

INDIA BUDGET 2016

Ram Agarwal & Associates

CHARTERED ACCOUNTANTS



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RAMA's Perspective

Union Budget 2016 presented by Finance Minister Mr. Arun Jaitley is doubly impressive given he had to deal with the PM Mr. Narendra Modi's hard pivot to the economic up-lift.

The Budget spells a 'transformative agenda' for the country with focus on nine key pillars including Agriculture and Farmers' Welfare, Rural Employment and Infrastructure, Social Sector including Healthcare, Education, Skills and Job Creation, Infrastructure and Investment, Financial Sector Reforms, Governance and Ease of Doing Business, Fiscal Discipline and Tax Reforms.

Finance Minister and his team have wisely stuck to the fiscal consolidation road map rolled out last year and reduced the fiscal deficit in the coming year to 3.5% of GDP. There is no change in income tax slab for the common man. Though sector-wise, agriculture, rural, social sector and infrastructure have clearly emerged as winners. Foreign Direct Investment (FDI) in several sectors including Insurance and Pension, Asset Reconstruction Companies (ARC), Stock Exchanges has been further liberalized.

Though crucial reforms such as land acquisitions and Goods and Service Tax (GST) have not really seen the light of the day, many key proposals that were announced are aimed at making India a friendlier investment destination. Overall, sentiments are high, as this truly transformative Budget sets the stage for a sustainable inclusive and equitable growth.

The target date for enforcement of General Anti-Avoidance Rule (GAAR) continues to be 1st April 2017. Foreign investors embroiled in tax litigation arising from retrospective amendments in the past can avail a onetime settlement by paying only the tax arrears with waiver of interest and penalty.

India is the fastest growing large economy in the world with GDP growth for FY15-16 at 7.6% and expected to be 7%-7.75% for FY16-17 amidst turbulence in global economic scenario wherein the global growth has dipped from 3.4% in 2014 to 3.1% in 2015.

Two successive deficient monsoons have stressed rural parts of the country which were already suffering from a slowdown in wage growth and slower increases in minimum support prices. It is therefore, Agriculture & Farmers' Welfare and Rural employment and infrastructure were rightly identified as one of the "nine pillars" to transform India which is politically and economically correct.

Spending on agriculture and irrigation went up by 85%. The finance minister used the word "rural" 25 times in his speech, and there is a promise to electrify every village by 2018; rural roads programme received an increased allocation of Rs 27,000 crore. Five-year target to double rural income will bear fruit in the coming years, near-term measures like higher allocation to irrigation, crop insurance scheme and more than 10% hike in allocation to rural job scheme should have a ripple effect on economy. This is to be applauded, especially as much of the push will be given to wealth-generating and infra-building activities like construction of road, electrification and irrigation.

This Budget also offers a series of policy initiatives and schemes that aim at encouraging start-ups and existing Micro, Small and Medium Scale Enterprises ("MSME"). There are several proposals and schemes to boost the government's "Make in India" and "Start-up India" the PMs pet campaigns.

cont...

RAMA's Perspective

The other crucial area is Public Sector Banks (PSBs), while the allocated Rs.25,000 crore for recapitalization of state-owned banks is below expectations, there are other measures in the offing to strengthen the sector over the long run.

Overall, the focus on infrastructure, rural India along with earlier measures with respect to Seventh Pay Commission and One Rank One Pension should lead to higher growth rates and give a leg-up to corporate earnings; but fiscal deficit goal may be challenging. We may also get a concern that the government continues to be optimistic in its outlook - projecting an 11% growth for FY2017 (nominal) against global slowdown.

On the revenue front, reliance on high double-digit growth in income tax, big ticket non tax revenue may warrant caution. The big fiscal hole has been filled by non-tax revenues –disinvestment, telecom spectrum and public sector companies' dividends. However, other possible revenue streams including tax revenue arising from settlements of outstanding disputes have not been included in the Budget.

The controversial proposal to make provident fund withdrawals partially taxable has been withdrawn.

The next Budget may be an election-time bonanza, but at least there's one year of hard work possible before that. There should be lot of thrust given by executive authorities for smooth implementation of the proposals and schemes to attain vision 2020 of the government for start-ups.

In the Budget speech, Finance Minister stated that "India has been hailed as a 'bright spot' amidst the slowing global economy by International Monetary Fund". To continue the growth momentum, at this juncture, this Budget is resilient and rightly focused on the key pain areas. Overall this Budget has been well received by majority of Indians.

Economic Survey

- The Indian economy has continued to consolidate the gains achieved in restoring macroeconomic stability. A sense of this turnaround is illustrated by a cross-country comparison of overall index of macroeconomic vulnerability. (Figure 1)
- The CPI-New Series inflation has fluctuated around 5.5%, while measures of underlying trends—core inflation, rural wage growth & minimum support price increases—have similarly remained muted. CPI expected to range between 4.5% and 5% in FY 2016-17. (Figure 2)
- The current account deficit has declined and is at comfortable levels. Fiscal deficit target of 3.9% of GDP expected to be achieved in FY 2015-16 and target for FY 2016 – 17 retained at 3.5% of GDP in spite of significant increase in expenditure outlay, besides, additional allocation to meet the obligations of 7th Pay Commission and implementation of OROP. (Figure 3)
- Foreign exchange reserves touched highest ever level of about 350 billion US dollars and India hailed as a 'bright spot' amidst a slowing global economy by IMF. (Figure 4)

Figure 1: Macro Economic Resilience, 2016

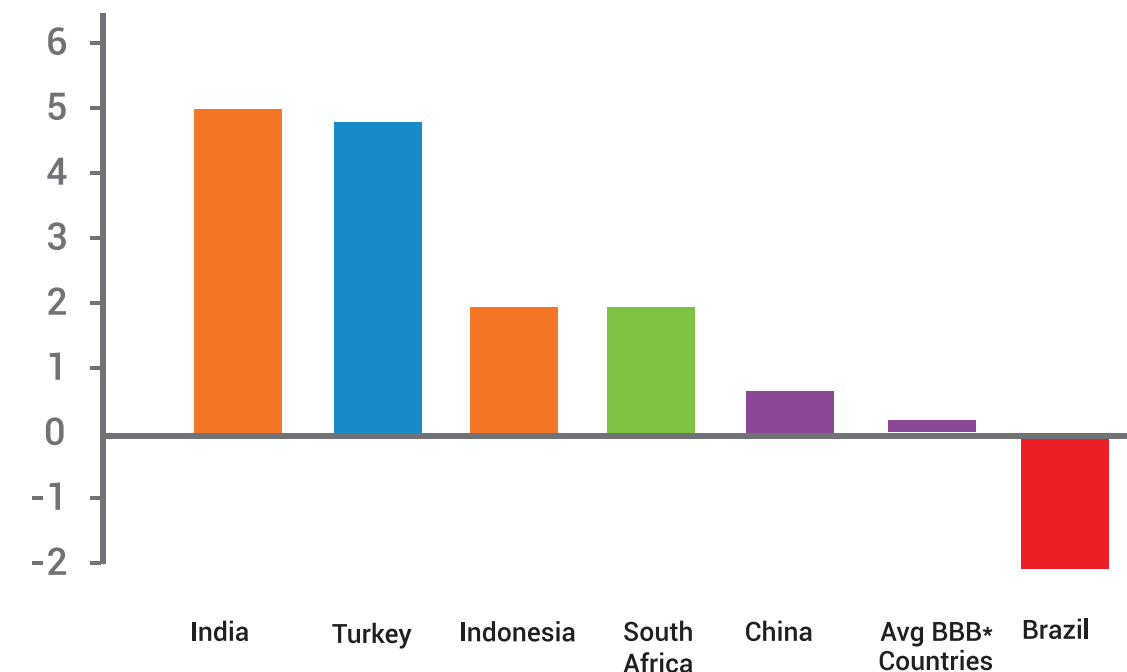


Figure 2: WPI & CPI Inflation and Rural Wage Growth (%)

