

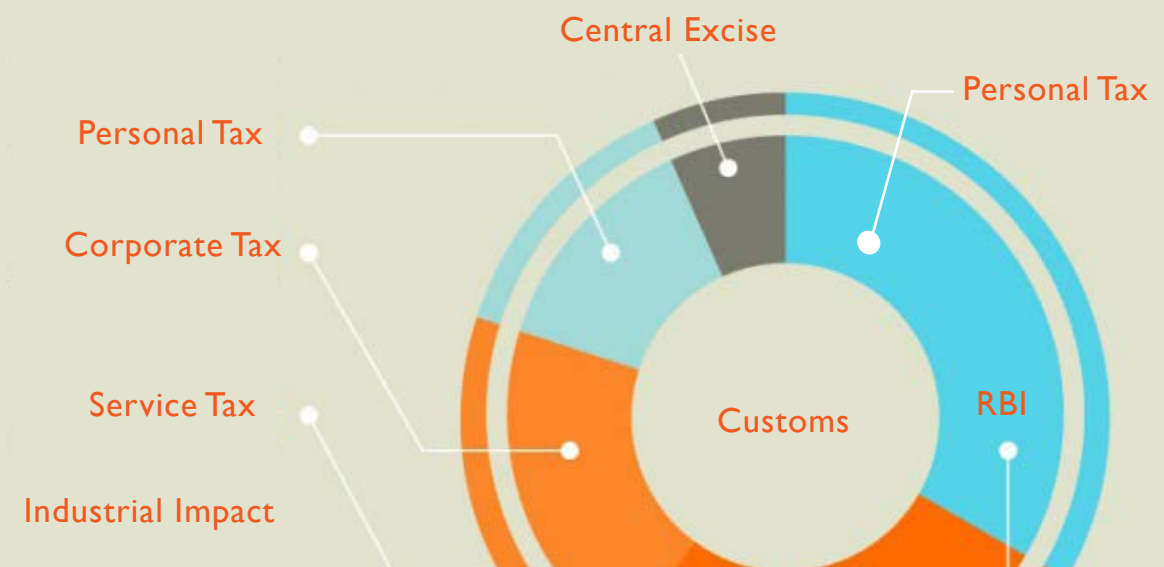
Breaking Down the 2017 Indian Union Budget

CHARTERED ACCOUNTANTS
R.N.MARWAH & CO. LLP





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RNM Budget Highlights

THE PARADIGM OF UNION BUDGET 2017

RNM ALERT BUDGET

Special Issue • February 2017

R.N.Marwah & Co.LLP

Chartered Accountants Established 1946

Opening New Vistas

The fourth Union Budget of Hon'ble Finance Minister Shri Arun Jaitley can be said to be his most ground breaking for various reasons, not merely because it was the first time the Railway Budget was merged with the Union Budget nor because it was announced one month in advance, but because finally a method of clean funding for Political Parties thru the mechanism of Electoral Bonds has been evolved which quietsens one of the biggest critics of the recent demonetization of high value notes. Political funding is a major source of generation of unaccounted cash in the system and a long term solution had to be found if the agenda of the Government of "Transform, Energise and Clean India" or TEC India was to be achieved.

The Finance Minister focused his Budget presentation around the following ten theme's, around which the various Government initiatives were laid down:

- Farmers
- Rural Population
- Youth
- Poor
- Infrastructure
- Financial Sector
- Digital Economy
- Public Service
- Prudent Fiscal Management
- Tax Administration

With the Fiscal Deficit target being maintained at 3.2% of GDP for FY 2017-18 as against 3.5% of GDP for FY 2016-17 one would say that the Finance Minister has balanced his books well.

Team RNM has selected the Digital Economy as the theme of this Budget Highlights and various initiatives have been laid down to encourage a cashless economy, including the government proposal to launch a cashback schemes and a referral bonus scheme to promote use of its payments app, BHIM. Payment terminals, micro-ATMs, fingerprint readers and iris scanners will be exempt from a host of duties. The Government has announced a mission to target at least 2500 crore cashless transactions in 2017-18 thru UPI and Aadhaar Pay.

Another major initiative which I would like to highlight as a potential game changer is the grant of Infrastructure status to Affordable Housing coupled with the extension of the tax incentive by two additional years from the earlier timeline of three years and linking the tax sops to carpet area, providing relatively larger size homes. There is a large and hitherto unmet need for affordable housing with an urban shortage of 18.8 million units of which 96% is in economically weaker sections. A fillip to the housing sector has huge potential for job creation in the economy. Clarity on point of taxation for Joint Development Agreements and tax sops for obtaining Completion Certificate.

Overall, we feel that the Budget gets a thumbs up from the market, CFO's as well as India Inc.

CA U.N. MARWAH
Senior Partner

PERSONAL TAX

I. TAX RATES/ SLABS

Existing Income Tax Slab has been changed allowing tax relief of Rs.12,500/- to individuals and Rs.10,000 to Senior Citizen tax Payer.Tax impact of the same can be summarised as under:

CATEGORY OF TAX PAYERS	INCOME	EXISTING TAX RATES	PROPOSED TAX RATE	IMPACT
INDIVIDUALS	Upto Rs.2,50,000	Nil	Nil	Nil
	Rs. 2,50,001 to 5,00,000	10%	5%	12,500
	Rs. 5,00,001 to 10,00,000	20%	20%	Nil
	Above Rs. 10,00,000	30%	30%	Nil
SENIOR CITIZENS	Upto Rs.3,00,000	Nil	Nil	Nil
	Rs. 3,00,001 to 5,00,000	10%	5%	10,000
	Rs. 5,00,001 to 10,00,000	20%	20%	Nil
	Above Rs. 10,00,000	30%	30%	Nil
VERY SENIOR CITIZENS	Upto Rs. 5,00,000	Nil	Nil	Nil
	Rs. 5,00,001 to 10,00,000	20%	20%	Nil
	Above Rs. 10,00,000	30%	30%	Nil

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge at the rate of,—

i. Ten percent of such income-tax in case of a person having a total income exceeding fifty lakh rupees but not exceeding one crore rupees; and

ii. Fifteen per cent. of such income-tax in case of a person having a total income exceeding one crore rupees.

