate in the relevant four assessment years (falling beyond the sixth year);
 - › Such income escaping assessment is represented in the form of asset;
 - › The income escaping assessment or part thereof relates to such year or years.
- › These amendments will take effect from 1 April 2017.

Centralised issuance of notice

- › It is proposed to insert an appropriate amendment to empower the Central Board of Direct Taxes (CBDT) to make a scheme for centralised issuance of notice calling for information and documents for the purpose of verification of information in its possession, processing of such documents and making the outcome thereof available to the Assessing Officer for necessary action, if any.
- › This amendment will take effect from 1 April 2017.

Other important changes

Limit on cash donations

- › It is proposed that no deduction under section 80G of the Income Tax Act shall be allowed in respect of donation of any sum exceeding INR 2 Thousand paid in cash (currently the limit of cash donations is INR 10,000).

Restrictions on receipt of cash in transactions

- › It is proposed to insert a new section in the Income Tax Act to provide that no person shall receive an amount of INR 0.3 Million or more:
 - › in aggregate from a person in a day;
 - › in respect of a single transaction; or
 - › in respect of transactions relating to one event or occasion from a person, otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.
- › It is further proposed to provide that the said restriction shall not apply to Government, any banking company, post office savings bank or co-operative bank or other persons or receipts as may be notified.
- › Consequential provisions for levy of penalty on a person in receipt of a sum in contravention of the above provisions equivalent to the amount of receipt have been provided.
- › It is also proposed to consequentially amend the provisions of section 206C to omit the provision relating to tax collection at source at the rate of 1 % of sale consideration on cash sale of jewellery exceeding INR 0.5 Million.
- › These amendments will apply in relation to Assessment Year 2017-18 and subsequent years.

Tax on Dividend Income extended to all non-corporate taxpayers

- › Under the existing provisions, income by way of dividend in excess of INR 1 Million is chargeable to tax at the rate of 10 % on gross basis in case of a resident individual, HUF or firm.
- › With a view to ensure horizontal equity among all categories of tax payers deriving income from dividend, it is proposed to provide that these provisions shall be applicable to all resident taxpayers except domestic company and certain funds, trusts, institutions, etc.
- › This amendment will apply in relation to Assessment Year 2017-18 and subsequent years.
- › Tax Deduction at Source on Call Centre Operations
- › It is proposed to reduce the rate of deduction of tax at source to 2 % from 10 % in case of payments received or credited to persons engaged only in the business of operation of call centre.
- › This amendment will take effect from the 1 June 2017.

Special provisions relating to Electoral Funding

- › Under the existing provisions, there are no restrictions on receipt of any amount of donation in cash by a political party. In order to discourage the cash transactions and to bring transparency in the source of funding to political parties, it is proposed that following additional conditions would have to be adhered to by political parties:
 - › No donations of INR 2 Thousand or more is received otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds;
 - › Political party furnishes a return of income for the previous year in accordance with before the prescribed due date under section 139 of the Income Tax Act;
 - › Further, in order to address the concern of anonymity of the donors, it is proposed to amend the said section to provide that the political parties shall not be required to furnish the name and address of the donors who contribute by way of electoral bond;
- › This amendment will apply in relation to Assessment Year 2017-18 and subsequent years.

Indirect Taxes

Goods and Services Tax

Introduction of GST with effect from 1 July 2017

- › In view of the proposed introduction of GST, no major changes were undertaken in the existing Customs, Excise and Service tax provisions.
- › While there were several expectations from the trade and industry that the Government would take several steps to align the existing regime closer to GST including introduction of amnesty schemes to reduce litigations, increasing of appellate authorities for speedy disposal of pending litigations, rationalisation of taxes on petroleum products, trimming down of exemptions etc., no such steps were carried out.
- › While the Finance Minister did not re-iterate the Government's resolve to introduce GST by 1 July 2017, it was mentioned that post enactment of the Constitution Amendment Bill, most of the preparatory work has been undertaken by the Government on top priority.
- › The Parliament was updated on the fact that the GST Council has finalised most of its recommendations, including the contentious issue of dual control based on consensus.
- › The preparation of the IT system of the GSTN is also on track.
- › The Government has scheduled an extensive reach-out from 1 April 2017, to create awareness about the new tax system with the trade and industry.