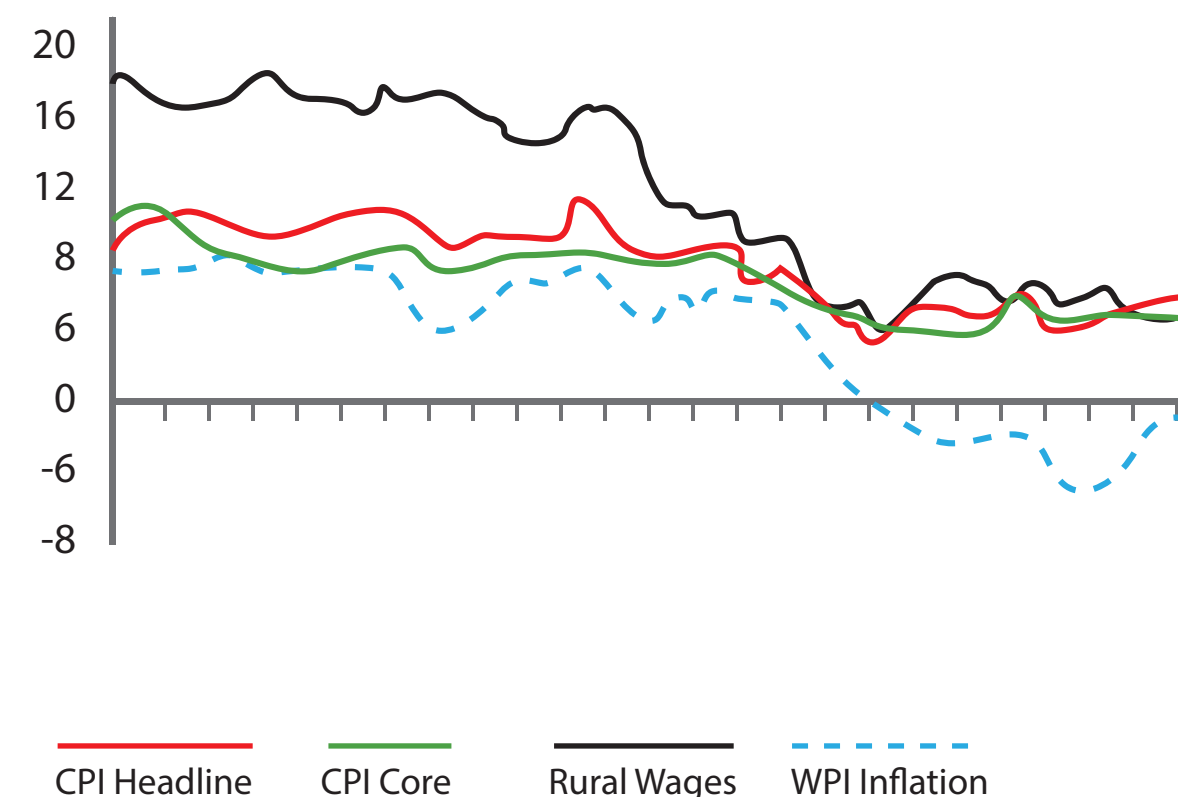


Figure 3: Current Account Deficit (per cent of GDP)

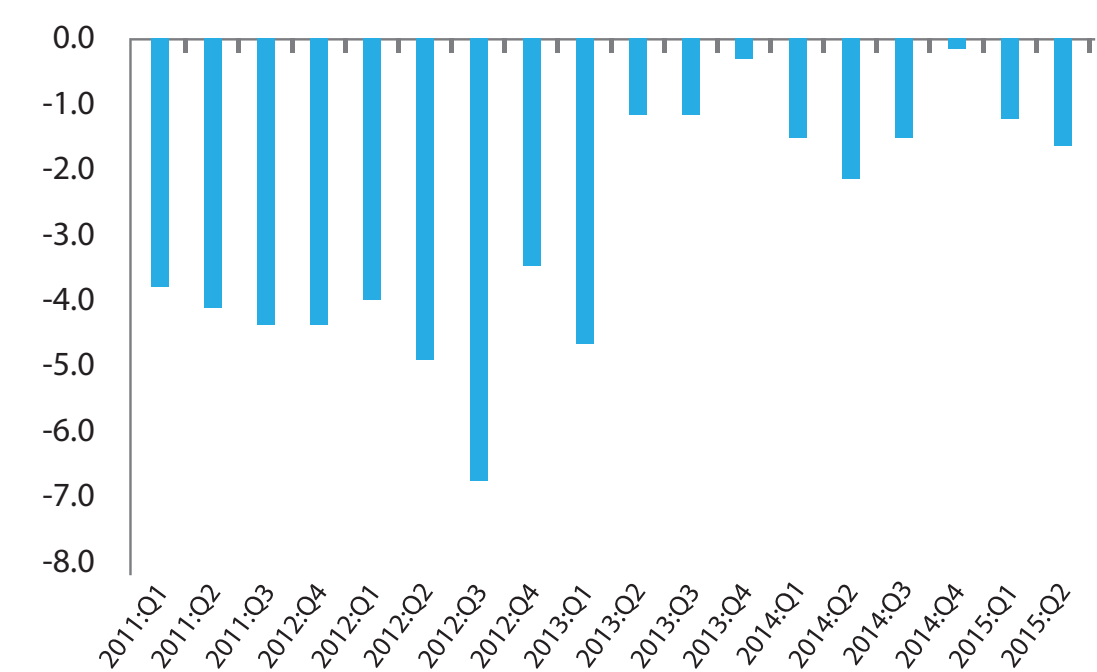
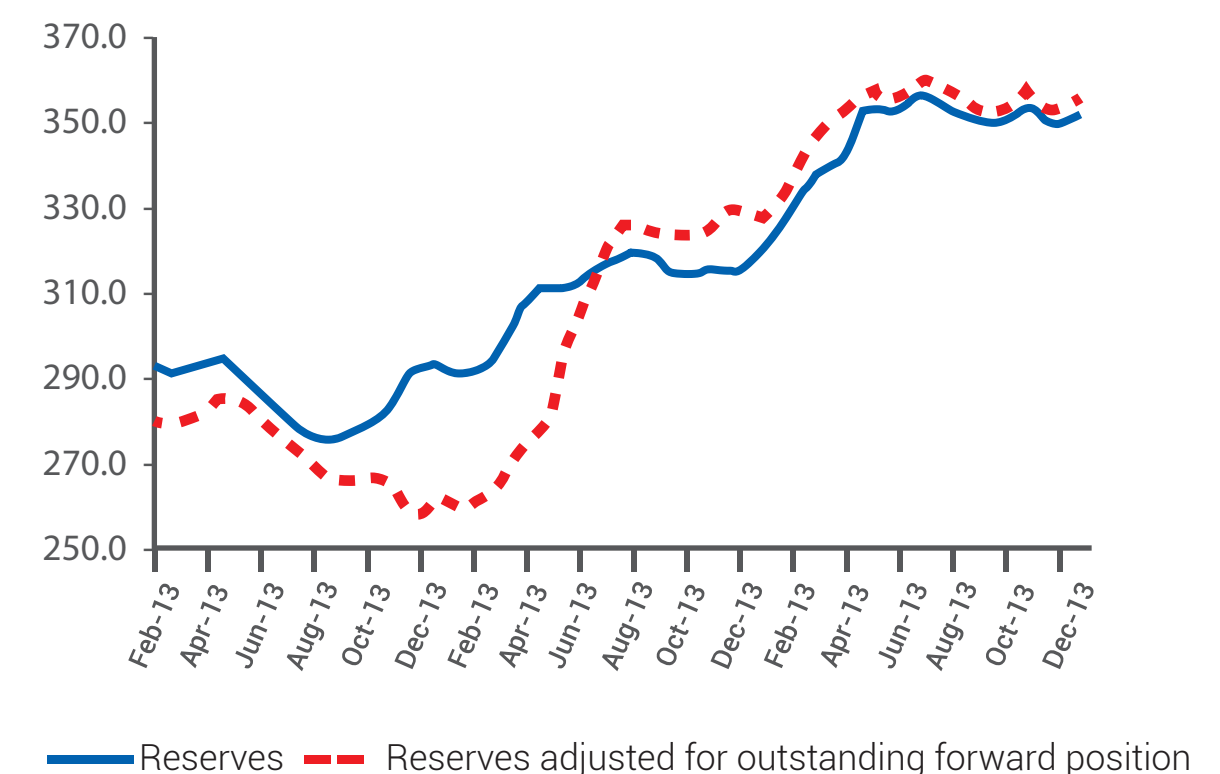


Figure 4: Foreign Exchange Reserve (US \$ billion)