II. DEDUCTION/EXEMPTIONS

REBATE U/S 87A

Rebate u/s 87A is reduced from 5,000 p.a to 2,500 p.a for resident individual whose total income does not exceed Rs. 3,50,000/-

SCOPE OF DEDUCTION UNDER SECTION 80CCG

It is proposed to phase out deduction u/s 80CCG from assessment year 2018-19. However, an assessee who has claimed deduction in earlier assessment years shall be allowed deduction under this section till the AY 2019-20.This amendment will take effect from the 1st April, 2018.

INCREASE IN DEDUCTION UNDER SECTION 80CCD FOR SELF-EMPLOYED INDIVIDUAL

It is proposed to amend section 80CCD so as to increase the upper limit of 10% of gross total income to 20% in case of individual other than employee. This amendment will take effect from 1st April 2018.

EXEMPTION ON WITHDRAWAL FROM THE NPS TRUST UNDER SECTION 10(12B)

Exemption on partial withdrawal made out of his account in accordance with the terms and conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 is allowed to the extent it does not exceed 25% of the amount of contributions made by him. This shall come to effect from the 1st day of April, 2018.

RESTRICTING CASH DONATIONS UNDER SECTION 80G

It is proposed to amend section 80G so as to provide that no deduction shall be allowed in respect of donation of any sum exceeding Rs.2000/- paid by any mode other than cash. This amendment will take effect from 1st April, 2018.

III. PRESUMPTIVE TAXATION

SEC 44AD: Business income will be calculated @ 6% in respect of the receipt which is received by an account payee cheque/draft/electronic clearing system on or before the due date of submission of income. This amendment will take effect from 1st April, 2017.

SEC 44ADA: In case of eligible assessee's u/s 44ADA, whole advance

tax is to be paid by 15th March.

IV. EXCLUSION OF CERTAIN PERSON FROM REQUIREMENT OF AUDIT OF ACCOUNTS [SEC 44AB]

Proviso has been inserted in 44AB clarifying that this section shall not apply to the person, who declares profits and gains for the previous year as per 44AD and his total sales, turnover or gross receipts, as the case may be, in business does not exceed Two Crores Rupees. This amendment will take effect from 1st April, 2017.

V. INCREASING THE THRESHOLD LIMIT FOR MAINTENANCE OF BOOKS OF ACCOUNTS IN CASE OF INDIVIDUALS AND HUF [SEC 44AA]

It is proposed to amend the provisions of section 44AA to increase monetary limits of income and total gross turnover from Rs.1,20,000/- to Rs.2,50,000/- and from Rs.10,00,000 to Rs.25,00,000, respectively. This amendment will take effect from 1st April, 2018.

Breaking Down the 2017 Union Budget

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CORPORATE TAX

TAX RATES

DOMESTIC COMPANIES

A domestic company is taxable at 25% if the turnover or receipt in the previous year 2015-16 does not exceed fifty crore rupees. Effective rate of tax is depicted as under:

PARTICULARS	TAXABLE INCOME > Rs. 1 CRORE, BUT < Rs.10 CRORE	TAXABLE INCOME > Rs.10 CRORE
Tax Rate	25.00%	25.00%
Surcharge	7.00%	12.00%
Tax+Surcharge	26.75%	28.00%
Education Cess thereon	3.00%	3.00%
Effective Tax Rate	27.55%	28.84%

A domestic company is taxable at 30% if not covered in above. Effective rate of tax is depicted as under:

PARTICULARS	TAXABLE INCOME > Rs. 1 CRORE, BUT < Rs.10 CRORE	TAXABLE INCOME > Rs.10 CRORE
Tax Rate	30.00%	30.00%
Surcharge	7.00%	12.00%
Tax+Surcharge	32.10%	33.60%
Education Cess thereon	3.00%	3.00%
Effective Tax Rate	33.06%	34.61%

FOREIGN COMPANY

Corporate tax remains unchanged at 40%(plus applicable surcharge and education cess)

PARTICULARS	TAXABLE INCOME > Rs. 1 CRORE, BUT < Rs.10 CRORE	TAXABLE INCOME > Rs.10 CRORE
Tax Rate	40.00%	40.00%
Surcharge	2.00%	5.00%
Tax+Surcharge	40.80%	42.00%
Education Cess thereon	3.00%	3.00%
Effective Tax Rate	42.02%	43.26%

Note: Effective tax rate for income upto Rs. 1 Crore remain unchanged at 41.20%

CHANGES IN MAT PROVISIONS

SEC 115JB: Amendments has been prescribed, keeping in view of the applicability of Ind AS. No further adjustments to the net profits before other comprehensive income of Ind AS compliant companies, other than those already specified under section 115JB of the Act shall be made. The other comprehensive income includes certain items that will permanently be recorded in reserves and hence never be reclassified to the statement of profit and loss included in the computation of book profits at the time of Realisation as mentioned in the Memorandum explaining the Bill.

In case of Companies adopting Ind AS for first time from existing AS certain adjustments are to be recorded directly into other equity and will have to be considered for Book Profit over a period of 5 years commencing from first time adoption of Ind AS.