Service Tax

New exemptions under Service Tax

- › Service Tax has been exempted on the amount of Viability Gap Funding payable to the selected airline operators for services provided to the Government in connection with transportation of passengers by air embarking from or terminating in a terminal covered under the Regional Connectivity Scheme (RCS).
 - › The exemption has been provided for a period of 1 year from the date of commencement of operations of RCS airports as notified by the Ministry of Civil Aviation.
 - › The said exemption is available with effect from 2 February 2017.
- › Service Tax has been exempted on the services provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance services provided to its respective members under the Group Insurance Schemes of the Central government.
- › The said exemption has been made effective retrospectively from 10 September 2004, which is the date from when Life Insurance Services became liable to Service Tax.
- › In case any Service Tax has been deposited on such services during the said period, refund applications can be filed within a period of 6 months from the date when the Finance Bill 2017 receives Presidential assent.

Changes in existing exemptions under Service Tax

- › Vide Notification No. 41/2016-ST dated 22 September 2016, one time upfront payments (known as premiums, developments charges or any other name) payable by industrial undertakings for grant of long-term lease of industrial plots exceeding 30 years or more to the State Government Industrial Development Corporations was exempted from Service Tax.
 - › This exemption has now been made effective retrospectively from 1 June 2007 which is the date from when Renting of Immovable Services became liable to Service Tax.
 - › In case any Service Tax has been deposited on such services during the said period, refund applications can be filed within a period of 6 months from the date when the Finance Bill 2017 receives Presidential assent.
 - › The amendment is also likely to have an impact on such payments made in cases where the lease period is less than 30 years, as the department can initiate recovery proceedings as the case of Greater Noida Industrial Development Authority Vs. Commissioner of Central Excise would be overruled by this amendment.
- › Under the existing Service Tax provisions, 2 year full time residential Post Graduate programmes in Management provided by the Indian Institute of Management (IIM) were exempt from Service tax. The said entry has been amended to extend the said benefit even to non-residential programmes

provided by the IIMs subject to fulfilment of other prescribed conditions.

- › The Government has omitted the entry related to “Services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption” from the Negative List under section 66D of the Finance Act, 1994 and included it in the Mega Exemption Notification 25/2012- ST as amended.
 - › While the said change does not have any impact per se on the applicability of Service Tax on the said activities (as the same were removed from the Negative List and included in the Mega Exemption Notification), the change has resulted in alignment of the entire entry with other job-work services related to intermediate products already existing in the Mega exemption Notification.
- › The same would be applicable from the date when the Finance Bill 2017 receives Presidential assent.

Impact due to abolishing of Research & Development Cess Act, 1986

- › Under the above legislation, Research & Development Cess (R&D Cess) was payable at the rate of 5 % on all payments such as royalty, fee for technical services etc. made towards import of technology in India (such as drawings, designs, know-how, other technical services) under foreign collaboration agreements.
- › Due to the above levy, Notification 14/2012-ST dated 17 March 2012 was issued which exempted the taxable service involving import of technology from so much amount of Service Tax as is equivalent to the amount of R&D Cess paid on the same subject to other prescribed conditions. Due to the said exemption, the total levy of indirect taxes on import of technology remained equivalent to the applicable amount of Service Tax liability had the same been charged at full rate.
- › The Government has now proposed to repeal the R&D Cess Act with effect from 1 April 2017 and therefore, R&D Cess on import of technology would no longer be applicable. Consequently, the partial exemption available to such payments under Service Tax vide the above mentioned notification has also been withdrawn, which will now result in applicability of full rate of Service Tax on such payments.
- › This is likely to be beneficial for the manufacturers importing technology in India as the entire amount of Service Tax paid on such transaction would be admissible as input tax credit as against the earlier R&D Cess of 5 % which was a cost in the supply chain.
- › With the repealing of the R&D Cess Act, compliance requirements under the said law would no longer be required.