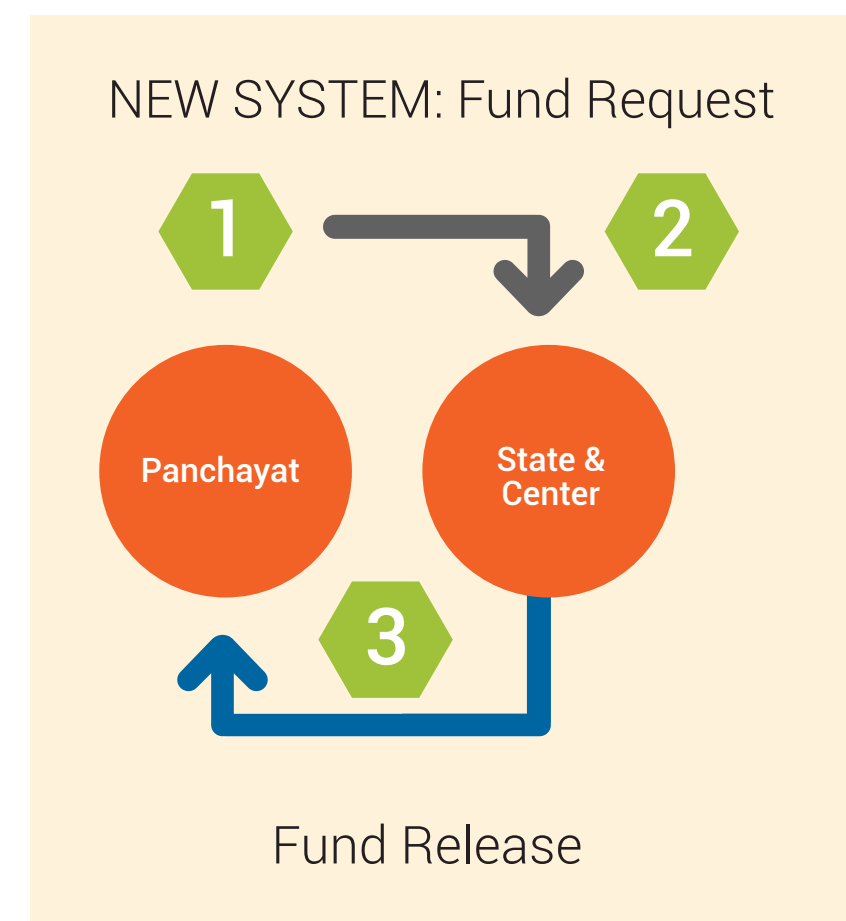
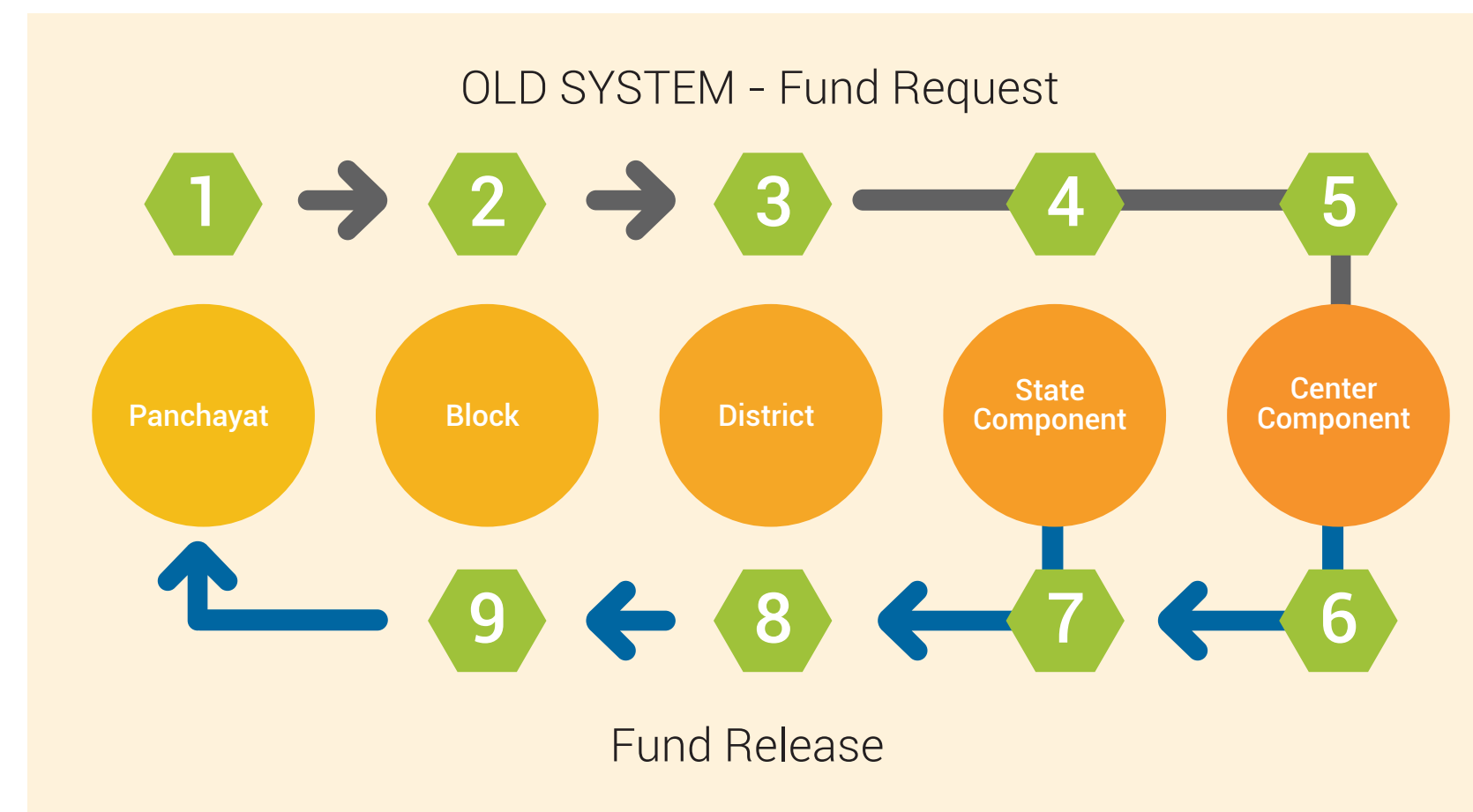
*Source: Economic Survey

Economic Survey: Why Government should use JAM for DBT!

Cash transfers can directly improve the economic lives of India's poor and raise economic efficiency by reducing leakages and market distortions. Implementing direct benefit transfers (DBT) at large-scale and in real-time remains one of the government's key objectives and significant progress has been made in the last year.

Economic Survey explained how the JAM Trinity—Jan Dhan, Aadhaar, Mobile—can help government to implement DBTs.

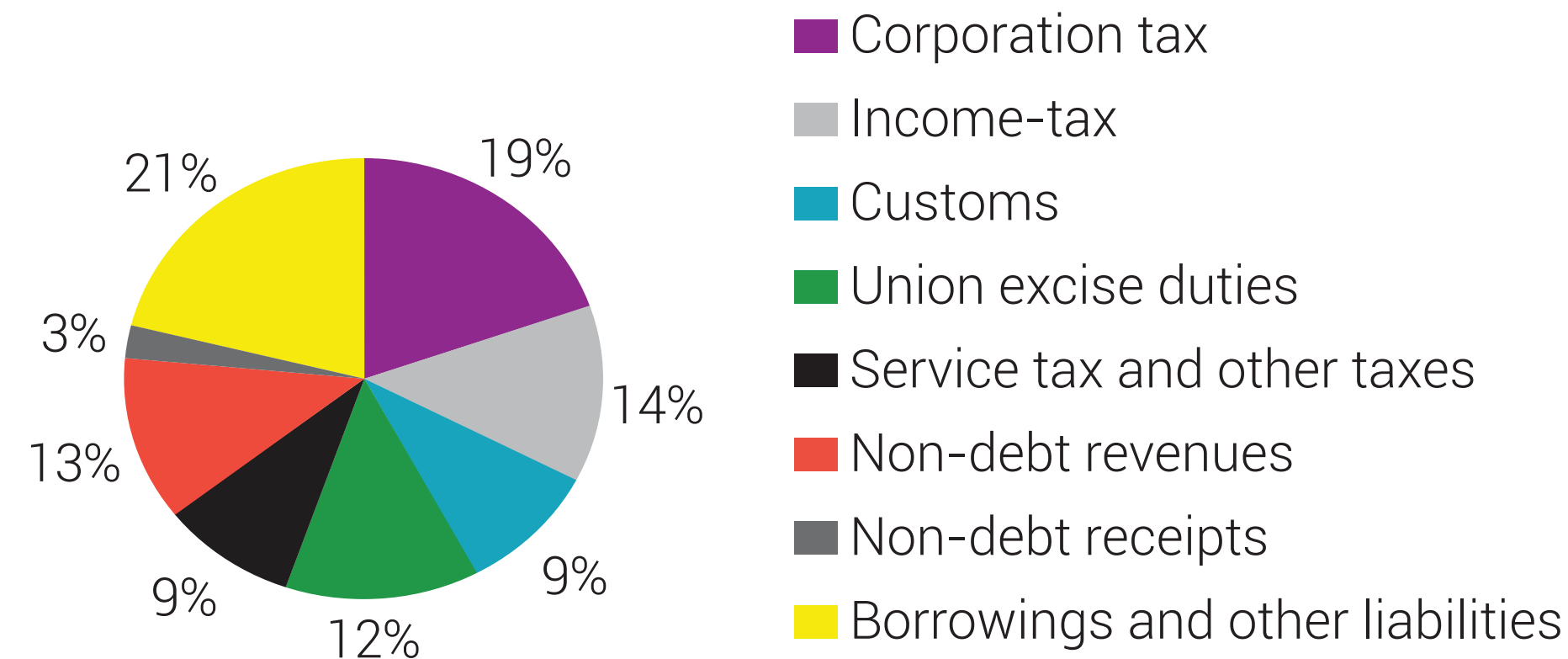
Conceptual Difference in Fund Flow Systems		
Characteristic	Old System	New System
When funds are allocated?	Before spending occurs, based on forecasts	When spending occurs, in real-time
How do funds flow?	Level by level: Centre-State-District-Block-Panchayat	Directly from fund pool to spender Centre/State-Panchayat
When does expenditure documentation occur?	Aggregated and ex-post: For multiple beneficiaries at a time, and after funds have been disbursed	Individually and in real time: For every individual beneficiary payment and secured fund release



