

BUDGET

An Overview

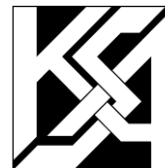
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1. INTRODUCTION

The year 2016-17 has probably been one of the most awaited, coming as it does after the 8th November 2016 de-monetization action which made history by the sheer size and rapidity of action pulling out 85 percent of the liquidity of the economy in one stroke. The economic survey has also indicated that the GDP growth is pruned by 0.25% to 0.50% on that account.

The Union Budget 2017 included many “first-time” distinctions. There is a merging of the confusing nomenclatures of the legacy “plan” and “non-plan” expenditure rolling down from 1951, a bringing to an end of “five-year plans” with the forth-coming 12th Plan, replaced by continuous reviews by the Niti Aayog, a “multi-modal” approach brought about by combining Railway Budget with Union Budget, and further impetus to asset-linked MNREGA, and last but not the least, advancing of the Budget date eliminating the vote-on-account facilitating ministries to hit the ground running from 1st day of the financial year. All of these hold a promise to be positive and historic.

It is interesting to see how the Government in this Union Budget 2017, has laid down the terrain for anyone who is still non-compliant after the Income Declaration Scheme, 2016 closed in September 2016 and, the Pradhan Mantri Garib Kalyan Yojana 2016, which is open until 31st March 2017.

The Budget proposals have pegged Fiscal deficit at 3.2% for Financial Year (FY) 2017-18 & 3% for next FY that indicates a drop in interest rates which will boost both home-ownership and corporate performance. The singular thrust of the Budget is to drive consumption by increasing the disposable income of the vast lower economic end of the population-pyramid of the country: be it the record Rs 48,000 Crores allocation for MNREGA, the record agri-targets with a goal of doubling farmer income in five years, or a record of humongous infra spend. These looks way beyond merely beating demonetization blues.

The following commendable proposals are made in the Budget 2017:

- Abolition of Foreign Investment Promotion Board (FIPB) is a good move towards ease of doing business;
- Substantial allocation for Solar power sector seems a good move to tap the natural resource to generate requisite power to defuse the demand;
- Intent to promote digital economy by various measures, e.g. levy of service charge on online bookings thru IRCTC is done away
- Proposal to list certain PSUs on stock exchanges will increase accountability and transparency
- Proposal to combine four oil majors in to a single entity is a right step to avoid multiplicity of similar activities
- The Government is serious in cleansing the menace of black money

The Goods and Service Tax (GST) is going to see the light of the day during financial year 2017-18 and will yield fiscal growth. The Budget 2017-18 is visionary and attempts to work in business-like ways on deeper and fundamental economics, combined with measures of black-money-cleansing, presented in poetic garbs by the Hon Finance Minister of India.



2. EXECUTIVE SUMMARY

DIRECT TAXES

1. No major changes in the personal Income tax except:
 - Tax rate reduced to 5% for income of Rs. 2,50,000 to Rs. 5,00,000
 - Surcharge at 10% levied on income between Rs. 50 Lakhs to 100 Lakhs
 - One page return for tax payer having income below Rs. 5 Lakhs
 - No scrutiny for first time return filers
2. Corporate Tax rate for Small and Medium enterprises reduced from 30% to 25% if turnover below Rs.50 Crores.
3. Period of holding in case of land and building reduced to two years to qualify as long term capital asset
4. Fair market value as on 1st April 2001 to replace fair market value as at 1st April 1981 for computation of Long Term Capital Gain
5. Carry forward of MAT credit for 15 years
6. Capital or Revenue Expenditure in excess of Rs. 10,000 not deductible as depreciation/business expenditure
7. Cash transaction in excess of Rs. 3 Lakhs to attract disallowance and penalty equal to amount received on recipient
8. The limit of cash donation to charitable trusts is reduced to Rs. 2,000

INDIRECT TAXES

Custom Duty

1. Cashew nut & Silver to become costlier
2. LNG to become cheaper.

GOODS AND SERVICES TAX

1. The GST Council has finalised its recommendations on almost all the issues based on consensus on the basis of 9 meetings held
2. Preparation of IT system for GST is also on schedule.
3. The extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 to make them aware of the new taxation system.