Changes in Service Tax Valuation Rules

- › Rule 2A of the Service Tax (Determination of Value) Rules, 2006 has been amended to provide that the value of property in land (or undivided share

of land) shall not be included in the value of service portion of works contract involving transfer of property in goods along with land.

- › The said change has been made retrospectively with effect from 1 July 2010 to overrule the case of Delhi High Court in the case of Suresh Kumar Bansal Vs. Union of India.
- › Sub Rule (2) has also been inserted to provide an alternate valuation option of 25 %/30 % (depending on the period from 1 July 2010 till date) of the gross amount charged towards works contracts which also include the value towards transfer of land (or undivided share of land).

Excise Duty and CENVAT Credit Rules

Rate changes under Central Excise

- › Exemption to catalyst, resins for use in the manufacture of cast components of wind operated electricity generators.
- › Reduced rate of Excise Duty on parts and components used for manufacture of solar tempered glass for use in photovoltaic cells and other solar equipment.
- › Exemption from Excise Duty on digital payment devices like POS card readers, Fingerprint and Iris Scanners, Micro ATMs and their parts for local manufacture in India
- › Other changes in the applicable rate of Excise Duty on various products have been provided in Annexure B.

Inclusion of time limit for granting remission of duty

- › As per Rule 21 of Central Excise Rules, 2002, Excise Duty on goods lost or destroyed by natural causes or unavoidable accidents and, Excise Duty on goods found unfit for consumption can be remitted by the authorities.
- › Under the said provisions, a new sub rule (2) has been inserted providing a time limit for granting such remission within 3 months (further extendable by 6 months) from the date of receipt of application.

Transfer of CENVAT Credit in case of shifting of factory or change in ownership

- › As per Rule 10 of the CENVAT Credit Rules, 2004, a manufacturer shifting his factory to another site or in case of merger, sale etc., the amount of CENVAT credit lying unutilised in his accounts is allowed to be transferred to the new site in case such transfer includes transfer of all stocks (including Capital Goods) and such goods have been accounted to the satisfaction of the tax authorities.
- › The above provision has resulted in several litigations wherein, it was contended by the Department that specific permission was required to be taken for such transfer of credits.

- › A new sub-rule (4) is now proposed to be inserted to provide that the transfer of credit shall be allowed by the authorities within a period of 3 months (further extendable by 6 months) from the date of receipt of such application.
- › The said amendment has streamlined the procedure for such transfer of credit which now requires a mandatory application by the manufacturer and requisite disposal by the authorities within the designated timeframe.

Provisions relating to proportionate reversal of CENVAT Credit by banking companies and NBFC

- › Under the CENVAT Credit Rules, banking companies and financial institutions including NBFC's have an option to reverse 50 % of the CENVAT Credits availed in a particular month or undertake proportionate credit reversal as per Rule 6 (3) of CENVAT Credit Rules as per the ratio of exempted turnover to total turnover.
- › For the purpose of calculation of turnover, the value did not include services by way of extending deposits, loans or advances in so far as the consideration was represented by way of interests or discount.
- › This explanation is amended to provide that the stated exclusion would not apply to banking companies and financial institutions including NBFC's engaged in providing such services.
- › This would result in a substantial increase in the amount of proportionate credits required to be reversed by such companies in case the same is being done under Rule 6 (3) and Rule 6 (3A) of CENVAT Credit Rules (proportionate reversal method).