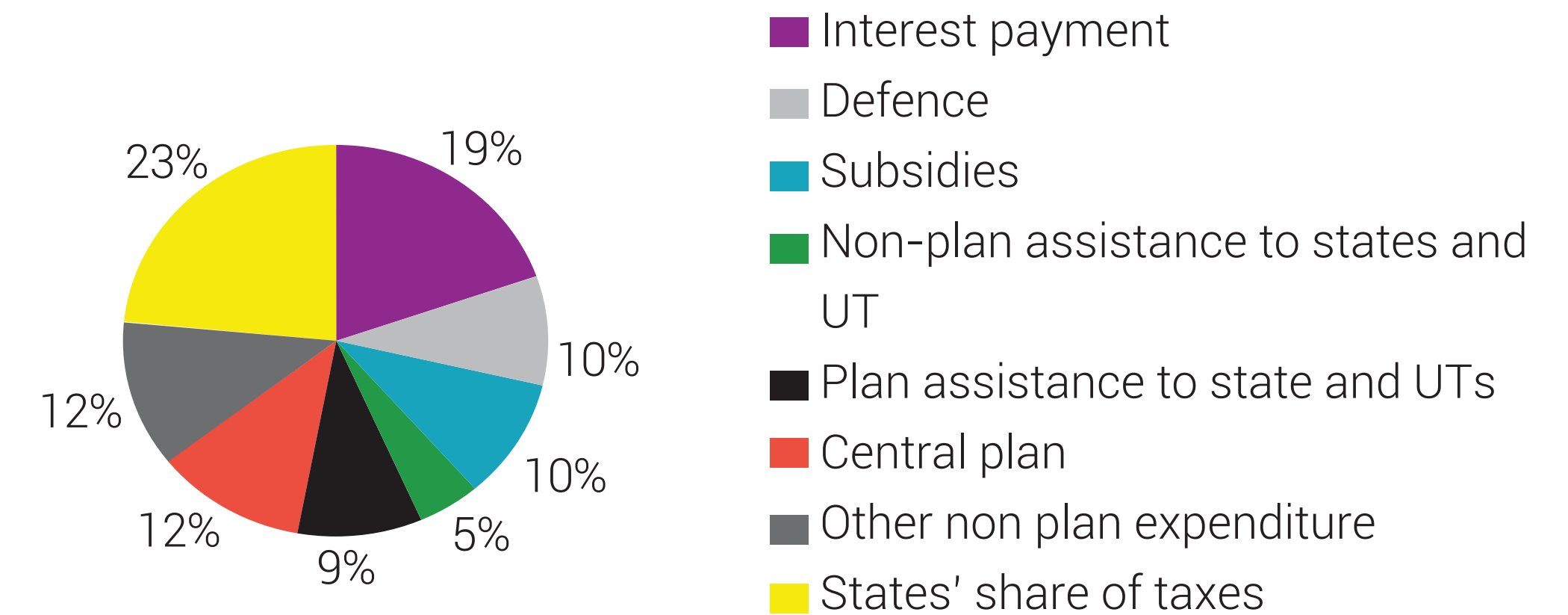
Effects of New System

- Float**
New system only disburses expenditure in realtime, reducing float by 26%.
- Leakages**
Reduced leakages intensity by 14% & fund disbursement by 38% with no change in work done in MGNREGA.
- Misallocation**
Reduced misallocation with idle funds in some accounts and shortages in others.
- Resource-intensity**
Eased doing business with Government.

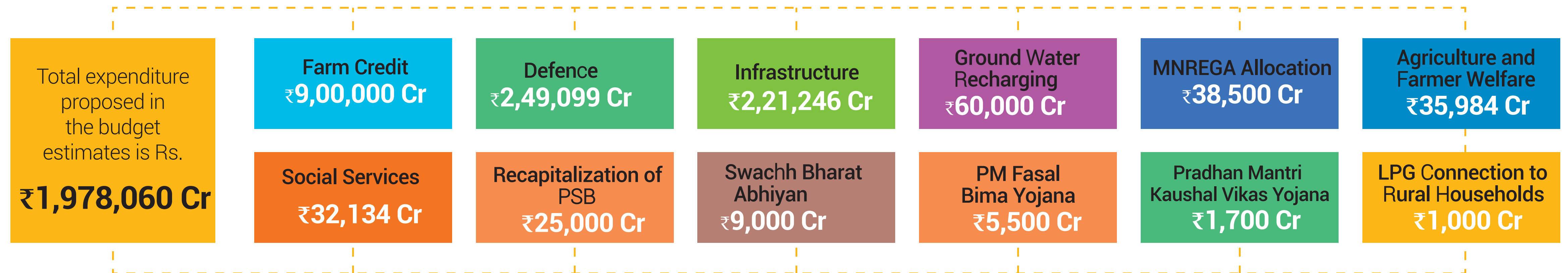
Where the rupee comes from



Where the rupee goes to



Budgetary Allocations



AGRICULTURE



Doubling farmers income in next 5 years

- Allocation of ₹36,000 Cr. is made towards Agriculture and Farmers' welfare
- 28.5 lakh hectares brought under irrigation on a fast track mode under 'Pradhan Mantri Krishi Sinchai Yojana'
- Dedicated long term irrigation fund in NABARD, initial corpus ₹20,000 Cr.
- 2,000 model retail outlets of Fertilizer companies will be provided with soil and seed testing facilities during the next 3 years
- Provision of ₹15,000 Cr. towards interest subvention on loan to farmers
- ₹5,500 Cr. allocated under Prime Minister Fasal Bima Yojana
- ₹850 Cr. is allocated for four dairying projects - 'Pashudhan Sanjivani', 'Nakul Swasthya Patra', 'EPashudhan Haat' and National Genomic Centre for indigenous breeds
- Every block under drought and rural distress will be taken up as an intensive block under the Deen Dayal Antyodaya Mission

Emphasis on employment & infrastructure

- ₹87,765 Cr. allocation for rural sector
- ₹38,500 Cr. allocated for MGNREGS
- 100% village electrification by 1st May, 2018
- 300 Rurban Clusters will be developed under the Shyama Prasad Mukherjee Rurban Mission
- New Digital Literacy Mission Scheme for rural India to cover around 6 crore additional households within the next 3 years



RURAL

INFRASTRUCTURE & INVESTMENTS



Enhance efficiency & quality of life

- Total investment in the road sector, including PMGSY allocation, would be ₹97,000 Cr. during 2016-17
- Total outlay for infrastructure - ₹2,21,246 Cr.
- 100 KMs of roads are constructed per day as against 73.5 KMs during 2011 - 14
- To approve nearly 10,000 kms of National Highways in 2016-17
- Allocation of ₹55,000 crore in the Budget for Roads
- Additional ₹15,000 Cr. to be raised by NHAI through bonds
- To re-vitalise PPPs, Public Utility (Resolution of Disputes) Bill will be introduced during 2016-17
- Guidelines for renegotiation of PPP Concession Agreements will be issued
- 100% FDI to be allowed through FIPB route in marketing of food products produced and manufactured in India.
- Reforms in FDI policy in the areas of Insurance and Pension, Asset Reconstruction Companies, Stock Exchanges
- Foreign investment up to 49% in insurance and pension sectors and 100% in Asset Reconstruction Companies (ARCs) will be permitted through automatic route

Make India knowledge based productive society

- 10 public and 10 private institutions to be developed to become world-class Teaching and Research Institutions
- ₹1,804 Cr. allocated for skill development
- 1,500 Multi Skill Training Institutes to be set-up
- National Board for Skill Development Certification to be setup in partnership with the industry and academia
- Govt will pay contribution of 8.33% for of all new employees enrolling in EPFO & having monthly salary upto ₹15,000 for the first three years of their employment, provision of ₹1,000 crore for this scheme
- Deduction under Section 80JJAA of the Income Tax Act will be available to all assesses who are subject to statutory audit under the Act



EDUCATION, SKILL DEVELOPMENT & JOB CREATION

SOCIAL AND HEALTH CARE



Cover all under social & health services

- ₹1,51,581 Cr. allocation for social sector including education and health care
- ₹2,000 crore allocated for initial cost of providing LPG connections to BPL families
- 62 new Navodaya Vidyalayas will be opened
- To open 3,000 stores under Prime Minister's Jan Aushadhi Yojana
- 'National Dialysis Services Programme' to be started under National Health Mission through PPP mode
- ₹1,000 Cr. to set-up Higher Education Financing Agency
- Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets
- Price Stabilisation Fund with corpus of ₹900 Cr. to stabilise prices of Pulses.
- Automation facilities in 3 lakh fair price shops by March 2017
- New health protection scheme, health cover up to ₹1 lakh per family with additional ₹30,000 for senior citizens
- Exemption of Service tax on general insurance services under 'Niramaya' Health Insurance Scheme by National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability

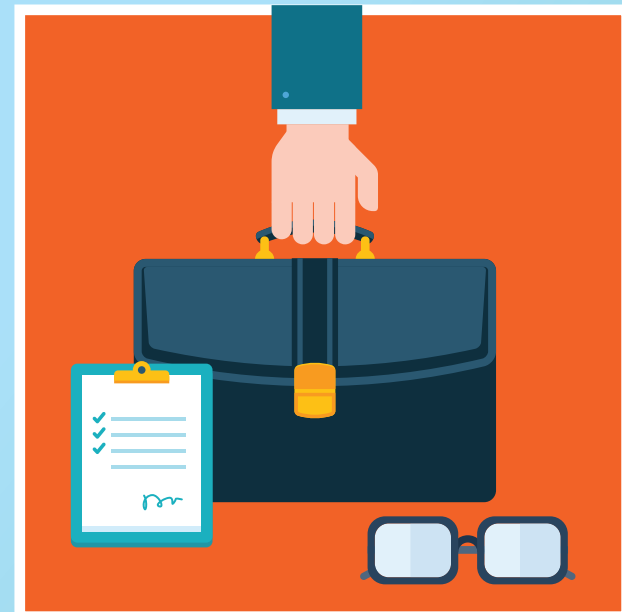
Enhance transparency & stability

- Enactment of Insolvency and Bankruptcy Code
- Lower than anticipated allocation for capitalisation of banks, ₹25,000 Cr. have been provided to PSBs, out of ₹70,000 Cr. announced by Centre to be infused over next 4 years
- Amendments in the SARFAESI Act 2002 to enable the sponsor of an ARC to hold up to 100% stake in the ARC and permit non institutional investors to invest in Securitization Receipts
- General Insurance Companies owned by the Government to be listed on the stock exchanges
- New commodity derivative products to be developed by SEBI
- RBI to facilitate retail participation in Government securities
- Comprehensive Code on dissolution of Financial Firms to be introduced
- Financial Data Management Centre to be set-up



FINANCIAL REFORMS

GOVERNANCE AND EASE OF DOING BUSINESS



Enable people to realise their entrepreneurial potential

- Amendments in Companies Act to improve enabling environment for start-ups
- Changes in customs & excise duty rates on certain inputs to reduce costs and improve competitiveness of domestic industries in certain sectors
- "Ek Bharat Shreshtha Bharat" programme to link States and Districts that connects people through exchanges in areas of language, trade, culture, travel and tourism
- "Stand Up India Scheme" to facilitate at least two projects per bank branch benefiting at least 2.5 lakh entrepreneurs.
- National Scheduled Caste and Scheduled Tribe Hub to be set up in partnership with industry associations
- Determination of residency of foreign company on the basis of Place of Effective Management (POEM) is applicable from 1st Apr'16

Manage government finances & delivery of benefits to needy

- Fiscal deficit in RE 2015-16 and BE 2016-17 retained at 3.9% and 3.5%
- Revenue deficit target reduced from 2.8% to 2.5% in RE 2015-16
- Total expenditure projected at ₹9.78 lakh Cr.
- Plan expenditure pegged at ₹5.50 lakh Cr., increase of 15.3%
- Non-plan expenditure kept at ₹14.28 lakh Cr.
- Special emphasis to sectors such as agriculture, irrigation, infrastructure social sector including health, women and child development, welfare of scheduled castes and scheduled tribes and minorities
- Mobilisation of additional finances to the extent of ₹31,300 Cr. by NHAI, PFC, REC, IREDA, NABARD and Inland Water Authority by raising bonds
- Committee to review the implementation of the FRBM Act
- During FY 2015-16, only ₹25,312 Cr. was raised through dis-investment against target of ₹69,500 Cr. (36.5%) for FY 2016-17, target is ₹56,500 Cr.



FISCAL DISCIPLINE

TAX REFORMS

Relief to small tax payers

- **Section 87A:** Tax rebate raised from ₹2,000 to ₹5,000, approx. 2 cr tax payers to get relief
- **Section 80GG:** Deduction limit for rent raised from ₹24,000 to ₹60,000 pa
- **Section 44ADA:** Turnover limit increased to ₹2Cr., increase in professional receipts to ₹50 lakhs with presumptive profits @ 50%
- No change in tax rates for Individuals / HUFs / AOPs / BOIs and Artificial Judicial Persons



Measures for moving towards a pensioned society

- Withdrawal up to 40% of corpus at the time of retirement tax exempt in the case of National Pension Scheme and for contributions made after 1Apr'16 towards superannuation funds and recognized provident funds
- Monetary limit for contribution of employer in recognized Provident and Superannuation Fund of ₹1.5 lakh per annum for taking tax benefit

- Exempt ST on services provided by National Pension System (NPS) and EPFO to employees.
- ST reduced from 3.5% to 1.4% for premium paid on Single premium Annuity (Insurance) Policies

Direct Tax Provision

Indirect Tax Provision

Measures for promoting affordable housing

- 100% deduction of profits from housing project for flats upto 30 sq. mtrs. in 4 metro cities & 60 sq. mtrs. in other cities, approved during Jun'16 to Mar'19 and completed within 3 yrs of approval (MAT applies)
- Deduction for additional interest of ₹50,000 per annum for loans up to ₹35 lakh sanctioned during the next financial year, provided the value of the house does not exceed ₹50 lakh.
- Exemption from DDT on Distribution Made by an SPV to Business Trust

- Exempt service tax on construction of affordable houses up to 60 square metres
- Excise duty exempt on Ready Mix Concrete

Incentivising domestic value addition to help Make in India.

- Changes in customs and excise duty rates on certain inputs, raw materials, intermediaries and components and certain other goods and simplify procedures, so as to reduce costs and improve competitiveness of domestic industries



BUDGET AT A GLANCE

FM'S 9 DISTINCT PILLARS TO "TRANSFORM INDIA"

TAX REFORMS

Boost Growth and Generate Employment

- Tax rate 29% for companies having less than ₹5 Cr turnover for F.Y. 2014-15
- Tax rate reduced to 25% for newly set up manufacturing companies (after 1st March 2016) not claiming any of the specified incentives.
- Corporate tax rate continues to be 30%
- Phase out of exemptions related to 'accelerated depreciation' under IT Act (limited to 40%), deductions for research (limited 150% / 100%)
- 100% deduction of profits for 3 out of 5 years for startups set up during Apr'16 to Mar'19
- No tax on capital gains if invested in notified funds by individual having majority stake in notified startups



- No tax on securitization trusts including trusts for ARCs, tax in the hand of investors to be deducted at source
- LTCG in case of sale of shares unlisted companies reduced from 3 to 2 years.
- POEM is effective from 1Apr'16.
- General Anti Avoidance Rules (GAAR) to be implemented from 1Apr'17
- Companies with consolidated revenue above Euro 750 Mn., to follow country by country reporting

- Exempt ST on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana, services provided by Assessing Bodies empanelled by Ministry of Skill Development & general insurance services provided under 'Niramaya' Health Insurance Scheme
- Nil basic customs duty on Braille paper

Mobilize resources for agriculture, rural economy and clean environment

- Tax at the rate of 10% of gross amount of dividend payable by the recipients (individuals, HUFs and firms) receiving dividend in excess of ₹10 lakh p.a.
- Surcharge increased from 12% to 15% on individuals / HUFs / AOPs / BOIs & other artificial judicial persons having income above ₹1 Cr.
- 1% TCS on luxury cars purchase above ₹10 lakhs & cash purchase of goods & services above ₹2 lakhs.
- STT increased from .017% to .05% for 'Options'
- Equalization levy - withholding tax at 6% of payment to nonresident not having PE, aggregate ₹1 lakh in a year (online advertisement B2B transactions)



- Krishi Kalyan Cess, @ 0.5% on all taxable services w.e.f. 1st Jun 16, input credit is available
- Infrastructure Cess @ 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity & 4% on higher engine capacity vehicles and SUVs
- Excise duty @ 1% without input tax credit or 12.5% with input tax credit on articles of jewellery
- Excise duty on branded readymade garments and made up articles of textiles with a retail sale price of ₹1,000 and above, 2% without input tax credit or 12.5% with input tax credit
- Clean Environment Cess @ ₹400 per tonne on coal, lignite and peat
- Excise duties on various tobacco products other than beedi increased by about 10% to 15%



Direct Tax Provision

Indirect Tax Provision

TAX REFORMS

Reduce litigation and provide certainty in taxation

- Income Disclosure Scheme from 1st Jun'16 to 30th Sep'16 by paying tax at 30%, surcharge at 7.5% & penalty at 7.5%, i.e. total 45% of undisclosed income
- New Tax Dispute Resolution Scheme is proposed for tax arrears and specified tax pending before the Commissioner as on 29th Feb'16 (both direct and indirect taxes)
- Dispute Resolution for cases under retrospective amendment pending in any Court or Tribunal can be settled by paying only the tax arrears plus interest
- Substantially reducing discretionary powers of the tax officers, penalty rates 50% of tax in case of underreporting of income and 200% of tax in case of misreporting of facts.
- Time limit of one year for disposing petitions of the tax payers seeking waiver of interest & penalty
- Assessing officer to grant stay of demand once the assessee pays 15% of the disputed demand
- Time limit for filing belated tax-return reduced to 12 months from the end of the financial year as against the earlier time limit of 24 months

- Amendment of the CENVAT Credit Rules, 2004, to improve credit flow, reduce compliance burden and associated litigations.