SEC 115JA: MAT credit can be carried forward for 15 years as against the present time-limit of ten years.

START-UP COMPANIES

SEC 79: The loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, if, all the shareholders of such company who held shares carrying voting power on the last day of the year or years in which the loss was incurred continue to hold those shares on the last day of such previous year in the case eligible start-up as referred to in section 80-IAC of this Act.

SEC 80IAC: The Period for deduction under section 80-IAC can be claimed by an eligible start-up for any three consecutive assessment years out of seven years beginning from the year in which such eligible start-up is incorporated as against the existing provision of 3 out of 5 Years. The Proposed amendment will take effect from 1st April, 2018 and will accordingly, apply in relation to assessment year 2018-19 and subsequent years.

CAPITAL GAIN

CHANGE IN PERIOD OF HOLDING IN CASE OF IMMOVABLE PROPERTY BEING LAND OR BUILDING [SEC 2(42A)]

It is proposed to amend section 2(42A) of the Act so as 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. This amendment will take effect from 1st April, 2018.

CONVERSION OF PREFERENCE SHARE TO EQUITY SHARES [SEC 47(XB), 2(42A), 49]

New clause (xb) has been inserted in section 47 to exempt conversion of preference shares to equity shares from the ambit of capital gain. Consequent amendment has been made in section 2(42A) 'Period of holding' to include the period for which the preference shares were

held by the assessee while computing the period of holding of equity shares and Section 49 the cost of acquisition of the equity shares shall be deemed to be of the cost of the preference share. This amendment will take effect from 1st April, 2018.

CAPITAL GAIN EXEMPTIONS [SEC 10(38)]

It is proposed to amend section 10(38) to provide that exemption for income arising on transfer of equity share acquired or on after 1.10.2004 shall be available only if the acquisition of share is chargeable to STT. This amendment will take effect from 1st April, 2018

EXPANDING THE SCOPE OF LONG TERM BONDS [SEC 54EC]

It is proposed to amend section 54EC to include investment in any bond redeemable after 3 years which are to be notified by the CG. This amendment will take effect from 1st April, 2018.

BASE YEAR FOR INDEXATION FOR COMPUTATION OF CAPITAL GAINS [SEC 48]

For long-term capital gain, the base year will be shifted from 1981 to 2001. Fair market value on April 1, 2001 can be adopted as cost of acquisition if an asset is acquired prior to April 1, 2001.

REDUCED RATE OF TAX ON UNLISTED SHARES [SEC 112]

Capital Gain on transfer of share of a private company shall also be chargeable to tax at the rate of ten per cent without giving benefit of indexation. This amendment will take effect, retrospectively from 1st April, 2013

TRANSFER OF UNQUOTED SHARES OF A COMPANY [SEC 50CA]

Where consideration for transfer of share of a company (other than quoted share) is less than the FMV of such share, the FMV shall be deemed to be the full value of consideration for the purpose of computing income under the head "Capital Gains".

CAPITAL GAIN IN CASE OF JOINT DEVELOPMENT AGREEMENT [SEC 45, 49 & 194-IC]

A new sub-section 5A in section 45 has been proposed to be inserted to clarify the time of transfer in case of Joint Development Agreement between the owner and builder stating that the capital gain shall arise in that previous year in which when the completion certificate has been issued. Sale consideration received from builder will be the cost of Acquisition of the share in the land or building or both u/s 49. Further, a new section 194-IC is been inserted implying TDS @ 10% on the sale consideration received by the land owner

OTHERS

Notional Income on unsold stock being house property [Section 23] Subsection 5 has been inserted in section 23 to provide that in case where any building or land appurtenant thereto held as stock-in-trade is not let out during the whole or any part of the previous year, no notional rent will be charged upto one year from the end of the year in which the completion certificate has been obtained from the competent authority.

This amendment will take effect from 1st April, 2018

LOSSES UNDER THE HEAD HOUSE PROPERTY [SECTION 71]

Set off of losses under the head House Property shall be restricted to two lakh rupees against any other heads of income 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.

TAX ON DIVIDENDS RECEIVED [SEC 115BBDA]

With a view to ensure horizontal equity among all categories of tax payers deriving income from dividend, it is proposed to amend section 115BBDA so as to provide that the provisions of said section shall be applicable to all resident assessee except domestic company and certain funds, trusts, institutions, etc. This amendment will take effect from 1st April, 2018 & relevant to AY 2018-19.

SCOPE OF INCOME FROM OTHER SOURCES [SEC 56(2)(X)]

It is proposed to insert a new clause (x) in sub-section (2) of section 56, all the assessee receiving the sum of money or the property without consideration or for inadequate consideration in excess of Rs. 50,000 shall be chargeable to tax in the hands of the recipient under the head "Income from other sources".

MEASURES TO DISCOURAGE CASH TRANSACTIONS

SEC 35AD: No deduction u/s 35AD shall be allowed of expenditure in respect of which payment or aggregate of payments in a day has been made in cash above Rs.10,000

SEC 40A(3): Business expenditure in a day to a person in cash/bearer cheque/crossed cheque above Rs. 10,000 (as against Rs.20,000) will be disallowed under section 40A(3).

SEC 43: Section 43 has been amended to provide that where an assessee incurs any expenditure for acquisition of any asset in respect which a payment or aggregate of payments made in a day exceeds Rs.10,000/-, in cash such expenditure shall be ignored for the purposes of determination of actual cost of such asset and no depreciation u/s 32 shall be allowed.

