



E-Flash

Amendments Proposed by The Finance Bill, 2017



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

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ICAI Press Release— Union Budget 2017

Elimination of Black Money

The Finance Minister Mr. Arun Jaitley in his Budget Speech underlined that one of the main priorities of the Government is to eliminate black money component from the economy. He highlighted the positive role of demonetisation in reducing corruption, increasing digitisation of the economy and transferring the resources from the tax evaders to the Government for deployment in the welfare schemes for the poor. In this direction, the main objective of the tax proposals include, inter alia, promoting digital economy and ensuring transparency in political funding.

- The measure to reduce the presumptive taxation rate from 8% to 6% in respect of non-cash turnover is a welcome move, especially since it is to be made applicable from the current year itself. Limiting deduction in respect of cash expenditure, whether capital or revenue, to ₹10,000 (as against the existing limit of ₹20,000) and limiting cash donation which can be received by a charitable trust to ₹2,000 are positive measures to discourage cash transactions.
- On the indirect taxes front too, BCD, Excise/CV duty and SAD on miniaturised POS card reader for m-POS, micro ATM standards version 1.5.1, Finger Print Readers/Scanners and Iris Scanners, have been exempted to promote cashless transactions. Further, parts and components for manufacture of such devices have also been exempted to encourage domestic manufacturing of these devices.

In India, the quantum of domestic black money is huge which adversely affects the revenue of the Government creating a resource crunch for its various welfare programmes. Black money is generally transacted in cash and large amount of unaccounted wealth is stored and used in form of cash.

- Further, in order to achieve the mission of the Government to move towards a less cash economy to reduce generation and circulation of black money, transaction above ₹3 lakh in cash would not be permitted. In case of contravention, penalty equal to the amount of such receipt would be leviable.
- The initiative in this Budget to cleanse the system of political funding in India by restricting permissible cash donation from any person to ₹2,000 is certainly a step in the right direction, since a political party cannot claim exemption of its income if it does not comply with this condition. In this context, amendment is also proposed to be made in the Reserve Bank of India Act to enable issuance of electoral bonds in accordance with a notified scheme; and these bonds can be purchased by the donor from authorised banks against cheque and digital payments only.

Considering that this is the first budget with impetus on transparency in electoral funding, it is hoped that the **stringent and bold measures** proposed this year would have the positive effect of ensuring transparency in electoral funding.

Significant Issues Addressed: MAT, GST & RAPID

- The issue relating to the requirement of specific provisions for computation of **Minimum Alternate Tax (MAT)** in case of Ind AS compliant companies has been addressed in this Budget. Since certain companies have already become Ind AS compliant from FY 2016-17, incorporation of requisite provisions in the Income-tax Act, 1961 was the need of the hour. ICAI will study this proposal in detail and make appropriate suggestions to the Government, if it is felt that any change(s) is required.
- The reforms in tax administration frontier to be in the form of a “RAPID” approach; **RAPID** standing for Revenue, Accountability, Probity, Information and Digitisation. The present Government has reaffirmed its plan to enforce greater accountability of officers of Tax Department for specific act of commission and omission, which is a





welcome move, considering that accountability is a necessary counter balance for proper discharge of responsibilities. The assurance that an honest tax-compliant person would be treated with dignity and courtesy would, if actually implemented, bring relief to the genuine tax payers at large.

- Considering that introduction of **Goods and Services Tax** is round the corner, the Finance Minister has not tinkered much with the excise and service tax. He updated the Lok Sabha with the substantial progress on the GST front and is hopeful of implementing the same at the earliest. He confirmed that the extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 for spreading awareness of the new taxation regime. ICAI, being a partner to the Government in nation building, assures to continue its full-fledged support in this GST awareness drive of the Government.

As regards the **Chartered Accountant community**, which has always been competently discharging its professional obligations with due care, the proposal levying penalty of ₹10,000 for furnishing incorrect information in certificates/reports furnished by them under the Income-tax Act, 1961 may also be kept in mind.

Measures for Stimulating Growth and Ease of Doing Business

- The tax rate for corporate Medium and Small Enterprises (MSMEs, i.e., companies with annual turnover of upto ₹50 crore) is proposed to be reduced to 25%. Rationalisation of corporate tax rate for MSMEs is expected to benefit 96% of companies. This would leave more money in their hands for working capital and/or capex. It is indeed a positive measure for promoting growth and employment as well as encouraging firms to migrate to corporate form of organisation.
- However, this proposal does not provide a level playing field to LLPs, since the rate of tax is pegged at 30% for LLPs, irrespective of the turnover limit. A corporate form of organisation may not always be preferred due to extensive compliance obligations.
- Another move to stimulate growth is the introduction of an enabling provision for carry forward of MAT credit for a further period of 5 years (i.e., from 10 years to 15 years) in respect of all companies. This proposal is expected to provide some relief to the corporates who were having tall expectations of bidding farewell to MAT this year.
- Banking sector has also been given its fair share in this Budget by increasing the allowable provision for Non-Performing Assets from 7.5% to 8.5%. Further, the benefit of taxing interest on actual basis rather than accrual basis in respect of NPA accounts is proposed to be extended to non-scheduled co-operative banks also.

Coming to the proposals for **ease of doing business**, professionals opting for presumptive taxation scheme can heave a sigh of relief as they would have to pay advance tax in one installment in March every year.

Restricting scope of domestic transfer pricing provisions to related party transactions wherein one party is entitled to profit linked incentive is a welcome move which will reduce associated compliance burden.