3. DIRECT TAX PROPOSALS

3.1 TAX RATES

For Individuals, Hindu Undivided Family, Association of Persons & Body of Individuals

EXISTING RATES		PROPOSED RATES	
For FY 2016 – 17 (AY 2017-18)		For FY 2017 – 18 (AY 2018-19)	
Up to Rs.2,50,000	NIL	Up to Rs.2,50,000	NIL
Rs.2,50,001 – Rs. 5,00,000	10%	Rs.2,50,001 – Rs. 5,00,000	5%
Rs.5,00,001 – Rs. 10,00,000	20%	Rs.5,00,001 – Rs. 10,00,000	20%
Above Rs.10,00,000	30%	Above Rs.10,00,000	30%

* AY-Assessment Year

For Individuals who are of age of 60 years and above (Senior Citizens):

EXISTING RATES		PROPOSED RATES	
For FY 2016 – 17 (AY 2017-18)		For FY 2017 – 18 (AY 2018-19)	
Up to Rs.3,00,000	NIL	Up to Rs.3,00,000	NIL
Rs.3,00,001 – Rs. 5,00,000	10%	Rs.3,00,001 – Rs. 5,00,000	5%
Rs.5,00,001 – Rs. 10,00,000	20%	Rs.5,00,001 – Rs. 10,00,000	20%
Above Rs.10,00,000	30%	Above Rs.10,00,000	30%



For Individuals who are of age of 80 years and above (Very Senior Citizens):

EXISTING RATES		PROPOSED RATES	
For FY 2016 – 17 (AY 2017-18)		For FY 2017 – 18 (AY 2018-19)	
Up to Rs.5,00,000	NIL	Up to Rs.5,00,000	NIL
Rs.5,00,001 – Rs. 10,00,000	20%	Rs.5,00,001 – Rs. 10,00,000	20%
Above Rs.10,00,000	30%	Above Rs.10,00,000	30%

Rebate available under section 87A is reduced to Rs2500 from existing Rs 5000/- and is available only in cases where total income does not exceed Rs 3,50,000/-.

Changes in Surcharge for individuals, HUFs, AOPs and BOIs:

It is proposed to levy surcharge on income between Rs. 50 Lakhs to Rs. 100 Lakhs at the rate of **10%**.

The surcharge of 15% above income over Rs. 100 Lakhs.

For Companies

It is proposed to reduce the tax to 25% for companies having a total turnover or gross receipts up to Rs. 50 crore during the for financial year ending **31st March 2016**.

There is no change in existing corporate tax rate of 30% plus surcharge & cess for domestic companies other than mentioned above.

There are no changes in the rates of surcharge or cess for such companies.

For All others

There is no change in rate of tax or surcharge or cess for all other tax payers



3.2 NEW TAX INCENTIVES AND RELIEFS

Presumptive taxation:

It is proposed to levy presumptive tax under section 44 AD on income calculated @ 6% in respect of turnover through non-cash transactions and the same will continue @ 8% of the turnover for cash transactions.

It is further proposed to increase the turnover limit for tax audit u/s 44AB to Rs.2 Crores from existing limit of Rs. 1 Crore from **AY 2017-18** in case of assessee opting for presumptive taxation.

Long Term Capital Asset

It is proposed to amend Section 2(42A) to reduce the period of holding to 24 months in case of land and building for classifying as long term asset.

Specified Domestic Transactions:

It is proposed to remove reference to section 40A(2)(b) from section 92 BA from **AY 2017-18** and correspondingly there is an amendment proposed to proviso under section 40A(2)(b) for not disallowing expense up to **AY 2016-17** in respect to any payments made to related parties such as directors, shareholders etc which has been removed from the ambit of domestic transfer pricing.

Joint Development Agreement:

It is proposed to insert section 45 (5A) to tax Capital Gains in respect of Joint Development Agreement (JDA) entered into by an individual or an HUF in the year of issue of certificate of completion by the competent authority only in case where such individual or HUF have not sold their share of Land or Building or both before issue of such certificate, in which case the same will be taxed in the year of such sale.