SEC 269ST: Transactions above Rs. 3lakh should be permitted only by an account payee cheque/draft/use of electronic clearing system through a bank account. The limit of Rs. 3 lakh will be applicable in respect of a single transaction or in respect of a number of transactions with a person in a single day

CHANGES IN DOMESTIC TRANSFER PRICING [SEC 92BA]

In order to reduce the compliance burden of taxpayers, it is proposed to provide that expenditure in respect of which payment has been made by the assessee to a person referred to in under section 40A(2)(b) are to be excluded from the scope of section 92BA of the Act. That means it will only restrict to companies claiming profit based deductions. These amendments will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-18 and subsequent years.

TAXATION OF CHARITABLE TRUST AND INSTITUTIONS [SECTION 11 & SECTION 12]:

Explanation to section 11 of the Act has been inserted to provide that any amount credited or paid, out of income referred to in clause (a) or clause (b) of sub-section (1) of section 11, being contributions with specific direction that they shall form part of the corpus of the trust or institution, shall not be treated as application of income.

It is also proposed to insert a proviso in clause (23C) of section 10 so as to provide similar restriction as above on the entities exempt under sub-clauses (iv), (v), (vi) or (via) of said clause in respect of any amount credited or paid out of their income. This amendment will take effect from 1st April, 2018

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

TDS/TCS COMPLIANCE

FURNISHING OF PAN IN CASE TCS BEING COLLECTED [SEC 206CB]:

Any person whose TCS is collected shall furnish his PAN to the collector, failing to do so TCS shall be higher of Twice the TCS rate or 5%.

TCS TO COLLECTED IN CASE OF JEWELLERY [SEC 206C]

Earlier TCS had to be collected on sale of Rs. 5,00,000/- now it has been reduced to Rs. 2,00,000/-

TDS ON RENT TO BE DEDUCTED BY NON AUDIT PERSONS [SEC 194-IB]

A new section 194-IB prescribing TDS has to be deducted by persons whom are not subject to Audit u/s 44AB of the Act if rent paid is more than Rs. 50,000/- per month at rate of 5% and there is no need for TAN and the return has to be filed only once in a year.

LOWER TDS DEDUCTION FOR CALL CENTRE [SEC 194J]

In order to promote ease of doing business, it is proposed to amend section 194J to reduce the rate of deduction of tax at source to two per cent. from ten per cent. in case of payments received or credited to a payee, being a person engaged only in the business of operation of call center. This amendment will take effect from the 1st day of June, 2017.

ENABLING OF FILING OF FORM 15G/15H FOR COMMISSION PAYMENTS SPECIFIED UNDER SECTION 194D

It is proposed to amend section 197A so as to make them eligible for filing self-declaration in Form.No.15G/15H for non-deduction of tax at source in respect of insurance commission referred to in section 194D, thereby if a person has Filed Form 15G/15H no TDS will be deducted on Insurance commission. This amendment will take effect from the 1st day of June, 2017.

TDS PROVISIONS APPLICABLE TO EXPENSES UNDER

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HEAD OTHER SOURCES [SEC 58]

Disallowance provisions under section 40(a)(ia) will be extended to income chargeable under the head “Income from other sources”.

TAX PROCEDURAL AMENDMENTS

REVISION OF ITR [SEC 139(5)]

The time limit for revision of return shall be available upto the end of the relevant assessment year or before the completion of assessment, whichever is earlier.

FEE FOR LATE FILLING OF RETURN [SEC 234F]

A new Section 234F has been inserted prescribing that assessee failing to file Return u/s 139(1) will be liable to fee of Rs. 5,000/- in case the return is filed by 31st Dec of the Relevant Assessment

ASSESSMENT	EXISTING TIME LIMIT	PROPOSED TIME LIMIT
Assessment u/s 143(3) & 144	21 months from the end of A.Y. in which income was 1st assessable.	18 months from the end of A.Y. 2018-19 in which income was 1st assessable. 12 months from the end of A.Y. 2019-20 and so on in which income was 1st assessable.
Assessment u/s 147	9 months from the end of financial year in which notice u/s 148 was served.	12 months from the end of financial year in which notice u/s 148 was served on or after 1st April, 2019.
Fresh assessment in respect to order u/s 254/263/264	9 months from the end of financial year in which order u/s 254/263/264 is passed.	12 months from the end of financial year in which order u/s 254/263/264 is received in the FY 2019-20 onwards.

INDIRECT TAX

CUSTOMS DUTY

POLICY CHANGES

- Median rate of BCD retained at 10%
- Effective peak rate of customs duty remains at 29.44%

THE FOLLOWING CHANGES WILL BE EFFECTIVE ON ENACTMENT OF FINANCE BILL:

- The refund of duty paid in excess by the importer before an order permitting clearance of goods for home consumption to keep outside the ambit of unjust enrichment, where:
 - Such excess payment is evident from the bill of entry in the case of self- assessed bill of entry or
 - The duty actually payable is reflected in the reassessed bill of entry in the case of reassessment
- Rationalizing of documents required for verification of self- assessment.
- Definition of authority to include authority for Advance Ruling as constituted under Income Tax Act.
- Authority for Advance Rulings shall be the Authority for giving advance rulings for the purposes of the Customs Act. The Member of the Indian Revenue Service (Customs and Central Excise), shall be the revenue Member of the Authority for the purposes of Customs

Act.The pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) would be transferred to the Authority so constituted under the Income-tax Act.