Customs Duty

Rate changes under Customs Duty

- › Exemption from Customs Duty on import of catalyst, resins for use in the manufacture of cast components of wind operated electricity generators.
- › Exemptions on import of solar tempered glass for manufacture of solar cells subject to actual user condition.
- › Exemption on import of digital payment devices like POS card readers, Fingerprint and Iris Scanners, Micro ATMs and their parts for local manufacture in India.
- › Other changes in the effective rate of Customs Duty on various products have been provided in Annexure C.

Introduction of concept of beneficial owner

- › The definition of "beneficial owner" has been added under section 2 (3A) to mean any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported

or exported.

- › The term “beneficial owner” has also been added in the definitions of the terms “importer” and “exporter”.
- › With the said amendment, the persons importing goods using the IEC codes of other persons, would not be able to argue that they are not the importers on record and duty cannot be demanded from them.

Other procedural changes related import of goods in India

- › As per section 17 of the Custom Act, the tax authorities were authorised only to call for documents such as the contract, broker’s note, policy of insurance or catalogues for undertaking assessment of customs duty. The said section has been amended to empower the officers to ask for “any information or document” which may be required for undertaking assessment.
- › Provision of the Section 27 of the Custom Act provided for cases where refund would be granted to the assessee instead of being transferred to the Consumer Welfare Fund. The said section has been amended to provide for a refund of the duty paid in excess before an order permitting clearance of the goods for home consumption in case such excess payment is evident from the self-assessed or re-assessed bill of entry (BoE).
- › Amendment under Section 46 of Custom Act has been done to make it mandatory to file the BoE before the end of the next day, following the day (excluding holidays) on which the aircraft or vessel or vehicle carrying the goods arrives at custom station. Earlier, no time limit for prescribed for presentation of BoE. In case of any delay in presentation of BoE, additional charges would be levied as may be prescribed.
- › An amendment has also been made in the sub section (2) of Section 47 of Custom Act, to amend the due date for payment of customs duty to the date of presentation of bill of entry or within one working day in case of assessment, reassessment or provisional assessment (instead of within two days from the date of which BoE is returned). Delay in making the payment of customs duty as per the prescribed time lines would attract interest as per regular practice.
- › Section 49 has been amended to allow the customs officers to permit storage of imported goods in a public warehouse wherever clearance of such goods is likely to be delayed.

Common changes under Customs, Excise and Service Tax

Merger of Authority for Advance Rulings (AAR)

- › In order to improve the efficiency and efficacy of the AAR, it is proposed merge the AAR for Income Tax, Central Excise, Customs Duty and Service Tax. Consequential amendments including transfer of existing cases with

the AAR are proposed in related sections to facilitate this merger.

- › Consequent to the above amendment, further amendments has been made to the increase the application fees from INR 2 Hundred to INR 10 Thousand. Also, the time limit for the authority to pronounce its ruling has also been increased from 90 days to 6 months. All the said changes have been made to align the said provisions with the Income Tax Act, 1961.

Rationalisation of provisions relating to Settlement Commission

- › To overcome the arithmetical and apparent error of the settlement commission order, amendment has been made in concerned Acts to empower the authority to rectify any error apparent on the face of the order/record.
- › A rational move under settlement commission has been undertaken to give a right to person other than applicant to make an application in respect of the cases settled or pending for which he has received the show cause notice.

4. Annexures

Annexure A: Rates of Income Tax

Personal Income Tax rates

(i) Resident individuals (other than those mentioned in (i) and (ii) below)

| Existing Income Tax rates | |
|---------------------------|--------------|
| Income Slab (INR) | Tax Rate (%) |
| 0-250,000 | Nil |
| 250,001-500,000 | 5* |
| 500,001-1,000,000 | 20 |
| Above 1,000,000 | 30 |

* reduced from 10%

(ii) Resident individuals of the age of 60 years or more but less than 80 years.

| Existing Income Tax rates | |
|---------------------------|--------------|
| Income Slab (INR) | Tax Rate (%) |
| 0-300,000 | Nil |
| 300,001-500,000 | 5* |
| 500,001-1,000,000 | 20 |
| Above 1,000,000 | 30 |