- However, the reduction of the time period for revision of a return by one year, may not facilitate ease of doing business, since the time period for filing a belated return and a revised return would expire on the same date. The enabling provision introduced last year permitting revision of a belated return would also lose its significance.

The absence of any reference to **GAAR** in the Budget Speech further confirmed by absence of specific provision in the Finance Bill, 2017 for deferment of GAAR leads to an inference that GAAR would come into play from 1st April, 2017. The clarifications given by the CBDT have several riders and therefore the tax implications of GAAR on the transactions and businesses is not very clear. This would create uncertainty in the minds of taxpayers and increase the scope for litigation.



Union Budget 2017-18— Highlights Of Tax Proposals

Direct Taxes Committee

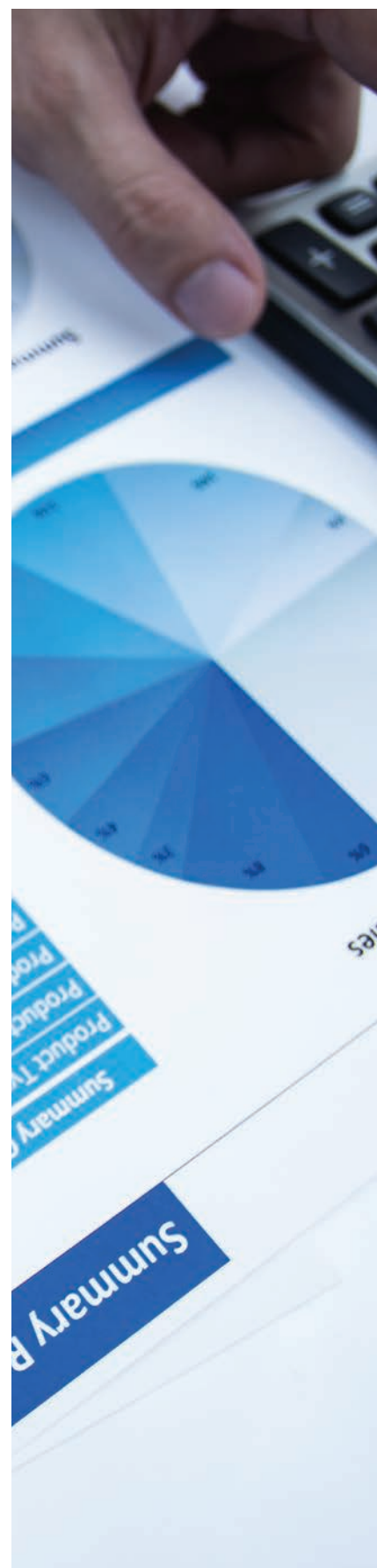
Direct Tax Proposals

BUSINESS TAXATION

- The threshold limit for audit of business entities who opt for presumptive income scheme proposed to be increased from ₹1 crore to ₹2 crore. This is a clarificatory amendment.
- The threshold limit for maintenance of books for individuals and HUF proposed to be increased from turnover of ₹10 lakhs to ₹25 lakhs or income from ₹1.2 lakhs to ₹2.5 lakhs.
- The scope of domestic transfer pricing to be restricted to cases where atleast one of the entities involved in related party transaction enjoys specified profit-linked deduction..
- In order to promote the development of affordable housing sector, section 80-IBA proposed to be amended to restrict carpet area to 30 and 60 sq.mtr. in the place of restriction of built up area to 30 and 60 sq.mtr. Also the 30 sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 sq.mtr. will apply. In order to be eligible, the project can now be completed in 5 years after commencement (in the place of 3 years).
- Considering the business exigencies in case of real estate developers, section 23 is proposed to be amended to provide that where the house property consisting of any building and land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period upto 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.
- The time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return. The time for completion of scrutiny assessments is also proposed to be compressed further from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter.

CORPORATE TAXATION

- To give effect to the announcement made by the Finance Minister, in Union Budget 2015-16 that the corporate income tax rate would be reduced to 25% gradually and in order to make Medium and Small Enterprises more viable and to encourage firms to migrate to company format, the corporate tax rate is proposed to reduce to 25% from A.Y. 2018-19 for Medium and Small Enterprises companies with annual turnover upto ₹50 crore.
- The period for carry forward of MAT credit proposed to be increased from 10 years to 15 years. Similar amendment is proposed in section 115JD to allow carry forward of Alternate Minimum Tax (AMT) to 15 years.
- Provisions relating to computation of book profit for the purpose of levy of minimum alternate tax (MAT) for Ind-AS compliant companies introduced.





CAPITAL GAIN TAXATION

- With a view to promote the real-estate sector and to make it more attractive for investment, the period of holding for considering gain from immovable property, being land or building or both to be long term is proposed to be reduced from 3 years to 2 years.
- The base year for indexation proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property. The change in base year will significantly lessen the capital gain tax liability while encouraging the mobility of assets.
- Presently, investment in bond issued by the National Highways Authority of India or by the Rural Electrification Corporation Limited is eligible for exemption under section 54EC. In order to widen the scope of the section for sectors which may raise fund by issue of bonds eligible for exemption, the said section proposed to be amended so as to provide that investment in any bond redeemable after three years which has been notified by the Central Government in this behalf shall also be eligible for exemption.