Direct Tax Provision

Indirect Tax Provision

Simplify and rationalize taxes

- Accepted recommendations of Tax Administration Reform Committee under Justice RV Easwar (abolish 13 cesses, rationalize TDS provisions, revision of return for Central Excise, Customs Act to provide for deferred payment and simplification of baggage rules for international passengers)
- No road map suggested for Goods and Service Tax, increasing the uncertainty on the much awaited change in indirect taxation.



Technology for creating accountability

- Expand the scope of e-assessments to all assessees in 7 mega cities in the coming years
- Expand the pilot initiative of 'e-Sahyog' with a view to reduce compliance cost
- Interest @ 9% p.a. in case of delay in giving effect to Appellate order beyond ninety days



DIRECT TAX



Threshold Limits / Rates of Taxes *(Also refer Annexure A)*

Taxation of Individuals / HUFs / AOPs / BOIs and Artificial Judicial Persons

- No change in tax rates
- Surcharge increased from 12% to 15% on individuals / HUFs / AOPs / BOIs and other artificial judicial persons having income above ₹1 Cr.

Taxation of Domestic Companies

- Companies incorporated on or after 01.03.2016 manufacturing or producing article or thing and not claiming benefit as prescribed
- Companies with turnover or gross receipts upto ₹5 Cr (in the previous year 2014-15)
- Other companies

25%

29%

30%

Rebate in Income Tax Allowable under Section 87A

- Maximum amount of rebate available increased from ₹2,000 to ₹5,000 **(W.e.f - 1st April, 2017)**

Surcharge on Companies / Firms / Local Authorities / Co-op Societies

- Surcharge 7%/2% for domestic/other companies with income between ₹1 Cr. to ₹10 Cr. and 12%/5% if income above ₹10 Cr. For Co-operative society, firms & local authorities having income more than ₹1 Cr., surcharge is 12%.

Taxation of Income by Way of Dividend

- Income by way of dividend in excess of ₹10 lakhs in a year shall be chargeable to tax on gross basis at 10% in case of resident individual, HUF or firm **(W.e.f - 1st April, 2017)**

Change in Rate of STT Where Option is Not Exercised

- STT on sale of an option in securities increased from 0.017% to 0.05% **(W.e.f - 1st June, 2016)**

Taxation of Income from 'Patents' Section 115BBF)

- Royalty income of eligible assessee in respect of a patent developed and registered in India taxable at the rate of 10% (plus surcharge and cess)
- No expenditure or allowance in respect of such income allowed under the Act
(W.e.f 1st April, 2017)

Equalisation Levy

- Levy of 6 % of the amount of consideration (₹1 lakh or more) for specified services covering online advertisements, provision for digital advertising space or any other facility or service for the purpose of online advertisements
- Service receiver - Resident who carries out business or profession, or non-resident having permanent establishment in India
- Service provider - Non-resident not having permanent establishment ('PE') in India
- Exemption under Section 10 for any income arising from providing specified services on which such levy is chargeable
(W.e.f - Yet to be notified by Govt.)

TDS / TCS (Annexure B)

Increase in Threshold Limit

- Threshold limits for deduction of TDS is increased, simultaneously, there is decrease in rates of TDS

Rationalisation of TDS for Investor in AIF

- Under Section 194LBB, TDS will be deducted by investment fund at the rate of 10% for resident and at the rates in force for non-resident
- Such income will be exempted in the hands of the investment fund
(W.e.f 1st June, 2016)

Rates of TCS

- On sale of motor vehicles More than ₹.10 lakhs 1%
- Cash sale of any goods other bullion and jewellery More than ₹.2 lakhs 1%
- Providing any services (other than payment on which TDS is deducted) More than ₹.2 lakhs 1%

(W.e.f 1st June, 2016)

Omission of Provisions

192K Income in respect of units

192L Payment in respect of acquisition of capital asset
(W.e.f 1st June, 2016)

Income from House Property

Time Period for Claiming Deduction of Interest under Section 24(b)

- Time period of acquisition or construction of self-occupied house property increased from 3 to 5 years for claiming deduction of interest paid on capital borrowed
(W.e.f 1st April, 2017)

Taxation of Unrealised Rent and Arrears of Rent

- Under new Section 25A, amount received as unrealised rent or as arrears of rent taxable in the year when received whether the assessee is owner or not
- 30% of such sum shall be allowed as deduction
(W.e.f 1st April, 2017)

Business Income

Additional Depreciation under Section 32(1) (ia) for Power Sector

- Assessee engaged in the business of transmission of power shall also be allowed additional depreciation at the rate of 20% of actual cost of new machinery or plant acquired and installed in a previous year **(W.e.f 1st April, 2017)**

Rationalisation of Scope of Investment Allowance (Section 32AC)

- Deduction of investment allowance of 15% under Section 32A for installation of new asset shall be allowed in the year of installation if made till 31.03.2017 (Asset may be acquired in any year)
- This amendment is applicable for FY 2015-16 and FY 2016-17

Deduction in respect of Provision of Bad and Doubtful Debt for NBFCs

- Deduction in respect of provision of bad and doubtful debt for NBFCs upto 5% of income **(W.e.f 1st April, 2017)**

Presumptive Taxation Scheme for Professionals

- Section 44ADA - Individual, HUF, firms excluding LLP engaged in any profession having gross receipts upto ₹50 lakh, 50% of the receipts will be taxable. The assessee will not be required to maintain books of account under sub-section (1) of section 44AA and get their books of accounts audited.
- Increase in threshold limit for audit under Section 44AB from ₹25 lakhs to ₹50 lakhs **(W.e.f from 1st April, 2017)**

Presumptive Taxation Scheme under Section 44AD

- Turnover limit of assessee under eligible business increased from ₹1 Cr to ₹2 Cr
- Expenditure in the nature of salary, interest etc. to partner under Section 40(b) shall not be deductible
- Assessee required to pay advance tax by 15th March **(W.e.f from 1st April, 2017)**

Section 43B Payments Made to Railways

- Section 43B now includes payments made to Indian Railways in addition to tax, cess, duty, etc. **(W.e.f 1st April, 2017)**

Capital Gains

Sovereign Gold Bond Scheme 2015 and Rupee Denominated Bonds

- Under section 47 of Income Tax Act, any redemption of Sovereign Gold Bond by an individual shall be exempted from tax on capital gains.
- Capital gain on appreciation of rupee between issue date and redemption date against the foreign currency in which investment is made shall be exempted from tax **(W.e.f 1st April, 2017)**

Sale Consideration Under Section 50C

- Where date of agreement fixing the amount of consideration for transfer of immovable property and date of registration are not same, stamp duty value on date of agreement may be taken for computing the full value of consideration only if consideration or a part thereof, has been paid by way of an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account, on or before date of agreement **(W.e.f 1st April, 2017)**

Long Term Capital Gain on Sale of Unlisted Shares

- LTCG on sale of unlisted shares in which public are not substantially interested is taxable at a reduced rate of 10% in the hands of non-residents and period reduced from 3 years to 2 years

Deductions

Incentives for Promoting Housing for All

- Deduction of 100% of profits of an assessee developing & building affordable housing projects approved by competent authority before 31Mar'19 subject to certain conditions which inter alia, include
 - i. Project is completed within a period of 3 years from the date of approval
 - ii. On a plot of land measuring not less than 1000 sq. mtrs. within 25 km from municipal limits of 4 metros & other area, not less than 2000 sq. mtrs. where size of residential unit in said areas is not more than 30 sq. mtrs. & 60 sq. mtrs., respectively,
 - iii. Where residential unit is allotted to individual, no such unit shall be allotted to him or family member
- Additional deduction under section 80EE up to ₹50,000 in respect of interest on loan upto ₹35 lakhs taken during F.Y. 2016-17 for acquiring residential house (less than ₹50 lakhs) from any financial institution till repayment **(W.e.f 1st April, 2017)**

Deduction of Rents Paid Under Section 80GG

- Maximum deduction increased from ₹2,000 p.m. to ₹5,000 p.m. in respect of expenditure on rent paid for own residence if he is not getting HRA by his employer **(W.e.f 1st April, 2017)**

International Taxation

Activity Related to Diamond Trading in "Special Notified Zone" (Section 9)

- No income shall be deemed to accrue or arise in India to foreign company engaged in mining of diamonds through or from activities which are confined to display of uncut and unsorted diamonds in a Special Zone. **(W.e.f 1st April, 2017)**

Income of Foreign Company from Storage and Sale of Crude (Section 10)

- Income accruing or arising to foreign company on storage and sale of crude oil in a facility in India to any resident not to be included in total income
- Such storage and sale should be pursuant to an agreement / arrangement entered into by the Central Government and the foreign company and agreement / arrangement are notified by the Central Government. **(W.e.f 1st April, 2017)**

Exemption to Furnish PAN by Non-Resident

- Provisions of Section 206AA not apply to a non-resident, not being a company, or foreign company, in respect of payment, other than interest on bonds and any other payment subject to such conditions as may be prescribed **(W.e.f 1st June, 2016)**

Provision for Place of Effective Management (POEM)