It is further proposed to consider the stamp duty value of Land or Building or both as the sale value plus monetary consideration.

It is further proposed to insert section 194 IC in case where monetary consideration is payable under the JDA to deduct tax at source at the rate of 10% from such consideration.

Consequential amendment has been proposed in section 49

Certain transactions not a Transfer:

It is proposed to amend section 47 to the extent that conversion of preference share in to equity share will not be regarded as transfer.

Consequential amendments have been proposed in sections 2(42A) & 49.

Capital Gains:

It is proposed to amend section 55 to substitute fair market value of asset as on 1st April 2001 instead of 1st April 1981 for the purpose of calculation of capital gains in respect of assets acquired prior to 1st April 2001.



Consequential amendment has been proposed in section 48.

Fair Market Value in certain cases:

It is proposed to insert section 50CA to provide the fair market value (FMV) as the full value of consideration in cases where consideration received for transfer of unquoted share of a company is less than FMV for purpose of calculation of Capital Gains.

Start Ups benefit:

It is proposed to extend the deduction available for start-ups u/s 80IAC to 3 consecutive years out of 7 years instead of earlier 5 years.

Transfer Pricing:

It is proposed to insert a new section 92CE to permit assessee to carry out secondary adjustment where the primary adjustment does not exceed Rs. 100 Lakhs in respect of an assessment year commencing on or before **1st April, 2016:**

- where the primary adjustment to transfer price, has been made suo motu by the assessee; or
- made by the Assessing Officer has been accepted by the assessee; or
- is determined by an advance pricing agreement; or
- is made as per the safe harbour rules; or
- is arising as a result of resolution of an assessment by way of the mutual agreement procedure under an agreement entered into.

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

Interest Paid to foreign related parties:

It is proposed to insert section 94B, whereby the deduction of interest paid by Indian company or permanent establishment of foreign company in India exceeds Rs. 1 Crore, the same shall be restricted to lower of 30% of EBITDA of such company in the previous year or actual interest paid or payable. If the same is not fully allowed, the balance will be allowed to be carried forward for set off in future assessment years.

This provision shall not apply to permanent establishment to foreign company engaged in business of banking and insurance.

MAT credit :

It is proposed to amend section 115JB to allow set off of MAT for 15 assessment years as against 10 presently.



3.3 ADDITIONAL TAX BURDEN

Deduction for SEZ:

It is proposed to amend section 10AA, where the amount of deduction shall be allowed from the total income of the assessee, as against income of the undertaking, computed in accordance with this Act, before giving effect to the provision of that section and shall not exceed the total income of the assessee.

Donations to Political Parties:

It is proposed to amend section 13A to the effect that a political party cannot receive donations exceeding Rs.2,000/- in cash. However, it can accept donation by electoral bond to be issued by RBI which can be en-cashed only by such political party.

Cash payment for capex & expenses:

It is proposed to amend section 35 AD (8) (f) & Sec 43(1) whereby any expenditure in respect of which the payment or aggregate of payments made to a person in a day, by cash, exceeds ten thousand rupees shall not be treated as expenditure of capital nature and consequently depreciation will not be allowed and investment related deduction will not be available.

It is further proposed to amend section 40A (3) whereby any expenditure made in cash shall be disallowed if such expenditure exceeds Rs. 10,000/- per transaction or made to a person in a day.

Other Income:

It is proposed to insert clause (x) in sub-section (2) of section 56 by bringing in certain trusts or institutions under its ambit.

Consequential amendment has been proposed in section 49.

Disallowances in some cases:

It is proposed to apply provisions of section 40(a)(ia) to disallowance of expenditure under section 58 in case of non-deduction of tax at source

Loss Set off:

It is proposed to insert sub-section 3A u/s 71 to restrict set-off of loss from House Property against other income up to Rs 2 Lakhs in any year and carry forward the balance to subsequent year for set off.

Donations:

It is proposed to amend sub-section 5D, of 80G, where donations made in cash up to Rs.2,000/- only will be eligible for deduction.