* reduced from 10 %

(iii) Resident individuals above the age of 80 years.

| Existing Income Tax rates | |
|---------------------------|--------------|
| Income Slab (INR) | Tax Rate (%) |
| 0-500,000 | Nil |
| 500,001-1,000,000 | 20 |
| Above 1,000,000 | 30 |

* reduced from 10 %

- › The rate of surcharge at 10 % is to be levied on income-tax in case total income exceeds INR 5 Million and is up to INR 10 Million;
- › The rate of surcharge at 15 % to levied on income-tax in case the total income exceeds INR 10 million.
- › Education Cess at the rate of 3 % would be levied on the amount of Income Tax.

Corporate Tax Rates

| Description | Tax rate (%) | Effective Tax Rate (including surcharge and Cess) (depending upon income levels) |
|-------------------|--------------|--|
| Domestic Company: | | |
| Income Tax | 30 % ** | 30.9 % / 33.06 % / 34.61 % |

| Description | Tax rate (%) | Effective Tax Rate (including surcharge and Cess) (depending upon income levels) |
|-----------------------|--------------|--|
| Minimum Alternate Tax | 18.5 % | 19.055 % / 20.39 % / 21.34 % |
| Foreign Company | | |
| Income Tax | 40 % | 41.2 % / 42.02 % / 43.26 % |

** Tax rate proposed reduced to 25% for domestic companies whose total turnover or gross receipts in the previous year 2015-16 does not exceed INR 500 Million

Annexure B: Important changes in the rates of Excise Duty

| Item / Product | | | |
|------------------|---|----------|----------|
| Category | Description | Existing | Proposed |
| Renewable Energy | Solar tempered glass for use in manufacture of solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition | NIL | 6 % |
| | Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition | 12.5 % | 6 % |
| | Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators subject to actual user condition | 12.5 % | 6 % |
| | All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes | 12.5 % | 6 % |
| | All items of machinery required for balance of systems operating on biogas/ bio-methane | 12.5 % | 6 % |
| Others | Membrane Sheet and Tricot/Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition | 12.5 % | 6 % |

| Item / Product | | | |
|----------------|--|-----------------|---|
| Category | Description | Existing | Proposed |
| | All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition | Applicable duty | 6% |
| | Miniaturised POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner | Applicable duty | NIL |
| | Parts and components for manufacture of miniaturised POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner, subject to actual user condition | Applicable duty | NIL |
| | <ul style="list-style-type: none"> › Waste and scrap of precious metals or metals clad with precious metals arising in course of manufacture of goods falling in Chapter 71 › Strips, wires, sheets, plates and foils of silver articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire › Silver coin of purity 99.9% and above, bearing a brand name when manufactured from silver on which appropriate duty of customs or excise has been paid | NIL | Nil, subject to condition that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods |

Annexure C: Important changes in the rates of Customs Duty

Decrease in Basic Customs Duty (BCD)

| Item / Product | | | |
|--------------------------------|---|--------------------|----------|
| Category | Description | Existing | Proposed |
| Mineral fuels and Mineral oils | Liquefied Natural Gas | 5 % | 2.5 % |
| Textiles | Nylon mono filament yarn for use in monofilament long line system for Tuna fishing, subject to certain specified conditions | 7.5 % | 5 % |
| Leather Products | Vegetable tanning extracts, namely Wattle extract and Myrobalan fruit extract | 7.5 % | 6 % |
| Metals | MgO coated cold rolled steel coils for use in manufacture of CRGO steel, subject to actual user condition | 10 % | 5 % |
| | Hot Rolled Coils [7208], when imported for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306, subject to actual user condition | 12.5 % | 10 % |
| Capital Goods | Ball screws, linear motion guides and CNC systems for use in manufacture of all CNC machine tools, subject to actual user condition | 7.5 % / 10 % | 2.5 % |
| Renewable Energy | Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user condition | 7.5 % | 5 % |
| | All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes, subject to certain specified conditions | 10 % / 7.5 % | 5 % |
| | All items of machinery required for balance of systems operating on biogas/bio-methane/ by-product hydrogen, subject to certain specified conditions | 10 % / 7.5 % | 5 % |