- The applicability of POEM based residence test proposed to be deferred by one year to 01-Apr-2016.
- Transition mechanism to be provided for a foreign company which has not been in India previously covering issues related to computation of income, treatment of unabsorbed depreciation, set-off of losses **(W.e.f 1st April, 2016)**

MAT on Foreign Companies Prior to 01.04.15

- Provision of MAT not to apply to foreign companies w.e.f 01-Apr-2001 if,
 - i. the assessee is a resident of a country or territory with which India has a DTA agreement and the assessee does not have P.E. in India or
 - ii. the assessee is a resident of a country with which India does not have DTA agreement and the assessee does not require to seek registration under any other law applicable to the companies **(W.e.f retrospectively from 1st April, 2001)**

Dividend Distribution Tax

Exemption from DDT on Distribution Made by an SPV to Business Trust

- No DDT on distribution out of current income after acquiring shareholding by SPV to REITs & NVITs having specified shareholding **(W.e.f 1st June, 2016)**

Rationalisation of Securitisation Trust

- DDT to be abolished from 01.06.16, 25% TDS if payment made to resident individual /HUF investor and 30% for others. Non-residents can obtain Nil / Lower TDS Certificates **(W.e.f from 1st June, 2016)**

Taxation for Start-ups

Tax Incentives for Start-ups

- Deduction of 100% of the profits in 3 out of 5 yrs by start-up setup before 01.04.2019 (MAT applies)
- Section 54EE - Exemption from LTCG (upto ₹50 lakhs) invested in units of fund specified under 'Start-up India Action Plan' for 3 years
- Section 54GB - LTCG exempt on residential property if invested in shares of start-up provided that individual or HUF holds more than 50% shares & the amount is utilised to purchase new asset before due date of filing return by investor **(W.e.f 1st April, 2017)**

Assessment and Appellate Procedures

Filing of Return of Income

- Section 139(4), person who has not furnished return as allowed under sub-section (1), may furnish return before end of AY or before completion of assessment, whichever is earlier **(W.e.f 1st April, 2017)**

Payment of Interest on Refund (Section 244A)

- Where a refund arises out of appeal effected on delay as per Section 153, an additional interest will be given @ 3%. **(W.e.f from 1st June, 2016)**
- Period for interest on refund beginning from the date of payment of tax or filing of return, whichever is later, to the date on which refund is granted.

Dispute Resolution Panel

- New Direct Tax Dispute Resolution Scheme is proposed for tax arrears and specified tax pending before the Commissioner as on 29.02.16.
- Declarant is required to pay tax at the applicable rates plus interest upto the date of assessment
- If disputed tax exceeding ₹10 lakh or there is pending appeal against a penalty order, 25% of minimum penalty is levied along with interest **(W.e.f from 1st June, 2016)**

The Income Declaration Scheme, 2016

- Opportunity of declaration of undisclosed income and payment of tax, surcharge (Krishi Kalyan Cess) and penalty totalling to 45% (30% plus 7.5% plus 7.5%)
- Certain exceptions wherein such scheme is not applicable for assessee in default, under cases of criminal offence, etc. **(W.e.f from 1st June, 2016)**

Penalty for Under Reported Income

- New penalty provisions to be applicable from FY 2016-17 onwards, whereby penalty to be levied in case of underreporting and misreporting of income.
- Rate of penalty to be 50% of tax payable on under reported income and 200% of tax payable on misreported facts **(W.e.f from 1st April, 2017)**

Rationalisation of Time Limits / Penalties under Various Sections

- In order to simplify taxation and reduce ambiguity certain sections (153, 211, 234, 253, 270A, 270AA, 271AA, 272A) are rationalised. **(W.e.f Individual Sections to be referred)**

INDIRECT TAX



Amendments in Central Excise Act 1944

- Section 5A has been amended so as to omit the requirement of publishing and offering for sale any notification issued
- Section 11A has been amended so as to increase the period of limitation from one year to two years for issuing notice in cases not involving fraud, suppression of facts and wilful misstatement etc.
- Section 37B has been amended to empower the Board for implementation of any other provision of the Act in addition to the power to issue orders, instructions and directions

Amendments in First Schedule to the Central Excise Tariff Act

- Amendments in first schedule are in two parts, amendments not affecting rates of duty and amendments involving change in the rate of duty

A. Amendments Not Affecting Rates of Duty

- a) Editorial changes made in the Harmonized System of Nomenclature (HSN) in certain chapters to be effective from 1st Jan 2017

- b) Changes in the reference for high speed diesel & light diesel oil and substitute tariff of warp pile fabrics. Separate tariff line defined for type of Laboratory and synthetic diamonds. Tariff line related to wireless microphone deleted.

B. Amendments Affecting Rates of Duty

- There are various changes in rates of excise duty for Aerated Beverages, tobacco and Tobacco Products as mentioned in **Annexure-C**. The amendments involving increase in the duty rates will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931
- There are several other provisions involving changes in excise duty rates of Food processing, Fertilisers, Textiles, Footwear, Precious Metals & Jewellery, Renewable Energy, Solar Lamp, Civil Aviation including maintenance, repairs & overhaul of Aircrafts, Electronics & IT Hardware, Machinery, Automobiles and certain miscellaneous category items as mentioned in **Annexure-D**.

Miscellaneous

- Rate of Oil Industries Development Cess is proposed to be reduced on domestically produced crude oil, from ₹4500 PMT to 20% ad valorem OIBD Cess effective from the date of assent to the Finance Bill, 2016.
- Excise duty is being increased across all lengths of non-filter and filter cigarettes from immediate effect as under:
- Clean Energy Cess levied on coal, ignite and peat, is being renamed as Clean Environment Cess and increased from ₹300 per tonne to net ₹400 per tonne

Infrastructure Cess on Certain Categories of Motor Vehicles

- Infrastructure Cess is being levied on motor vehicles as under
- a) Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc – 1%
 - b) Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc – 2.5%

- c) Other higher engine capacity motor vehicles and SUVs and bigger sedans – 4%
 - Three wheeled vehicles, electrically operated vehicles, hybrid vehicles, hydrogen vehicles based on fuel cell technology, motor vehicles which after clearance have been registered for use solely as taxi, cars for physically handicapped persons and vehicles cleared as ambulances or registered for use solely as ambulance are to be exempt from this cess
 - This levy is to be applied and levied as an excise duty and hence all provisions of the central excise act will apply to this cess. In effect this is an additional excise duty, but since not mentioned under cenvat provisions, no cenvat available

Amendments in the Central Excise Rules, 2002 and the Cenvat Credit Rules, 2004

- The Central Excise Rules, 2002 are being amended with following changes:
- a) Reduction in no. of returns to be filed by a central excise assessee above a certain threshold from 27 to

13, that is, one annual and 12 monthly returns. Monthly returns are already being e-filed. CBEC will provide for e-filing of annual returns also

- b) Extend the facility for revision of return, hitherto available to a service tax assessee only, to manufacturers also
 - c) Where invoices are digitally signed, the manual attestation of copy of invoice, meant for transporter, is done away
 - d) In case of finalization of provisional assessment, the interest will be chargeable from the original date of payment of duty
- Chief Commissioners of central excise are being instructed to file application to courts to withdraw prosecution in cases involving duty of less than Rs.5 lakhs and pending for more than 15 years
 - The existing central excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2001 are being substituted with the central excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016, so as to simplify the rules, including allowing duty exemptions to importer/manufacture based on self-declaration instead of obtaining permissions from the central excise authorities

Amendments in the Custom Act, 1962

Power to Grant Exemption from duty

- Section -25 is proposed to be amended to specify that any clarification added to the notification subsequently, will come into force on being notified instead of the date of original notification, as was the case earlier. Publishing of notification is not required

Recovery of Duties not levied or short levied or erroneously refunded

- It is proposed to amend Section 28 of the Customs Act so as to provide for recovery of duty in situations where the duty has been levied but not paid or has been short-paid also. This clause further seeks to extend the time limit for issue of notice for investigation of cases not involving any collusion, wilful misstatement or suppression of facts from one year to two years

Clearance of Goods for home consumption / Exportation

- Section 47 and Section 51 have been proposed to be amended to provide for deferred payment of customs duties to certain class of importers and exporter for clearance of goods for home consumption/exportation.

- Interest rate range has also been specified as 5% to 36% p.a. for exports in above cases.

Warehousing Bond

- The existing section 59 governing warehousing bonds submitted by importers availing duty deferred warehousing is being substituted so as to fix the bond amount at thrice the duty (previous it was twice) involved and to furnish security as prescribed.
- The bond does not cover warehouse rent / charges and interest thereon.
- Bond value shall not get automatically reduced for fresh bond offered by transferee. Transferee to mandatorily submit fresh bond / security. Hence bond to remain in force till cancelled/ released.
- Also, process of warehousing shall be prescribed through rules to make the entire process standardised.

Power to Grant Exemption from duty

- Section 8C is proposed to be omitted. Section 8 gives Power to Central Government to impose transitional product specific safeguard duty on imports from People's Republic of China. Now these cases will also be covered by the section 8B.