TAX PROPOSALS TO REDUCE CASH TRANSACTIONS AND PROMOTE DIGITAL ECONOMY

- No deduction to be allowed under section 80G in respect of donation by any mode other than cash, if such amount of donation exceeds ₹2,000. The present limit is ₹10,000.
- The threshold limit under section 40A(3) for allowability of revenue expenditure incurred in cash is proposed to be reduced from ₹20,000 to ₹10,000.
- Currently, there is no provision to disallow the capital expenditure incurred in cash. In order to discourage cash transactions even for capital expenditure, limit of ₹10,000 is proposed. Accordingly, capital expenditure incurred in cash shall be ignored for the purposes of determination of actual cost under section 43, if such amount of expenditure exceeds ₹10,000. Further, no deduction would be allowable under section 35AD, in respect of such capital expenditure incurred in cash for an amount exceeding ₹10,000.
- To promote digital transactions and to encourage small unorganised business to accept digital payments, section 44AD proposed to be amended to reduce the existing presumptive taxation rate of 8% to 6%, in respect of the amount of such total turnover or gross receipts received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in sub-section of section 139 in respect of that previous 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. This amendment is proposed to be effective from A.Y. 2017-18.
- Section 269ST to be inserted, to provide that no person shall receive an amount of ₹3 lakh 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. Simultaneously, new section 271DA has also proposed to levy penalty of sum equal to the amount of such receipt on a person who receives such sum in contravention of the provisions of the proposed section 269ST.

PERSONAL TAXATION

- The existing rate of income tax applicable on income between ₹2.5 lacs to ₹5 lacs is proposed to be reduced from 10% to 5% in case of individuals/HUFs or AOPs or BOIs.



- The rebate of ₹5,000 currently available under section 87A in case of an individual resident in India whose total income does not exceed ₹5,00,000, is proposed to be reduced to ₹2,500, where the total income does not exceed ₹3,50,000 from A.Y. 2018-19.
- Surcharge @ 10% of tax payable is proposed to be levied on individuals/HUFs or AOPs or BOIs whose total income exceeds ₹50 lakhs but does not exceeds ₹1 crore. Thereafter, surcharge @15% would continue to be applicable on total income exceeding ₹1 crore.

TAX DEDUCTION AT SOURCE

- In order to widen the scope of tax deduction at source, new section 194-IB, proposed to be inserted to provide for tax deduction at source @ 5% by an Individuals or a HUF (other than those covered under 44AB), while making payment of rent to a resident of an amount exceeding ₹50,000 per month or part of month. To reduce compliance burden, the deductor shall not be required to obtain TAN or file any separate TDS return for this purpose
- In order to promote ease of doing business, section 194J proposed to be amended to provide for lower the rate of deduction of tax from 10 % to 2% in case of payments made or credited to a person engaged only in the business of operation of call centre.
- A concessional with-holding rate of 5% is being charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities. This concession is available on borrowings made, under a loan agreement at any time on or after 1st July, 2012, but before 1st July, 2017; or by way of any long-term bond including long-term infrastructure bond on or after 1st October, 2014 but before 1st July, 2017, respectively. The Concessional rate of 5% proposed to be extended in respect of borrowings made before 1st July, 2020. This benefit is also proposed to be extended to Rupee Denominated (Masala) Bonds.

PENAL PROVISIONS

- For improving tax compliance, new section 234F is proposed to be inserted to provide for levy of fees for late filing of return after the due date. ₹5,000 would be levied for return filed after the due date but on or before the 31st day of December of the assessment year and ₹10,000, in any other case. However, where the total income does not exceed ₹5 lakh, the fee amount shall not exceed ₹1,000.
- New section 271J proposed to be inserted to provide that penalty of ₹10,000 would be levied, if an accountant or a merchant banker or a registered valuer furnishes incorrect information in a report or certificate under any provisions of the Act or the rules made thereunder.





Proposed Amendments in International Tax—Synopsis

Committee on International Taxation

1. Clarity relating to Indirect transfer provisions [Section 9(1)(i)]

Explanation 5A has been proposed to be inserted in section 9(1)(i) to clarify that Explanation 5 shall not apply to **any asset or capital asset** mentioned therein being

- o **investment held by non-resident**, directly or indirectly,
- o in a **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,
- o as these entities are regulated and broad based.

2. Modification in conditions of special taxation regime for off shore funds [Section 9A(3)(j)]

Further proviso to Section 9A(3)(j) has been proposed to be inserted to provide that in the previous year in which the **fund is being wound up**, one of the conditions for eligible investment fund that the monthly average of the corpus of the fund shall not be less than one hundred crore rupees, **shall not apply**.

3. Exemption of income of Foreign Company from sale of leftover stock of crude oil from strategic reserves at the expiry of agreement or arrangement [Section 10(48B)]

It is proposed to insert a new clause (48B) in section 10 so as to provide that any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from a facility in India after the expiry of an agreement or an arrangement referred to in clause (48A) of section 10 of the Act **shall also be exempt** subject to such conditions as may be notified by the Central Government in this behalf.

4 Scope of section 92BA of the Income-tax Act relating to Specified Domestic Transactions [Section 92BA]

It is proposed to omit clause (i) to section 92BA 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.

5. Limitation of interest deduction in certain cases [New insertion of section 94B]

It is proposed to insert a new section 94B, in line with the recommendations of OECD BEPS Action Plan 4, to provide that interest expenses exceeding 1 crore claimed by an Indian Company or PE of Foreign Company in India being the borrower in respect of any debt issued by a non-resident, being an associated enterprise of such borrower shall be restricted to

- 30% of its earnings before interest, taxes, depreciation and amortisation (EBITDA) or
- interest paid or payable to associated enterprise, whichever is less.