- The application fee for seeking advance ruling increased from rupees two thousand five hundred to rupees ten thousand.
- The time of limit of six months within which Authority for Advance Ruling shall pronounce its ruling.
- Penalty not exceeding fifty thousand to be levied in case of delay in delivering of information in relation to conveyance that enters India from the place outside India of the passenger and crew arrival manifest before arrival in the case of an aircraft or a vessel and upon arrival in the case of a vehicle; and passenger name record information of arriving passengers in such form, containing such particulars, in such manner and within such time as may be prescribed.
- Mandatory to file the bill of entry before the end of the next day following the day (excluding holidays) on which the vessel or aircraft or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing and to provide for imposition of such charges for late presentation of the bill of entry as may be prescribed.

- The facility of storage extended to imported goods entered for warehousing before their removal.
- Settlement commission can amend the order passed by it to rectify any error apparent on face of records.
- Chapter Note (4) of Chapter 98 amended so as to remove the non-applicability of headings 9803 and 9804 to goods imported through courier service. Also, heading 9804 amended so as to extend the classification of personal imports by courier, sea, or land under this heading.

RATE MOVEMENT

The following changes will be effective from February 02, 2017 unless otherwise specified.

CHANGES IN THE BCD RATES ON SOME KEY ITEMS ARE ENUNCIATED BELOW:



ITEMS	RATE MOMENT (%)		MOMENT
	BASIC DUTY		
	From	To	
RO membrane element for household type filters	7.5%	10%	▲
Liquefied Natural Gas	5%	2.5%	▼
o-Xylene	2.5%	Nil	▼
Medium Quality Terephthalic Acid (MTA) & Qualified Terephthalic Acid (QTA)	7.5%	5%	▼
2-Ethyl Anthraquinone [29146990] for use in manufacture of hydrogen peroxide, subject to actual user condition	7.5%	2.5%	▼
Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors, subject to actual user condition	7.5%	5%	▼
Vinyl Polyethylene Glycol (VPEG) for use in manufacture of Poly Carboxylate Ether, subject to actual user condition	10%	7.5%	▼
Nylon mono filament yarn for use in monofilament long line system for Tuna fishing, subject to certain specified conditions	7.5%	5%	▼
Vegetable tanning extracts, namely Wattle extract and Myrobalan fruit extract	7.5%	2.5%	▼



ITEMS	RATE MOMENT (%)		MOMENT
	BASIC DUTY		
	From	To	
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%	▲
Nickel.	2.5%	Nil	▼
MgO coated cold rolled steel coils [7225 19 90] 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%	▼
Solar tempered glass for use in the manufacture of solar cells/panels/modules subject to actual user condition.	5%	Nil	▼
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%	▼

ITEMS	RATE MOMENT (%) BASIC DUTY		MOMENT
	From	To	
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%	▼
All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition.	Applicable BCD	5%	
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%	
Miniaturized 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 BCD	Nil	▼
Parts and components for manufacture of miniaturized 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 BCD	Nil	▼

CHANGES IN THE BCD RATES ON SOME KEY ITEMS ARE ENUNCIATED BELOW:



ITEMS	RATE MOMENT (%) CVD		MOMENT
	From	To	
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.	12.5%	6%	▼
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%	▼
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%	
Silver medallion, silver coins having silver content not below 99.9%, semi- manufactured form of silver and articles of silver.	Nil	12.5%	▲

Changes in the SAD rate on some key items are enunciated below:

ITEMS	RATE MOMENT (%)		MOMENT
	SAD		
	From	To	
	(30 june 2017)		
Populated Printed Circuit Boards (PCBs) for the manufacture of mobile phones, subject to actual user condition.	Nil	2%	▲
Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user condition	4%	Nil	▼

Change in rates of export duty

ITEMS	RATE MOMENT (%)		MOMENT
	SAD		
	From	To	
	(30 june 2017)		
Other aluminium ores, including laterite	Nil	15%	▲



- Goods imported for petroleum and coal bed methane operations under beneficial notification of Customs, no longer required for the said purpose are being allowed to be disposed of on payment of applicable customs duties or excise duty, on the depreciated value calculated as per straight line method (subject to depreciated value not being less than 30% of the original value) of such goods.
- EOU units eligible to import or procure raw material/inputs at other concessional/nil rate of BCD, Excise duty/CVD/SAD as the case may be, provided they fulfill all the conditions for being eligible to such concessional duty in respect of excisable goods produced/ manufacture by an EOU and clear to DTA if imported are either non-excisable or leviable to Nil BCD and CVD.

EXCISE DUTY

POLICY CHANGES

PEAK RATE OF EXCISE DUTY RETAINED AT 12.5%

The following changes will be effective on enactment of Finance Bill:

- Definition of authority to include authority for Advance Ruling as constituted under Income Tax Act.

- The pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) would be transferred to the Authority so constituted under the Income-tax Act.
- The application fee for seeking advance ruling increased from rupees two thousand five hundred to rupees ten thousand.
- The time of limit of six months within which Authority for Advance Ruling shall pronounce its ruling.
- Settlement commission can amend the order passed by it to rectify any error apparent on face of records.
- Proviso inserted under Central Excise Rules to provide for time limit of 3 months [further extendable by 6 months] for granting remission of duty.
- Proviso inserted to provide for a time limit of three months [further extendable by 6 months] for approval of requests regarding transfer of CENVAT credit on shifting, sale, merger, etc. of the factory.