Tax on Dividend over Rs. 10 Lakhs:

It is proposed to expand application of present provisions of Section 115BBDA, for tax on dividend in excess of Rs. 10 Lakhs, to other categories of persons or body of individual or artificial jurisdiction persons.

Tax on Carbon Credit:

It is proposed to insert section 115BBG to tax transfer of carbon credit at 10% on the gross amount of such Income without giving any deduction for any expenditure or allowance.

Restriction on cash transactions

It is proposed to insert a new section 269ST to prohibit the receipt of an amount of Rs. 3 lakh or more by cash on the following manner:

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

It is further proposed to insert new section 271DA for non-compliance of the above attracting a penalty on the recipient of an amount equal to the amount of receipt.

3.4 PROCEDURAL CHANGES

Books of account:

It is proposed to increase the threshold for maintenance of Books of Account u/s 44AA is increased from Rs. 10 Lakhs to Rs. **25 Lakhs**- with respect to turnover or gross receipts and from Rs. 1,25,000/- to Rs. 2,50,000/-with respect to income.

Minimum Alternate Tax under Ind AS:

There have been various rationalization provisions in section 115JB in line with Ind AS.

Return of income

It is proposed to make certain amendments to section 139 whereby certain class of assesses will be required to file their return of income compulsorily in certain circumstances.

It is further proposed to reduce the time period for filing a revised return up to the end of the relevant assessment year as compared to the earlier time period of one year from the end of the relevant assessment year.

It is proposed to insert new section 234F to levy a fee for the late filing of return of income as under:

- Rs. 5,000/- if return is furnished on or before 31st December of the assessment year;
- Rs. 10,000/- in any other case.



However, the fee shall not exceed Rs. 1,000/- where the total income does not exceed Rs. 5 lakhs.

Consequently, section 271F is omitted.

Consequential amendments have been proposed u/s 140A

Assessment procedures

Issuance of intimation under section 143(1) has now been made mandatory for all returns filed for AY **2017-18** and onwards.

Time limits for assessment and re-assessment proceedings

It is proposed to reduce the time period for completion of assessment u/s 153(1) pertaining to AY 2018-19 to eighteen months and from AY 2019-20 to twelve months from end of the assessment year.

It is further proposed to increase the time period u/s 153(2) for re-assessment under section 147 to twelve months from the end of the financial year in which the notice is served.

It is further proposed to pass a fresh assessment order u/s 153(3) in pursuance of an order under section 254 or 263 or 264 within twelve months from the end of the financial year in which the order is passed.

It is also proposed to make other time limit amendments to section 153B.

Tax deduction / collection at source

It is proposed to insert a new section 194-IB to provide for deduction of tax at source at the rate of 5% by individuals or HUFs other than those covered under tax audit paying rent exceeding Rs. 50,000/- per month or part of a month.

It is further proposed that the above tax will be required to be deducted only during the last month of payment of rent during the financial year or part thereof.

It is further proposed that there will be no compliance required for filing of TDS returns or obtaining any Tax Deduction Number (TAN) by the deductor.

It is further proposed that the tax deduction will not exceed the amount of rent payable during the last month.

It is proposed to introduce a new rate of 2% under section 194J where the payee is engaged in the business of operation of call centers.

This provision shall be effective from 1st June, 2017

It is proposed to extend the time limit from 1st July 2017 to 1st July 2020 u/s 194 LC for TDS compliance on interest payments to non-residents from AY 2018-19 and the compliance under this section is extended to rupee denominated bonds **retrospectively from AY 2016-17.**



Similar extension has been made for the TDS compliance on interest payments to FIIs and QFIs under section 194 LD.

It is proposed to amend section 197A to bring insurance commission under the spectrum of non-deduction of tax from insurance commission by submitting Form 15G/15H. ***This provision shall be effective from 1st June, 2017.***

It is proposed to withdraw the tax collection at source compliance on the sale of jewelry u/s 206C.

It is proposed to insert a new section 206CC which will provide for collection at source at higher of twice the applicable rate or 5%, in cases where the payer's PAN is not furnished to the collector. However, certain exemptions will be provided in certain cases.