6. Secondary Adjustment in Certain cases [New insertion of section 92CE]

- In order to align the transfer pricing provisions in line with OECD transfer pricing guidelines and international best practices, it is proposed to insert a new section 92CE to provide that the assessee shall be required to carry out secondary adjustment where the primary adjustment to transfer price,
- has been made suo motu by the assessee in his return of income; or
- made by the Assessing Officer has been accepted by the assessee; or



- is determined by an advance pricing agreement entered into by the assessee under section 92CC; or
- is made as per the safe harbour rules framed under section 92CB; or
- is arising as a result of resolution of an assessment by way of the mutual agreement procedure under an agreement entered into under section 90 or 90A.
- The secondary adjustment shall not be carried out if,
- the amount of primary adjustment made in the case of an assessee in any previous year does not exceed one crore rupees and
- the primary adjustment is made in respect of an assessment year commencing on or before 1st April, 2016

7. Definition of 'person responsible for paying' in case of payments covered under sub-section (6) of section 195 [Amendment in section 204 (i.e. insertion of clause iib)]

It is proposed to amend section 204 of the Act to provide that in the case of furnishing of information relating to payment to a non-resident, not being a company, or to a foreign company, of any sum, whether or not chargeable under the provisions of this Act, 'person responsible for paying' shall be the payer himself, or, if the payer is a company, the company itself including the principal officer thereof.

8. Clarification with regard to interpretation of 'terms' used in an agreement entered into under section 90 and 90A [Insertion of Explanation 4 in Section 90 and 90A]

It is proposed to amend the sections 90 and 90A of the Act, to provide that

- where any 'term' used in an agreement entered into under Section 90(1) and 90A(1) of the Act, 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 Act, it shall be assigned the meaning as definition in the Act or any explanation issued by the Central Government.

9. Correct reference to FEMA instead of FERA [Amendment in proviso to section 10(4)(ii)]

- The proviso to the said sub-clause refers individual to be a person resident outside India, as defined in clause (q) of section 2 of Act 46 of 1973, i.e., Foreign Exchange Regulation Act, 1973, (FERA) which stands repealed and re-enacted as Act 42 of 1999, i.e., the Foreign Exchange Management Act, 1999 (FEMA). The definition of person outside India is occurring in clause (w) of FEMA.
- With a view to reflect the correct definition of the expression "person resident outside India", it is proposed to amend the said proviso. The amendment is clarificatory in nature.

10. Extension of eligible period of concessional tax rate on interest in case of External Commercial Borrowing and Extension of benefit to Rupee Denominated Bonds [Section 194LC]

- It is proposed to amend section 194LC to provide that the concessional rate of 5% TDS on interest payment under this section will now be available in respect of borrowings under a loan agreement or by way of any long-term bond including long-term infrastructure bond respectively made before the 1st July, 2020.
- It is further proposed to extend the benefit of section 194LC to rupee denominated bond issued outside India before the 1st July, 2020.

11. Extension of eligible period of concessional tax rate under section 194LD

It is proposed to amend section 194LD to provide that the concessional rate of 5% TDS on interest will now be available on interest payable before the 1st July, 2020.





Union Budget 2017-18— Highlights Of Tax Proposals

Indirect Taxes Committee

Indirect Taxes Proposals

SERVICE TAX

Amendments effective from 02.02.2017

Amendment in Mega Exemption Notification No. 25/2012 ST dated 20.06.2012

- 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 exempted from service tax vide *new entry 26D* inserted in Mega Exemption notification.
- Under the Regional Connectivity Scheme (RCS), exemption from service tax is 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 1 year from the date of commencement of operations of the Regional Connectivity Scheme (RCS) as notified by Ministry of Civil Aviation vide *new entry S. No. 23A* inserted in Mega Exemption notification.
- The entry 9B exempts services provided by Indian Institutes of Management (IIMs) by way of two year full time residential 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. The said entry is amended so as to omit the word “residential” appearing in the notification. The exemption remains the same in all other respects

Amendments to be effective from the date of enactment of the Finance Bill, 2017

- The Negative List entry under section 66D(f) of the Finance Act, 1994 covering “services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption” is proposed to be omitted. The said benefit would continue by way of exemption under Mega Exemption Notification.
Consequently, the definition of ‘process amounting to manufacture’ [Section 65B(40)] is also proposed to be omitted from the Finance Act, 1994 and to be incorporated in the Mega Exemption Notification.
- Research and Development (R & D) Cess Act, 1986 to be repealed. Consequently, exemption from service tax equivalent to the amount of R & D cess payable on the import of technology under the said Act under *Notification No. 14/2012 ST dated 17.03.2012* would not be available with respect to a taxable service involving import of technology.
- Rule 2A of the Service Tax (Determination of Value) Rules, 2006 to be amended so as to clarify 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,

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shall not include value of property in such land or undivided share of land. In view of the said amendment, the recent Delhi High Court judgment in case of *Suresh Kumar Bansal v. UOI 2016 (43) ST5R 3 (Del.)* no longer holds good. In this the High Court held that service tax cannot be charged in respect of composite contracts for purchase of units in a complex, entered into by the buyers with the builder, in view of the absence of the specific machinery provisions for the valuation of the same.