RATE MOVEMENT

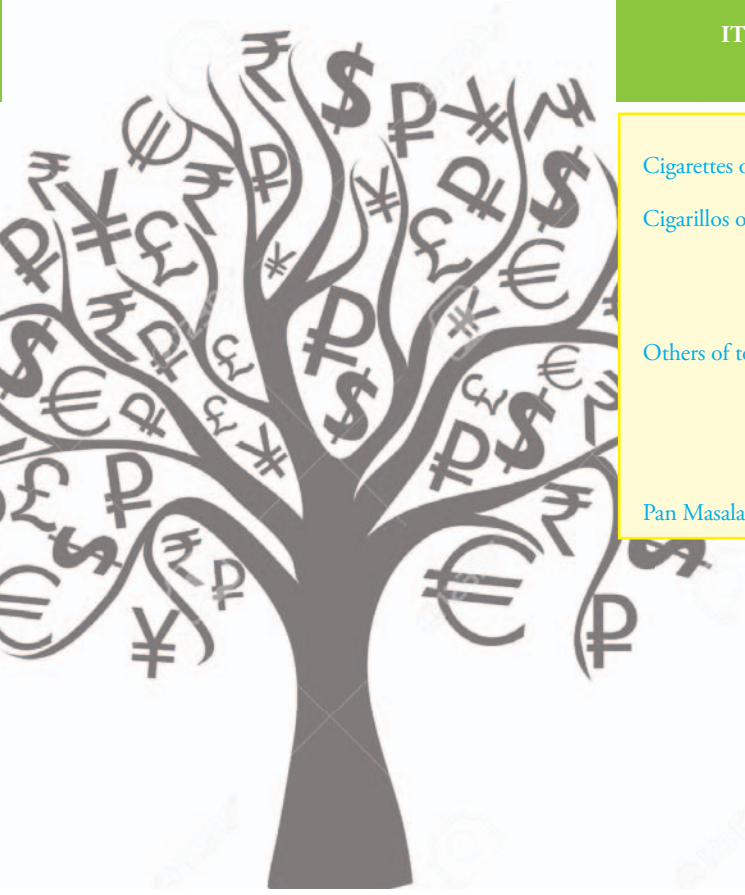
The following changes will be effective from February 02, 2017 unless otherwise specified.

CHANGES IN THE EXCISE DUTY ON SOME KEY ITEMS ARE ENUNCIATED BELOW:



ITEMS	RATE MOMENT (%)		MOMENT
	BASIC DUTY		
	From	To	
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 .	Nil	6%	▲
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.	12.5%	6%	▲
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 based power generating system to be set up in the country or for demonstration purpose.	12.5%	6%	▼
All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen.	12.5%	6%	▼
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%	▼

ITEMS	RATE MOMENT (%)		MOMENT
	BASIC DUTY		
	From	To	
All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition.	Applicable duty	6%	▼
Miniaturized 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 miniaturized 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	
Cigar and cheroots	12.5% or Rs.3755 per thousand,	12.5% or Rs.4006 per thousand	▲
Cigarillos	12.5% or Rs.3755 per thousand,	12.5% or Rs.4006 per thousand,	▲



ITEMS	RATE MOMENT (%)		MOMENT
	BASIC DUTY		
	From	To	
Cigarettes of tobacco substitutes	Rs.3755 per thousand	Rs.4006 per thousand	▲
Cigarillos of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand,	▲
Others of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand,	▲
Pan Masala	6%	9%	▲

RETROSPECTIVE AMENDMENT

W.e.f January 01, 2017 excise duty reduced to 12.5% (as against present rate of 27%) on motor vehicles for transport of more than 13 persons falling under tariff items 8702 90 21 to 8702 90 29 of the First Schedule to the Central Excise Tariff Act.

SERVICE TAX

No change in Service tax rate and cess.

THE FOLLOWING CHANGES WILL BE EFFECTIVE FROM FEBRUARY 02, 2017

- Exemption from service tax provided in respect of the amount of viability gap funding (VGF) payable to the selected airline operator for the services of transport of passengers, with or without accompanied belongings, by air, embarking from or terminating in a Regional Connectivity Scheme (RCS) airport, for a period of one year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) airport.
- Exemption for services provided by the Indian Institute of Management to their residential students undergoing two year full time Post Graduate Programmes in Management for the Post Graduate Diploma in Management, to which admissions are made on the basis of CAT, has also been extended to other than residential students

THE FOLLOWING CHANGES WILL BE EFFECTIVE ON ENACTMENT OF FINANCE BILL:

- Services by way of carrying out any process amounting to manufacture

or production of goods excluding alcoholic liquor for human consumption”, has been omitted from the negative list and provided for under the general exemption notification under the Act.

- Service tax (Determination of Value) Rules amended w.e.f 01.07.2010 to make clear that value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, shall not include value of property in such land or undivided share of land .

- Value for the purpose of reversal of common input tax credit on inputs and input services used in providing taxable services and exempted services by banks and financial institutions including non-banking financial companies engaged in providing services by way of extending deposits, loans or advances shall not include the value of service by way of extending deposits, loans or advances against consideration in the form of interest or discount as per Rule 6 of Cenvat Credit Rules.

- Retrospection exemption provided for one time upfront amount paid/payable for grant of long-term lease of industrial plots (30 years or more) by State Government industrial development corporations/undertakings to industrial units from Service Tax.



OTHERS

Taxable services involving import of technology subject to full service tax along with cesses as applicable to such taxable services, owing to Research and Development Act, 1986 being repealed.