Withhold refund

It is now proposed to insert new section 241A to withhold refund computed under summary assessment if a scrutiny assessment notice for such assessment year has been issued and the assessing authority has reason to believe that the release of such refund will adversely affect the revenue.

This provision shall be effective from AY 2017-18

Proposals to penalize certain persons certifying or furnishing information under the Act

It is proposed to insert a new section 271 J to levy a penalty of Rs. 10,000/- on an accountant or a merchant banker or a registered valuer for furnishing incorrect information in any report or certificate furnished under the Act. However, penalty may be waived if reasonable cause is proved.



4. INDIRECT TAX PROPOSALS

4.1 CUSTOM DUTY

1. A new section 30A in the Customs Act is proposed so as to make it obligatory on the person-in-charge of a conveyance that enters India from any place outside India or any other person as may be specified by the Central Government by notification in the Official Gazette, to deliver to the proper officer 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. It is proposed to impose such penalty not exceeding fifty thousand rupees as may be prescribed, in case of delay in delivering the information.
2. A new section 41A in the Customs Act so as to make it obligatory on the person-in-charge of a conveyance that departs from India to a place outside India or any other person as may be specified by the Central Government by notification in the Official Gazette, to deliver to the proper officer the passenger and crew departure manifest and passenger name record information of departing passengers before the departure of the conveyance in such form, containing such particulars, in such manner and within such time as may be prescribed. It is also proposed to impose a penalty not exceeding fifty thousand rupees as may be prescribed in case of delay in delivering the information.
3. Section 46 is proposed to be amended of the Customs Act so as to provide that the bill of entry for imported goods shall be presented before the end of the next day following the day on which the aircraft or vessel or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing and that in the case of default, he shall pay such charge for late presentation as may be prescribed.
4. Custom duty exemption provided to all items of machinery, including, instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for,- (a) initial setting up of fuel cell based system for generation of power or for demonstration purposes; or (b) balance of systems operating on bio-gas or bio-methane or by-product hydrogen, when imported into India, from so much of the duty of customs leviable thereon which is specified in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), as is in excess of 5% ad valorem, subject to the prescribed conditions.
5. Sub-section (3) of section 46 is being substituted so as to make it 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



Amendment to the Custom Tariff Act, 1975 (Including other proposals involving changes in BCD, CVD, SAD & Export Duty Rates)

Sr. No.	Tariff Entry No	Commodity	Existing	Proposed
1	2008 19 10	Cashew nut, roasted, salted or roasted and salted	30%	45%
2	8421 99 00	RO membrane element for household type filters	7.50%	10%
3	2606 00 90	Other aluminium ores, including laterite	Export Duty - Nil	Export Duty – 15%
4	2711 11 00	Liquefied Natural Gas	BCD – 5%	BCD – 2.5%
5	2902 41 00	o-Xylene	BCD – 2.5%	BCD – Nil
6	29	Medium Quality Terephthalic Acid (MTA) & Qualified Terephthalic Acid (QTA)	BCD – 7.5%	BCD – 5%
7	2914 61 00	2-Ethyl Anthraquinone [29146990] for use in manufacture of hydrogen peroxide, subject to actual user condition	BCD – 7.5%	BCD – 2.5%
	2914 69 90			
8	2818 20 90	Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors, subject to actual user condition	BCD – 7.5%	BCD – 5%
9	3404 20 00	Vinyl Polyethylene Glycol (VPEG) for use in manufacture of Poly Carboxylate Ether, subject to actual user condition	BCD – 10%	BCD – 7.5%
10	5404 19 90	Nylon monofilament yarn for use in monofilament long line system for Tuna fishing, subject to certain specified conditions	BCD – 7.5%	BCD – 5%
11	3201 20 00	Vegetable tanning extracts, namely Wattle extract and Myrobalan fruit extract	BCD – 7.5%	BCD – 2.5%
	3201 90 20			