Amendments in Provisions of Advance Ruling

- Section 96A(d) relating to Advance Rulings proposed to be amended so as to substitute the definition of “Authority” to mean the Authority for Advance Ruling as constituted under section 28E of the Customs Act, 1962. Section 28 (E) of the Customs Act, 1962, is also to be amended so as to substitute the definition of “Authority” to mean the Authority for Advance Ruling as constituted under section 245-O of the Income-tax Act, 1961.
- Section 96B relating to vacancies not to invalidate proceedings also proposed to be omitted.
- Section 96C(3) to be amended so as to increase the application fee for seeking advance ruling from ₹2,500 to ₹10,000.
- Section 96D(6) to be amended so as to extend the existing time limit of pronouncement of advance ruling by the authority from 90 days to 6 months.
- A new section 96HA proposed to be inserted so as to provide for transferring the pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

Retrospective Exemptions

- With effect from 22.09.2016, *Notification No. 41/2016 ST dated 22.09.2016* exempted one time upfront amount (called as premium, salami, cost, price, development charges or by any other 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. It is proposed that service tax would also not be leviable on such amounts during the period between 01.06.2007 [date on which service tax was levied on renting of immovable property service] and 21.09.2016 (both days inclusive).
- 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 are proposed to be exempted from service tax retrospectively during the period commencing from the 10.09.2004 [date on which life insurance service became leviable to service tax] and ending with the 01.02.2016 (both days inclusive).

EXCISE

Amendments to be effective from the date on which Finance Bill, 2017 receives the assent of the President

• Changes in the provision of Authority for Advance Ruling

- Clause (e) of section 23A is being amended so as to substitute the definition of “Authority” to mean the Authority for Advance Ruling as constituted under section 245-O of the Income-tax Act, 1961.
- Section 23B relating to vacancies (in the Authority for advance ruling) not to invalidate proceedings is being omitted.

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- The application fee for seeking advance ruling has been increased from ₹2,500/- (Rupees two thousand five hundred) to ₹10,000/- (Rupees ten thousand) - Section 23C (3).
- The time limit for pronouncing judgement by Authority for Advance Ruling has been extended from ninety days to six month - Section 23D (6).
- The pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) would stand transferred to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President - new Section 23-I

• **Changes in the provisions of Settlement Commission:**

- A new sub-section (5) has been inserted in Section 32E so as to enable any person, other than assessee, referred to in sub-section (1) to make an application to the Settlement Commission.
- A new sub-section (5A) has been inserted in Section 32F to enable the Settlement Commission to rectify the error in the order passed by it under sub-section (5), which are apparent on the face of record.

Amendment effective from 02.02.2017

• **Amendment in Central Excise Rules, 2002**

- Rule 21 provides for the remission of duty in case the goods have been lost or destroyed etc. A new sub-rule (2) has been inserted providing a time limit of three months [further extendable by 6 months] for granting such remission of duty from the receipt of application under this rule read with section 5 of the Central Excise Act, 1944.

• **Amendments in CENVAT Credit Rules, 2004**

- Rule 10 of the CENVAT Credit Rules, 2004 provides for transfer of CENVAT credit in different cases. In this regard, a new sub-rule (4) has been inserted 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.
- Explanation-I(e) to rule 6 of the CENVAT Credit Rules, 2004 amended so as to exclude banks and financial institutions including non-banking financial companies engaged in providing services by way of extending deposits, loans or advances from its ambit.

CUSTOMS

Amendments to be effective from the date on which Finance Bill, 2017 receives the assent of the President

- Definition of following terms is proposed to be incorporated in section 2 of the Customs Act, 1962:
 - Beneficial owner
 - Passenger Name Record Information
 - Foreign Post Office and
 - International Courier Terminal
- Section 2 of the Customs Act, 1962 is further proposed to be amended to include:
 - Foreign Post Office and International Courier Terminal in the definition of a customs station.
 - Beneficial owner in the existing definitions of exporter as well as importer.
- Section 7 of the Customs Act, 1962 to be amended to empower the Board to notify Foreign Post Offices and International Courier Terminals.