SECTOR WISE IMPACT

SECTOR	PARTICULARS	IMPACT
Banking Sector	Big infrastructure spending push, boost to affordable housing and a fiscal deficit target of 3.2% of GDP came as a big boost to the banking sector A tax concession on provisions for bad loans also came as a relief for Indian banks which are struggling with gross non-performing assets of around Rs6.7 trillion.	Positive
Infrastructure	Government to invest almost Rs4 trillion in the next fiscal in creating and upgrading infrastructure; railways gets largest-ever allocation at Rs1.31 trillion Govt trying to expand airport capacity over next 10-15 years, with participation of private sector.	Positive
Agricultural	Pledges a record agricultural credit of Rs10 trillion by the fiscal year through March 2018; Rs48,000 crore allocated for its rural job guarantee program; electrification of villages.	Positive
Real Estate	Proposes extension of affordable housing program to five years; gives the sector infrastructure status. Plans to also lower holding period for taxing capital gains on sale of immovable property to two years from three.	Positive
Retail	Proposed cutting the tax rate for people with income of between Rs2,50,000 and Rs5,00,000 to 5% from	Positive

SECTOR	PARTICULARS	IMPACT
Pharma	10%, leaving more cash in the hands of consumers to spend more on toiletries, household goods, cars and two-wheelers. As part of the rural focus, government proposes to amend rules governing pharmaceuticals to help lower prices, make healthcare affordable and encourage generics.	Negative
Cigarette	Govt hikes excise duty on various lengths of cigarettes by 2.5% & 6%	Negative
Cement	Government allocated Rs 3.96 lakh cr for infrastructure	Positive
Engineering	Government proposes to invest Rs 1.31 lakh cr in railways in 2017-18	Positive
Refineries	Government cuts basic customs duty on LNG to 2.5% from 5%	Positive
Textiles	Government proposes carry-forward of MAT to 15 years from 10 years	Positive

FDI POLICY

LIBERALISATION OF FDI POLICY

- Foreign Investment Promotion Board to be abolished in 2017-18; and
- Further liberalisation of FDI policy is under consideration.

LABOUR LAWS

- **LABOUR LAWS REFORMS**
To foster a conducive labour environment, legislative reforms will be undertaken to simplify, rationalise and amalgamate the existing labour laws into 4 Codes on (i) wages; (ii) industrial relations; (iii) social security and welfare; and (iv) safety and working conditions.

FINANCIAL SECTOR REFORMS AND RELATED POLICY

- Constitution of expert committee for integration of spot market and derivatives market
- New Bill on Restriction on illicit deposit schemes

- New mechanism of Arbitration to be introduced.
- A Computer Emergency Response Team for our Financial Sector (CERT-Fin) will be established.
- Revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges.
- Listing of the shares of Railway PSEs like IRCTC, IRFC and IRCON.
- A new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18.

MISCELLANEOUS

- Introduction of Referral Bonus Scheme for individuals and a Cashback Scheme for merchants in BHIM APP.
- Launching of Aadhar Pay, a merchant version of Aadhar Enabled Payment System.
- A Mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards.

- A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration
- Banks have targeted to introduce additional 10 lakh new POS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhar based POS by September 2017.
- Creation of Payments Regulatory Board in place of Board for Regulation and Supervision of Payment and Settlement Systems.
- The Government e-market place which is now functional for procurement of goods and services
- To utilise the Head Post Offices as front offices for rendering passport services.
- To rationalise the number of tribunals and merge tribunals wherever appropriate.
- To ensure transparency in electoral funding, cash donation limit fixed to Max. of Rs.2,000/- from one person and amendment proposed in Reserve Bank of India Act to enable the issuance of electoral bonds in accordance with a scheme that the Government of India would frame in this regard.

INDUSTRY WISE IMPACT

SECTOR	ANALYSIS	IMPACT/REMARKS
AGRICULTURE	<ul style="list-style-type: none">• The target for agriculture and allied credit is set at Rs. 10 trillion.• PradhanMantriFasalBimaYojana, a key crop-insurance scheme, attracted an outlay of Rs. 90 billion, compared with the FY17 revised estimate of Rs. 132 billion.• The allocation to PradhanMantriKrishiSinchaiYojana is up 71% at Rs. 34 billion, compared with the FY17 estimate. Also, the total corpus of NABARD's Long Term Irrigation Fund will be doubled to Rs. 400 billion. A new micro-irrigation fund with a corpus of Rs. 50 billion will be set up.• A model law on contract farming will be prepared and circulated among the states for adoption. Additionally, states would be urged to denotify perishables from APMC.• New mini labs will be established in all 648 KrishiVigyanKendras for soil testing.• The coverage of National Agriculture Market (e-NAM) will be increased from 250 Agricultural Produce Market Committees (APMCs) to 585, with an assistance of Rs 7.5 million for each e-NAM.	Positive

SECTOR	ANALYSIS	IMPACT/ REMARKS
AUTOMOBILES	<ul style="list-style-type: none">• Increase allocation of 24% to rural and allied sectors through higher agricultural credit, Mahatma Gandhi National Rural Employment Guarantee Act, and initiatives such as crop insurance scheme, national agriculture marketing, etc. The higher allocation also includes long term irrigation projects as well as continued support to PradhanMantri Gram SadakYojna.• Personal income tax rate cut from 10% to 5% for Rs. 2.5-5.0 lakh income bracket.• Railways to implement end-to-end integrated transport solutions for select commodities via partnership with logistics players.• Corporate tax for small enterprises (turnover <Rs. 500 million) cut to 25%.	Positive
CEMENT	<ul style="list-style-type: none">• PradhanMantriAwasYojana (PMAY) allocation increased by 39% to Rs. 290 billion.• Allocation from Ministry of Rural Development increased by 10% to Rs. 1.05 trillion in FY18.• Investments to cement intensive infrastructure	Positive