| Item / Product | | | |
|----------------|---|----------------|----------|
| Others | All parts for manufacture of LED lights or fixtures, including LED lamps | Applicable BCD | 5 % |
| Category | Description | Existing | Proposed |
| | All inputs for use in the manufacture of LED Driver and MCPCB for LED lights or fixtures, including LED lamps, subject to actual user condition | Applicable BCD | 5 % |
| | Goods imported through postal parcels, packets and letters exempt from customs duty where their CIF value is upto INR 1 Thousand. | | |
| | Total value of goods allowed to be imported duty free has been increased from 3% to 5% of the FOB value of leather footwear or synthetic footwear or other leather products, exported during the preceding financial-year in respect of import of specified items such as buckles, shoe laces, adhesives, sewing thread, etc. | | |

BCD Exemption withdrawn

| Item / Product | | | |
|----------------|--|----------|----------|
| Category | Description | Existing | Proposed |
| Metals | Co-polymer coated MS tapes/stainless steel tapes for manufacture of telecommunication grade optical fibres or optical fibre cables, subject to actual user condition | NIL | 10 % |

Export Duty levied

| Item / Product | | | |
|-----------------------|--|----------|----------|
| Category | Description | Existing | Proposed |
| Ores and concentrates | Other aluminium ores, including laterite | NIL | 15 % |

Fully exempted from BCD

| Item / Product | | | |
|------------------|--|----------|----------|
| Category | Description | Existing | Proposed |
| Metals | Nickel | 2.5 % | NIL |
| Renewable Energy | Solar tempered glass for use in the manufacture of solar cells/panels/modules subject to actual user condition | 5 % | NIL |

Fully exempted from BCD, CVD and SAD

| Item / Product | | | |
|----------------|--|------------------------|-------------------------------|
| Category | Description | Existing | Proposed |
| Miscellaneous | Miniaturised POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader/Scanner or Iris Scanner | As per existing tariff | NIL BCD NIL CVD NIL SAD |
| | Parts and components for manufacture of miniaturised POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner, subject to actual user condition | As per existing tariff | NIL BCD NIL CVD NIL SAD |

Decrease in CVD

| Item / Product | | | |
|------------------|--|----------|----------|
| Category | Description | Existing | Proposed |
| Renewable Energy | Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition | 12 % | 6 % |

| Item / Product | | | |
|----------------|---|----------------|----------|
| Category | Description | Existing | Proposed |
| | Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user condition | 12.5 % | NIL |
| | All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes, subject to certain specified conditions | 12.5 % | 6 % |
| | All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen, subject to certain specified conditions | 12.5 % | 6 % |
| Miscellaneous | Membrane Sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition | 12.5 % | 6 % |
| | All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition | Applicable CVD | 6 % |

Increase in CVD

| Item / Product | | | |
|----------------|--|----------|----------|
| Category | Description | Existing | Proposed |
| Miscellaneous | Silver medallion, silver coins having silver content not below 99.9 %, semi-manufactured form of silver and articles of silver | NIL | 12.5 % |

Increase in SAD

| Item / Product | | | |
|------------------------|--|----------|----------|
| Category | Description | Existing | Proposed |
| Electronics / Hardware | Populated Printed Circuit Boards (PCBs) for the manufacture of mobile phones, subject to actual user condition | NIL | 2 % |

Exemption in SAD

| Item / Product | | | |
|------------------|---|----------|----------|
| Category | Description | Existing | Proposed |
| Renewable Energy | Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators, subject to actual user condition | 4 % | NIL |

About us

As lawyers, tax advisers, management and IT consultants and auditors, we are present in 108 own locations in 50 countries. Worldwide, our clients trust our 4,500 colleagues.