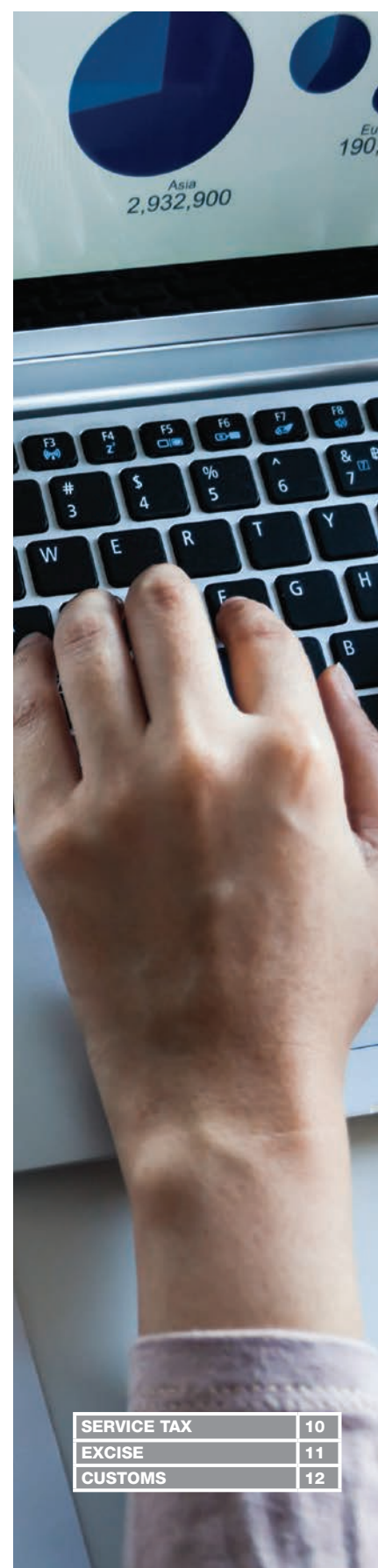


- Section 17 of the Customs Act, 1962 is proposed to be amended to rationalise the requirement of documents for verification of self-assessment.
- Section 27(2) of the Customs Act, 1962 to be amended so as to keep outside the ambit of unjust enrichment, the refund of duty paid in excess by the importer before an order permitting clearance of goods for home consumption is made, 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.
- Section 28E(e) of the Customs Act, 1962 is proposed to be amended so as to substitute the definition of 'Authority for Advance Ruling' to mean the Authority for Advance Ruling as constituted under section 245-O of the Income-tax Act, 1961.
- Section 28F of the Customs Act, 1962 to be amended so as to provide that the Authority for Advance Rulings constituted under section 245-O of the Income-tax Act, 1961 shall be the Authority for giving advance rulings for the purposes of the Customs Act, 1962.

It is further sought to provide that the Member of the Indian Revenue Service (Customs and Central Excise), who is qualified to be a Member of the Board, shall be the revenue Member of the Authority for the purposes of Customs Act.

The pending applications are proposed to be transferred to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

- Section 28H(3) of the Customs Act, 1962 is proposed to be amended so as to increase the application fee for seeking advance ruling from ₹2,500 to ₹10,000 on the lines of the Income-tax Act.
- Section 28-I(6) of the Customs Act, 1962 to be amended so as to provide time of limit of 6 months by which Authority shall pronounce its ruling on the lines of the Income-tax Act.
- A new section 30A to be introduced in the Customs Act, 1962 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. The section also intends to provide for imposition of a penalty not exceeding ₹50,000, as may be prescribed, in the case of delay in delivering the information.
- A new section 41A to be introduced in the Customs Act, 1962 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. The section also intends to provide for a penalty not exceeding ₹50,000, as may be prescribed in the case of delay in delivering the information.
- Section 46(3) of the Customs Act, 1962 is to be 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



SERVICE TAX	10
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consumption or warehousing and to provide for imposition of such charges for late presentation of the bill of entry, as may be prescribed.

- Section 47(2) of the Customs Act, 1962 is to be amended so as to provide the manner of payment of duty and interest thereon in the case of self-assessed bills of entry or, as the case may be, assessed, reassessed or provisionally assessed bills of entry.
- Section 49 of the Customs Act, 1962 provides the facility of storage of imported goods entered for home consumption in a warehouse pending their clearance. The said section is proposed to be amended to extend the said facility to imported goods entered for warehousing before their removal.
- Section 82 relating to label or declaration accompanying goods to be treated as entry for import or export is proposed to be omitted.
Consequently, section 69 of the Customs Act, 1962 relating to clearance of warehoused goods for exportation is proposed to be accordingly amended to align it with the proposed omission of section 82.
Further, Board is proposed to be empowered to make regulations to provide for the form and manner in which an entry may be made in respect of goods imported or to be exported by post by amending section 84 of the Customs Act, 1962.
- A new sub-section (5) to be inserted to section 127B of the Customs Act, 1962 to enable any person, other than applicant, referred to in sub-section (1) to make an application to the Settlement Commission.
- Section 127C(3) of the Customs Act, 1962 is to be amended so as to substitute certain words therein. It further seeks to insert a new sub-section (5A) therein to enable the Settlement Commission to amend the order passed by it under sub-section (5), to rectify any error apparent on the face of record.
- Section 157 of the Customs Act, 1962 is to be amended so as to empower Board to make regulations for specifying the form, particulars, manner and time of providing the passenger and crew manifest for arrival and departure and passenger name record information and penalty in the case of delay in delivering the information.
- Section 9(3)(c) of the Customs Tariff Act, 1975 is to be substituted so as to withdraw the exemption to three categories of non-actionable subsidies specified therein from the scope of anti-subsidy investigations.

Budget Estimate For Revenue Collection From Indirect Taxes

Head of taxes	Actual 2016-2016	Budget 2016-2017	Revised 2016-2017	Budget 2017-2018
Customs Duties-				
Import Duty	2,03,074.88	2,23,204.00	2,09,950.00	2,38,200.00
Export Duty	7,263.12	6,796.00	7,050.00	6,800.00
Union Excise Duties	2,88,072.89	3,18,669.50	3,87,368.58	4,06,900.00
Service Tax	2,11,414.25	2,31,000.00	2,47,500.00	2,75,000.00
Taxes on union territories	3,878.26	4,121.08	4,277.16	4,679.46
Total Indirect Tax Revenue	7,13,703.40	7,83,790.58	8,56,145.74	9,31,579.46

SERVICE TAX	10
EXCISE	11
CUSTOMS	12



State of the Economy: The Highlights

Committee on Public Finance & Government Accounting

The Union Budget has been presented when the world Economy is facing uncertainty. The budget is landmark in a sense as the Railways budget and the General budget is merged. Secondly it is presently on 1st of February for the reason to enable the ministries to operationalise all activities from the commencement of the financial year and thirdly removal of plan and non-plan, classification of expenditure to facilitate holistic view of allocation for sectors and ministries.

The Government is hopeful that due to demonetisation there will be higher GDP growth and the spill over the demonetisation will not move to the next fiscal year. The focus will be on capital expenditure. The budget recommended 3% fiscal deficit for three year with a deviation of 0.5% of GDP. The revenue deficit is fixed at 1.9%. The fiscal deficit for the 2017-18 is fixed at 3.2% of GDP. The reforms on political funding are step in the right direction which will bring transparency and accountability. Affordable housing to be given infrastructure status, as well as FDI reforms Process through automated routes are highlighted in the budget.