SECTOR	ANALYSIS	IMPACT/ REMARKS
	<p>segment (excl. power) up 9.8% to Rs. 4.2 trillion. Total outlay towards national highways at Rs. 1.24 trillion, up by 11.1% over previous fiscal's revised estimates.</p> <ul style="list-style-type: none">• Affordable housing to be accorded infrastructure status.	
FINANCIALS	<ul style="list-style-type: none">• Rs. 100 billion capital support to public sector banks (PSBs) in FY18.• Listing and trading of security receipts issued by a securitisation or reconstruction company under the SARFAESI Act in Sebi-registered stock exchanges to deal with banks' non-performing assets (NPAs).• Infrastructure status to affordable housing to facilitate higher investments. Income tax exemption for developers of affordable housing with a carpet area of 30 and 60 square metres in the four metros and non-metros, respectively, instead of built-up area of 30 and 60 square metre.• Banks' disbursement target doubled to Rs 2,440 billion for FY18 from Rs 1,220 billion for FY17 under the PradhanMantri Mudra Yojana.	Positive

SECTOR	ANALYSIS	IMPACT/ REMARKS
	<ul style="list-style-type: none">• Refinancing of individual housing loans of up to Rs. 200 billion in 2017-18 by National Housing Bank.• Banks will be eligible for tax deduction of 8.5% (7.5% earlier) of total gross income to provide for bad and doubtful debts.• Bills to curtail illicit deposit schemes and confiscate the assets of economic offenders.	
INFRASTRUC- TURE	<p>ROADS:</p> <ul style="list-style-type: none">• Budgetary support for national highways and the National Highways Authority of India (NHAI) has been increased by 24% and 59%, respectively, over the revised estimates of FY17.• Budgetary support to the rural road scheme, the PradhanMantri Gram SadakYojana, has been maintained at Rs. 190 billion. <p>RAILWAYS:</p> <ul style="list-style-type: none">• Investment outlay of Rs. 1.31 trillion for FY18.• Budgetary allocation of Rs. 550 billion for FY18.• New safety fund of Rs. 1 trillion to be spent over a period of five years.• Unmanned level crossings on broad-gauge lines	Positive



SECTOR	ANALYSIS	IMPACT/ REMARKS
	<p>to be eliminated by 2020.</p> <ul style="list-style-type: none">• At least 25 stations to be awarded via the public-private partnership route during FY18.• All coaches to be fitted with bio-toilets by 2019.	
OIL & GAS	<ul style="list-style-type: none">• Reduction in basic customs duty on liquefied natural gas (LNG) from 5% to 2.5%.• Creation of anintegrated PSU oil major.• Increase in strategic reserves to 15.33 MT from 5 MT by installing new caverns to store crude oil at Orissa and Rajasthan	Positive
HEALTHCARE	<ul style="list-style-type: none">• Expenditure on healthcare hiked by 23%.• An action plan to eliminate kala-azar and filariasis by 2017; leprosy by 2018; measles by 2020 and tuberculosis (TB) by 2025.• Two new All India Institutes of Medical Sciences (AIIMS) to be set up in Jharkhand and Gujarat.	Neutral

SECTOR	ANALYSIS	IMPACT/ REMARKS
	<ul style="list-style-type: none">Strengthen secondary and tertiary healthcare by creating 5,000 additional postgraduate (PG) seats (per annum) to ensure adequate availability of specialist doctors	
REAL ESTATE	<ul style="list-style-type: none">Affordable housing receives infrastructure status.Allocation to PradhanMantriAwasYojana (PMAY) increased from Rs.200 billion to Rs. 290 billion.Allocation of Rs. 200 billion to National Housing Bank for refinancing individual loans.Under the scheme for profit-linked income tax deduction for promotion of affordable housing, instead of built-up area, carpet area will be considered – 30 sq m limit will apply to housing within municipal limits of four metropolitan cities, and 60 sq m to rest of the country. The period for completing an affordable housing project under the scheme has also been increased from three to five years.For developers for whom constructed buildings are stock-in-trade, tax on notional rental income will only apply after one year, from the end of the year in which completion certificate is received.	Positive



SECTOR	ANALYSIS	IMPACT/ REMARKS
	<ul style="list-style-type: none">Holding period for immovable assets reduced from three to two years; for long-term capital gains, indexation year changed from 1981 to 2001.For joint development agreements (JDA) signed for property development, liability to pay capital gains tax will arise in the year the project is completed.Persons holding land on June 2, 2014, the date on which the state of Andhra Pradesh was reorganised, and whose land is being pooled for creation of capital city of Andhra Pradesh by the state government, will be exempted from capital gains tax.Restriction to set off loss from house property against income under any other head during the current year set at Rs. 0.2 million. A loss, not so adjusted, would be allowed to be carried forward to offset house property income for eight assessment years.	
TEXTILE	<ul style="list-style-type: none">Tax rate for SMEs (of annual turnover up to Rs. 50 crore in 2015-16) reduced to 25% from 30%.Allocation to textile sector remains relatively unchanged, Rs. 6,226 crore in 2017-18 from Rs. 6,286	Neutral

SECTOR	ANALYSIS	IMPACT/REMARKS
	crore in 2016-17; lesser allocation for both Amended Technology Upgradation Fund Scheme (ATUFS) and cotton procurement is offset by higher allocation for the Textile Package announced on June 22, 2016.	
SME	<ul style="list-style-type: none">Allocation to the MSME (micro, small and medium enterprises) segment increased to Rs. 6,482 crore for FY18. In FY17, it was revised up from Rs. 3,465 crore to Rs. 5,463 crore.Tax rate for MSMEs with a turnover of less than Rs. 50 crore in FY16 has been cut from 30% to 25%.SIDBI to refinance credit institutions that give unsecured loans to SMEs.Special schemes for creating employment in leather and footwear industries to be unveiled; however, more details are awaited.Vocational courses for skill development to be provided at a cost of Rs. 2,200 crore.	Positive



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