The history of Rödl & Partner goes back to its foundation as a solo practice in 1977 in Nuremberg. Our aspiration to be on hand wherever our internationally-active clients are led to the establishment of our first, own offices, commencing with Central and Eastern Europe in 1989. Alongside market entry in Asia in 1994, the opening of offices in further strategic locations followed, in Western and Northern Europe in 1998, USA in 2000, South America in 2005 and Africa in 2008.

Our success has always been based on the success of our German clients: Rödl & Partner is always there where its clients see the potential for their business engagement. Rather than create an artificial network of franchises or affiliates, we have chosen to set up our own offices and rely on close, multidisciplinary and cross-border collaboration among our colleagues. As a result, Rödl & Partner stands for international expertise from a single source.

Our conviction is driven by our entrepreneurial spirit that we share with many, but especially German family-owned companies. They appreciate personal service and value an advisor they see eye to eye with.

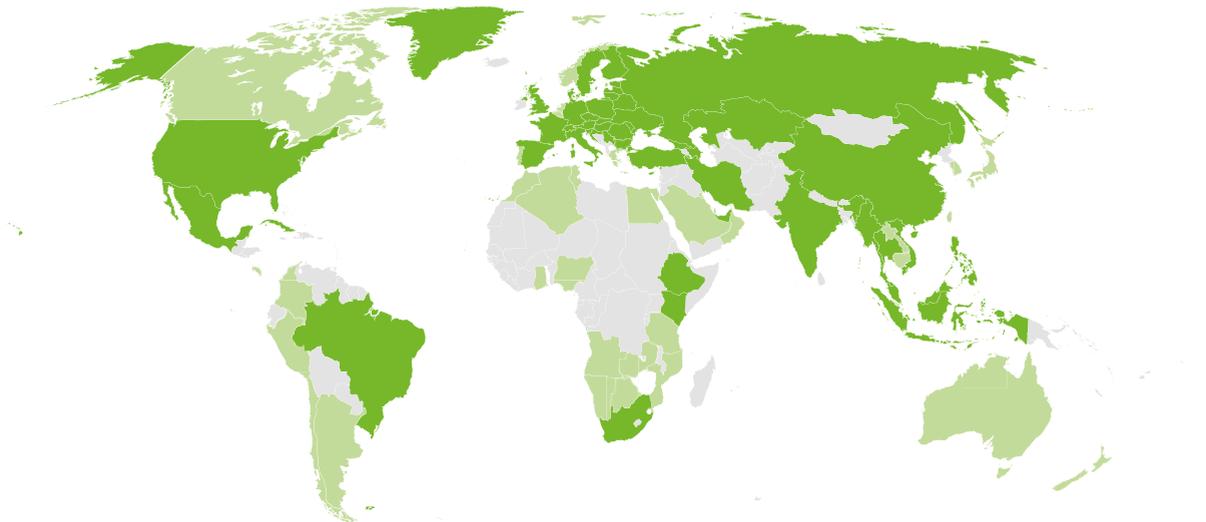
Our "one face to the client" approach sets us apart from the rest. Our clients have a designated contact person who ensures that the complete range of Rödl & Partner services is optimally employed to the client's benefit. The "caretaker" is always close at hand; they identify the client's needs and points to be resolved. The "caretaker" is naturally also the main contact person in critical situations.

We also stand out through our corporate philosophy and client care, which is based on mutual trust and long-term orientation. We rely on renowned specialists who think in an interdisciplinary manner, since the needs and projects of our clients cannot be separated into individual professional disciplines. Our one-stop-shop concept is based on a balance of expertise across the individual service lines, combining them seamlessly in multidisciplinary teams.

What sets us apart

Rödl & Partner is not a collection of accountants, auditors, lawyers, management and tax consultants working in parallel. We work together, closely interlinked across all service lines. We think from a market perspective, from a client's perspective, where a project team possesses all the capabilities to be successful and to realise the client's goals.