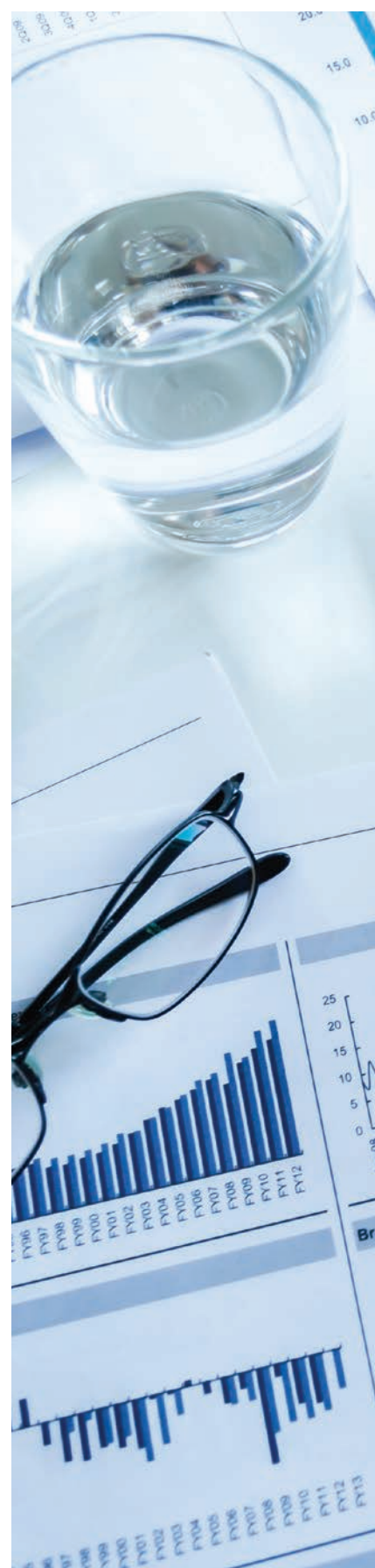
The agenda for 2017-18 is as highlighted in the budget is “transformed energised and clean India” (TEC India). MGNREGA allocation to be increased at ₹48000cr in the year 2017-18 and women participation has also increase from 48% to 55%. In MGNERGA The budget also focus thrust to introduce a system of measuring annual learning outcome in our schools as well as innovation fund for secondary education to encourage local innovation for ensuring universal access, gender parity and quality improvement to be introduce in 3479 educationally backward districts. Incredible India 2.0 Campaign will be launched across the world to promote tourism and employment. For transportation sector as a whole, including rail, roads, shipping, provision of ₹2,41,387cr has been made in 2017-18.

The budget proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems.

For the first time, a consolidated Outcome Budget, covering all Ministries and Departments, is being laid along with the other Budget documents.

Major Highlights

- Inflation brought under control. CPI-based inflation declined from 6% in July 2016 to 3.4% in December, 2016
- Foreign exchange reserves have reached 361 billion US Dollars as on 20th January, 2017
- War against black money launched
- The Indian economy has been robust to mild shocks and IMF forecasts, India to be one of the fastest growing major economies in 2017
- Demonetisation of high denomination bank notes
- Enactment of the Insolvency and Bankruptcy Code
- The Union Budget has been presented when the world Economy is facing uncertainty. The budget is landmark in a sense as the Railways budget and the General budget is merged. Secondly it is presently on 1st of February for the reason to enable the ministries to operationalise all activities from the commencement of the financial year and thirdly removal of plan and non-plan, classification of expenditure to facilitate holistic view of allocation for sectors and ministries.
- Agenda for 2017-18 is: “Transform, Energise and Clean India” – TEC India
- **Ten distinct themes to foster this broad agenda:**
 - **Farmers:** committed to double the income in 5 years;
 - **Rural Population:** providing employment & basic infrastructure;
 - **Youth:** energising them through education, skills and jobs;
 - **The Poor and the Underprivileged:** strengthening the systems of social security, health care and affordable housing;
 - **Infrastructure:** for efficiency, productivity and quality of life;