12	Chapter 41 and 42	Limit of duty free import of eligible items for manufacture of leather footwear or synthetic footwear or other leather products for use in the manufacture of said goods for export	3% of FOB value of said goods exported during the preceding financial year	5% of FOB value of said goods exported during the preceding financial year
13	7212 40 00	Co-polymer coated MS tapes / stainless steel tapes for manufacture of telecommunication grade optical fibres or optical fibre cables, subject to actual user condition	BCD – Nil	BCD – 10%
14	75	Nickel	BCD – 2.5%	BCD – Nil
15	7225 19 90	MGO coated cold rolled steel coils [7225 19 90] for use in manufacture of CRGO steel, subject to actual user condition	BCD – 10%	BCD – 5%
16	7208	Hot Rolled Coils [7208], when imported for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306, subject to actual user condition	BCD – 12.5%	BCD – 10%
17	8403 4000	Ball screws, linear motion guides and CNC systems for use in manufacture of all CNC machine tools, subject to actual user condition	Ball screws and liner motion guides	BCD – 2.5%
	8466 9390		BCD – 7.5%	
	8537 1000		CNC systems BCD – 10%	
18	8517 70	Populated Printed Circuit Boards (PCBs) for the manufacture of mobile phones, subject to actual user condition	SAD – Nil	SAD – 2%
19	70	Solar tempered glass for use in the manufacture of solar cells/panels/modules subject to actual user condition	BCD – 5%	BCD – Nil



20	70	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	CVD – 12.5%	CVD – 6%
21	3815 90 00 and 3909 40 90	Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user condition	BCD – 7.5%	BCD – 5%
			CVD – 12.5%	CVD – Nil
			SAD – 4%	SAD – Nil
22	Miscellaneous	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	BCD – 10% / 7.5%	BCD – 5%
			CVD – 12.5%	CVD – 6%
23	Miscellaneous	All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen, subject to certain specified conditions	BCD – 10% / 7.5%	BCD – 5%
			CVD – 12.5%	CVD – 6%
24	3921 19 00	Membrane Sheet and Tricot / pacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	CVD – 12.5%	CVD – 6%
25	Miscellaneous	All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable BCD, CVD SAD	BCD – 5%
				CVD – 6%
26	Miscellaneous	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%



27	98	De-minimis customs duties exemption limit for goods imported through parcels, packets and letters	Duty payable not exceeding Rs.100 per consignment	CIF value not exceeding Rs.1000 per consignment
28	84 or 85	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, CVD SAD	BCD – Nil
				CVD – Nil
				SAD – Nil
30	84 or 85	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, CVD SAD	BCD – Nil
				CVD – Nil
				SAD – Nil
31	71	Silver medallion, silver coins having silver content not below 99.9%, semi- manufactured form of silver and articles of silver	CVD - Nil	CVD – 10%

4.2 EXCISE DUTY

1. Sub-rule (2) is being inserted in rule 21 of Central Excise Rules, 2002 so as to provide for a time limit of three months [further extendable by 6 months] for granting remission of duty under the said rule 21 read with section 5 of the Central Excise Act, 1944.
2. Sub-rule (4) is being inserted in rule 10 of CENVAT Credit Rules, 2004 so as 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.
3. Central Excise Duty stands reduced retrospectively [that is with effect from 01.01.2017] to 12.5% [as against present tariff 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, 1985.



I Amendments in The First Schedule to The Central Excise Tariff Act, 1985 [Clause 118 Of The Finance Bill, 2017]

S. No.	Tariff Heading	Commodities	Existing	Proposed
A. Amendments involving change in the rate of Basic Excise duty under Finance Act, 2005				
1	2402 10 10	Cigar and cheroots	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
2	2402 10 20	Cigarillos	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
3	2402 90 10	Cigarettes of tobacco substitutes	Rs.3755 per thousand	Rs.4006 per thousand
4	2402 90 20	Cigarillos of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher
5	2402 90 90	Others of tobacco substitutes	12.5% or Rs.3755 per thousand, whichever is higher	12.5% or Rs.4006 per thousand, whichever is higher