Our interdisciplinary approach is not unique, nor is our global reach or our particularly strong presence among family businesses. It is the combination that cannot be found anywhere else – a firm that is devoted to comprehensively supporting German businesses, wherever in the world they might be.



The Government of India has declared that the external boundaries of India as depicted in these maps are neither correct nor authentic.



Your points of contact

Your contacts in India:

Michael Wekezer

Delhi

#007, 12th Floor, Palm Spring Plaza
Golf Course Road, DLF Phase 5,
Sector 54
Gurugram – 122 003

Phone: +91 (1 24) 674 970 1
Fax: +91 (1 24) 674 979 9
E-mail: delhi@roedl.pro

Ahmedabad

B-407/A, Mondeal Square,
Nr. Auda Garden
Prahladnagar Road, S. G. Highway
Ahmedabad – 380 015

Phone: +91 (79) 661 737 002
Fax: +91 (1 24) 674 979 9
E-mail: ahmedabad@roedl.pro

Rahul Oza

Mumbai

Lodha Supremus-Unit No-1206
Senapati Bapat Marg, Upper Worli
Opp. Kamala Mill Compound
Lower Parel (W)
Mumbai – 400 013

Phone: +91 (22) 42 33 18–18
Fax: +91 (22) 26 42 03–23
E-mail: mumbai@roedl.pro

Chennai

C5, Vatika Business Centre
Prestige Polygon, 3rd Floor
471 Anna Salai
Teynampet, Mount Road
Chennai – 600 035

Phone: +91 (44) 40 28–25 06
Fax: +91 (44) 40 28–26 00
E-mail: chennai@roedl.pro

Pune

308, Lunkad Sky Vista
New Airport Road
Viman Nagar
Pune – 411 014

Phone: +91 (20) 66 25 71–00
Fax: +91 (20) 66 25 71–99
E-mail: pune@roedl.pro

Bangalore

S38, Vatika Business Centre
Divyasree Chambers
2nd Floor, A Wing
11, O'Shaughnessy Road, Langford Town
Bangalore - 560 025

Phone: +91 (80) 42 91 12–63
Fax: +91 (80) 42 91 12–22
E-mail: bangalore@roedl.pro

Your contacts in Germany Berlin

Seema Bhardwaj

Straße des 17. Juni 106
10623 Berlin

Phone: +49(30)81 07 95–53

Fax: +49(30)81 07 95–59

E-mail: seema.bhardwaj@roedl.pro

Nuremberg

Dr. Peter Bömelburg

Äußere Sulzbacher Straße 100
90491 Nürnberg

Phone: +49(9 11)91 93–21 00

Fax: +49(9 11)91 93–25 04

E-mail: peter.boemelburg@roedl.com



Martin Wörlein

Äußere Sulzbacher Straße 100
90491 Nürnberg

Phone: +49(9 11)91 93–30 10

Fax: +49(9 11)91 93–90 03

E-mail: martin.woerlein@roedl.pro

Tillmann Ruppert

Äußere Sulzbacher Straße 100
90491 Nürnberg

Phone: +49(9 11)91 93–31 25

Fax: +49(9 11)91 93–91 25

E-mail: tillmann.ruppert@roedl.pro



“Each and every person counts” – to the Castellars and to us.

Human towers symbolise in a unique way the Rödl & Partner corporate culture. They personify our philosophy of solidarity, balance, courage and team spirit. They stand for the growth that is based on own resources, the growth which has made Rödl & Partner the company we are today. „Força, Equilibri, Valor i Seny” (strength, equilibrium, valour and common sense) is the Catalan motto of all Castellars, describing their fundamental values very accurately. It is to our liking and also reflects our mentality. Therefore Rödl & Partner embarked on a collaborative journey with the representatives of this long-standing tradition of human towers – Castellars de Barcelona – in May 2011. The association from Barcelona stands, among many other things, for this intangible cultural heritage.

Rödl & Partner

www.roedl.com/india