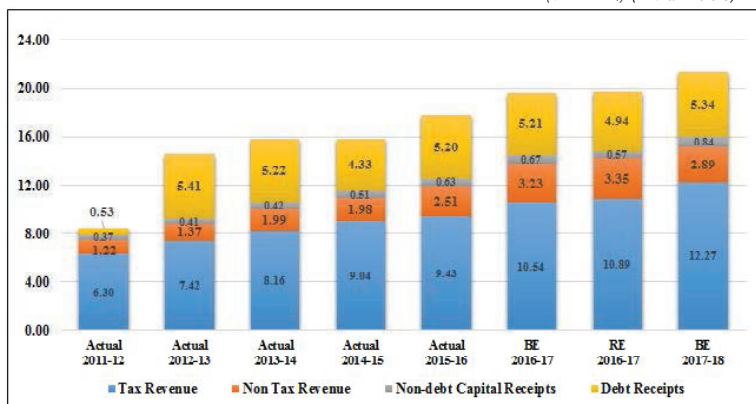


- **Financial Sector:** growth & stability by stronger institutions;
 - **Digital Economy:** for speed, accountability and transparency;
 - **Public Service:** effective governance and efficient service delivery through people's participation;
 - **Prudent Fiscal Management:** to ensure optimal deployment of resources and preserve fiscal stability;
 - **Tax Administration:** honouring the honest.
- Target for agricultural credit in 2017-18 has been fixed at a record level of ₹10 lakh crores
 - MGNREGA allocation to be the highest ever at ₹48,000 crores in 2017-18.
 - To introduce a system of measuring annual learning outcomes in our schools
 - Innovation Fund for Secondary Education proposed to encourage local innovation for ensuring universal access, gender parity and quality improvement to be introduced in 3479 educationally backward districts.
 - SWAYAM platform, leveraging IT, to be launched with at least 350 online courses. This would enable students to virtually attend courses taught by the best faculty
 - National Testing Agency to be set-up as an autonomous and self-sustained premier testing organisation to conduct all entrance examinations for higher education institutions
 - Affordable housing to be given infrastructure status
 - For transportation sector as a whole, including rail, roads, shipping, provision of ₹2,41,387 crores has been made in 2017-18.
 - A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology
 - Foreign Investment Promotion Board to be abolished in 2017-18 and further liberalisation of FDI policy is under consideration
 - A Computer Emergency Response Team for our Financial Sector (CERT-Fin) will be established
 - A new ETF (Exchange Traded Fund) with diversified CPSE stocks and other Government holdings will be launched in 2017-18
 - A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration
 - Proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems
 - Stepped up allocation for Capital expenditure by 25.4% over the previous year
 - For the first time, a consolidated Outcome Budget, covering all Ministries and Departments, is being laid along with the other Budget documents
 - FRBM Committee has recommended 3% fiscal deficit for the next three years, keeping in mind the sustainable debt target and need for public investment, fiscal deficit for 2017-18 is targeted at 3.2% of GDP and Government remains committed to achieve 3% in the following year
 - Revenue Deficit of 2.3% in BE 2016-17 stands reduced to 2.1% in the Revised Estimates. The Revenue Deficit for next year is pegged at 1.9% , against 2% mandated by the FRBM Act
 - Maximum amount of cash donation, a political party can receive, will be ₹2000/- from one person.
 - Political parties will be entitled to receive donations by cheque or digital mode from their donors.
 - Existing rate of taxation for individual assesses between income of ₹2.5 lakhs to ₹5 lakhs reduced to 5% from the present rate of 10%
 - Simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income up to ₹5 lakhs other than business income
 - Appeal to all citizens of India to contribute to Nation Building by making a small payment of 5% tax if their income is falling in the lowest slab of 2.5 lakhs to 5 lakhs



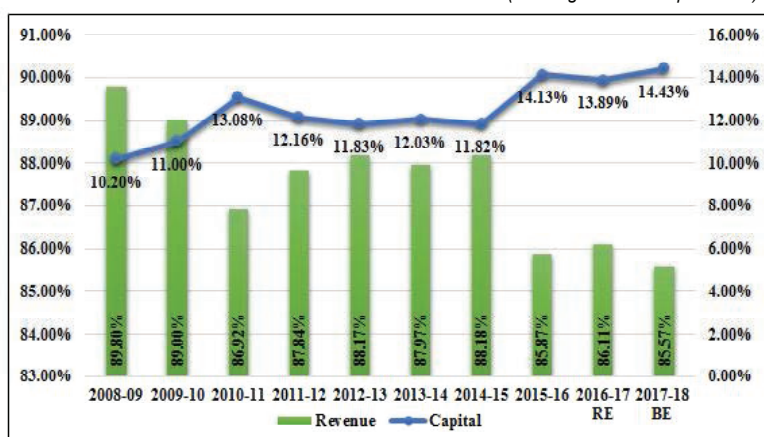
केंद्र की निवल प्राप्तियां NET RECEIPTS OF THE CENTRE

(In ₹ lakh crore)


Source: <http://indiabudget.gov.in/ub2017-18>

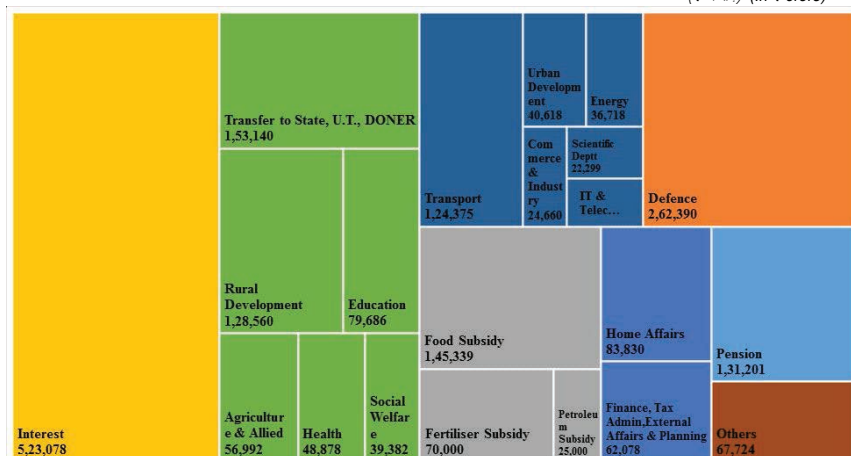
राजस्व और पूंजीगत व्यय REVENUE AND CAPITAL EXPENDITURE

(as % age of Total Expenditure)


Source: <http://indiabudget.gov.in/ub2017-18>

व्यय का संघटन COMPOSITION OF EXPENDITURE

(In ₹ crore)


Source: <http://indiabudget.gov.in/ub2017-18>