II. Other proposals involving changes in excise duty rates:

S. No.	Tariff Heading	Commodity	Existing	Proposed
Amendments involving change in the rate of Additional Excise duty under Finance Act, 2005				
B.		Pan Masala		
6	2106 90 20	Pan Masala	6%	9%
C.		Tobacco and Tobacco Products		
7	2401	Unmanufactured tobacco	4.20%	8.30%
Amendments involving change in the rate of Basic Excise Duty				
8	2403 19 29	Paper rolled biris – handmade	Rs.21 per thousand	Rs.28 per thousand
9	2403 19 29	Paper rolled biris – machine made	Rs.21 per thousand	Rs.78 per thousand
D.		Renewable Energy		
10	70	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	Nil	6%
11	70	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	12.50%	6%
12	3815 90 00	Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOEG], subject to actual user Condition	12.50%	Nil
	3909 40 90			
13	Miscellaneous	All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes	12.50%	6%



14	Miscellaneous	All items of machinery required for balance of systems operating on biogas/ bio-methane/ by-product hydrogen	12.50%	6%
15	3921 19 00	Membrane Sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	12.50%	6%
16	Miscellaneous	All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable duty	6%
17	84 or 85	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
18	84 or 85	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
19	71	a. Waste and secretions of precious metals or metals clad with precious metals arising in course of manufacture of goods falling in chapter 71	Nil	Nil Subject to the condition that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods
		b. Stips, wires, plates, sheets and foils of silver,		
		c. Articles of silver jewellery other than those studded with diamond, ruby, emerald, or sapphire		
		d. Silver coin of purity of 99% and above bearing brand name when manufactured from silver on which appropriate duty of customs or excise has been paid		



4.3 SERVICE TAX

Legislative Changes-

1. The entry “services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption” is shifted from negative list to general exemption list.
2. Service tax exemption to taxable services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government, is being made effective from 10th day of September, 2004, the date when services of life insurance became taxable. Thus, rate of service tax on these services stands reduced from 14% to NIL with retrospective effect from 10th September 2004.
3. Exemption to one time upfront amount (called as premium, salami, cost, price, development charges or by whatever name) payable for grant of long-term lease of industrial plots (30 years or more) by State Government industrial development corporations/undertakings to industrial units from Service Tax is now extended retrospectively from June 1, 2007. Thus, rate of service tax on these services stands reduced from 14% to NIL with retrospective effect from 10th September 2004.
4. Rule 2 A of Service Tax (Determination of Value) Rules, 2006 is being amended with effect from 01.07.2010 so as to make it clear that value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include value of property in such land or undivided share of land.

New Exemptions-

1. Services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government is being exempted from service tax from 2nd February, 2017.
2. Under the Regional Connectivity Scheme (RCS), exemption from service tax is being 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 as notified by Ministry of Civil Aviation.
3. The exemption vide S. No. 9B of notification No. 25/2012-ST dated 20.06.2012, is being amended so as to omit the word “residential” appearing in the notification. The proposed amendment henceforth exempts services provided by Indian Institutes of Management (IIMs) by way of two years (non-residential like Correspondence) Post Graduate Programmes (PGP) in Management for the Post Graduate Diploma in Management (PGDM), to which admissions are made on the basis of the Common Admission Test (CAT), conducted by IIM.



5. Miscellaneous

It is proposed to repeal Research & Development Cess Act 1986 with effect from April 1, 2017. Consequently, no R & D Cess will be payable on or after April 1, 2017.



5. OTHER MAJOR POLICY INITIATIVES

- Agriculture- Commitment to Double Farmer Income in 5 years
- Rural India- Boosting employment and creation of basic infrastructure
- Youth- making them self-sufficient by providing education, skills and Jobs
- Underprivileged – Creating social security, better healthy environment and house for overall holistic improvement in Quality of their Life
- Infrastructure - Focus on efficiency, productivity and quality
- Financial Sector- Liberalisation and Instituting strengthening to achieve growth and stability
- Digital Economy- For faster and transparent economy to make it more accountable
- Public Service- Peoples' participation for effective governance to provide efficient service
- Fiscal management- Ensuring optimal development of resources to have stability
- Tax Administration- Rewarding the honest



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