Retrospective Amendment

- Various notifications pertaining to Advance Licence and Duty Free Import Authorization Schemes are being amended retrospectively to correct the reference to "section 8" in such notifications to "section 8B" so as to clearly provide that exemption from safeguard duty under section 8B of the Customs Tariff Act, 1975 was/is available under these notifications on imports under Advance Licence and Duty Free Import Authorization Schemes.
- Refund application is to be made within a year of Finance Act 2016 being approved by President.

Permission Based Duty Exemption under Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules Replaced with self-declaration (with effect from 1 April 2016)

- The existing Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 are being substituted with the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 with a view to simplify the rules, including allowing duty exemptions to importer/manufacture based on self-declaration instead of obtaining permissions from the Central Excise authorities. Need for additional registration is also being done away with. The new Rules will be effective from 01.04.2016.
- The existing Baggage Rules, 1998 are being substituted with the Baggage Rules, 2016, to simplify and rationalize multiple slabs of duty free allowance for various categories of passengers. The new Rules are effective from 1Apr 2016.
- The Customs Baggage Declaration Regulations, 2013 is being amended so as to prescribe filing of Customs declaration only for those passengers who carry dutiable or prohibited goods.
- Transit of goods through India without payment of duty will now be subject to prescribed rules.
- Interest rate on delayed payment of Custom duty under section 28AA are being rationalized at 15%
- To incentivize 'Make in India', custom duty rates reduced on inputs relating to: - Information Technology hardware, Capital Goods, Defence Production, Textile, Minerals Fuels and Minerals Oils, Chemical and Petrochemicals
- Changes in rates of custom duty are prescribed in **Annexure – E**

Amendments in Service Tax Provision

Krishi Kalyan Cess

- A new tax, "Krishi Kalyan Cess" has been introduced which will be levied @ 0.50% on all taxable services to finance and promote initiatives to improve agriculture. CENVAT credit would be allowed against output cess liability of this cess
- Hence, now service tax of 14% would be levied along with Swachh Bharat Cess (0.5%) and Krishi Kalyan Cess (0.5%)
- As per Finance Bill, this cess, which is a service tax, will follow the same exemptions as service tax. Hence, services exempt from service tax will not have to pay this cess

1st
Jun-16

14.50%

15%

New Exemptions

- Services by way of construction etc. in respect of-
 - Housing projects under "Housing For All" (HFA) (Urban) Mission / PMAY);
 - Low cost houses up to carpet area of 60 sq. mtrs. in housing project under "Affordable housing in partnership" component of PMAY;
 - Low cost houses up to a carpet area of 60 square meters in a housing project under any housing scheme of the State Government
 - Services provided by IIM by way of 2 year full time Post Graduate Programme in Management (PGPM) (other than executive development programme), Integrated Programme in Management and Fellowship Programme in Management (FPM)

1st
April-16

1st
April-16

● Effective Date ● Existing Rate ● Proposed Rate

New Exemptions

- The service of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority (PFRDA) of India.
 - i) Services provided by Employees' Provident Fund Organisation (EPFO) to employees.
 - (ii) Services provided by Insurance Regulatory and Development Authority of India.
 - (iii) Regulatory services provided by Securities and Exchange Board of India
- The services of general insurance business provided under 'Niramaya' Health Insurance scheme launched by National Trust for the welfare of persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability in collaboration with private/public insurance companies.
- Services provided by National Centre for Cold Chain Development under Department of Agriculture, Cooperation and Farmer's Welfare, Government of India, by way of knowledge dissemination
 - The threshold exemption to services provided by a performing artist in folk or classical art forms of music, dance or theatre is being enhanced from Rs.1 lakh to ₹1.5 lakh charged per event
 - a) Construction provided to the Government, a local authority or a governmental authority, in respect of construction of govt. schools and hospitals etc.
 - b) Construction of ports and airports

1st
Apr-16

1st
Apr-16

1st
Apr-16

● Effective Date ● Existing Rate ● Proposed Rate

Reduction in Rates

- Rate of service tax on single premium annuity (insurance) policies is being reduced from 3.5% to 1.4% of premium, in cases where the amount allocated for investment or savings on behalf of policy holder is not intimated to the policy holder at the time of providing of service.

1st
Apr-16

3.5%

1.4%

Interest Rates

- Interest rates on delayed payment of duty/tax across all indirect taxes are being rationalized and made uniform at 15%, except in case of service tax collected but not deposited to the exchequer, the rate of interest will be 24% from the date on which the Service Tax payment became due. In case of assesseees, whose value of taxable services in the preceding year/years covered by the notice is less than ₹60 lakh, the rate of interest on delayed payment of Service Tax will be 12%.
- Section 93A of the Finance Act, 1994 is being amended so as to allow rebate by way of notification as well as rules from the date of enactment of bill
- Mutually exclusive levy of excise duty and service tax on Information Technology Software recorded on media "Not for Retail Sale" is being ensured by exempting excise duty on the portion on which service tax is paid

Date of
assent of
the
President

Common Provisions for Excise, Customs and Service Tax

Indirect tax Dispute Resolution Scheme, 2016

- Indirect tax Dispute Resolution Scheme, 2016 is being introduced wherein assessee can file a declaration by paying duty equivalent to 25% of duty, interest and penalty in respect of cases pending before Commissioner (Appeals). In such cases the proceedings against the assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in cases:
 - a) Where prosecution has already been launched
 - b) Involving narcotics & psychotropic substances
 - c) Involving detention under COFEPOSA

Rules will be prescribed for the scheme. Declaration is to be made between 1- Jun-16 to 31-Dec-16.

This scheme is available for customs duty, excise duty as well as service tax.

Amendments in Other Acts

The Central Sales Act, 1956

- Section 3 is being amended so as to insert an explanation that gas distributed through an inter-state common gas pipe-line, a common distribution mode and sold in another state is an inter-state sale/ purchase covered by CST Act.

The Central Road Fund Act, 2000:

- Section 10 is being amended so as to substitute clause (viii) of sub-section (1) therein to provide a formula for redistribution of the cess for different purposes

The Foreign Exchange Management Act, 1999:

- An officer not below the rank of Assistant Director is empowered to recover arrears of penalty under the FEMA 1999 by exercising the powers conferred under the Income-tax Act, 1961.

The Prevention Of Money Laundering Act, 2002 The Smugglers And Foreign Exchange Manipulators (Forfeiture Of Property) Act, 1976 And Narcotics Drugs And Psychotropic Substances Act, 198

- To merge the three Tribunals established under these Acts and to provide that Appellate Tribunal established under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 shall be the appellate Tribunal for hearing the appeals against the orders made under all these three Acts.

Ram Agarwal & Associates (RAMA) is established by the founder partner CA Ram Agarwal and four accomplished Partners / Directors having combined professional experience of almost 50 years in the field of Risk Advisory and Management Assurance, Corporate Finance & Business Advisory and ERP Implementations across varied industries for reputed corporates within India and Overseas.

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- Cost Reduction & Profit Improvement Studies

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Annexures to Budget Book

Annexure-A – Rates of Tax / Thresh-hold Limit for FY 2016 – 17

1. Individual, HUF, AOP or BOI

- ❖ No change in tax slabs, basic tax rate and cess
- ❖ Surcharge for income above Rs.1 crore increased from 12% to 15%
- ❖ Rebate u/s. 87A is being increased from Rs.2,000/- to Rs.5,000/- for resident individual having income not exceeding Rs.5 lakhs.
- ❖ Effective tax rate shall be as under (subject to AMT)

Taxable Income Slab (Rs.)	Tax Rates		
	General	Senior Citizen	Very Senior Citizen
Up to 2,50,000	NIL	NIL	NIL
2,50,001 to 3,00,000	10.30%	NIL	NIL
3,00,001 to 5,00,000	10.30%	10.30%	NIL
5,00,001 to 10,00,000	20.60%	20.60%	20.60%
10,00,001 to 1,00,00,000	30.90%	30.90%	30.90%
1,00,00,001 and above	35.54%	35.54%	35.54%

2. Firm/LLP

- ❖ No change in basic tax rate, surcharge and cess

3. Corporates

Taxable Income Slab (Rs.)	Domestic Company	Foreign Company
Up to 1 Crore	30.90%*	41.20%
1 Crore to 10 Crore	33.06%	42.02%
Above 10 Crore	34.61	43.26%

* If total turnover / Gross Receipts of company for previous year does not exceed Rs.5 crore, rate of income tax shall be 29% plus applicable surcharge and cess.

4. Tax on new domestic company - New sec 115BA

Total income of newly setup domestic companies shall be taxable at 25% subject to following conditions proposed in Budget:

- ❖ Company is setup and registered on or after 01-Mar-16.
- ❖ Company is engaged solely in business of manufacture or production of article or thing.
- ❖ Company has not claimed benefit of additional depreciation, section 10AA, investment allowance, expenditure on income under Part-C of Chapter-VI-A other than provisions of sec. 80JJAA.
- ❖ Option to avail reduced rate is to be furnished in prescribed manner before due date of furnishing of ITR.

Annexures to Budget Book

Annexure-B – Changes Proposed In TDS / TCS Rates for FY 2016 – 17

1. Increase In Threshold Limit (W.E.F. 1st June, 2016)

Section	Heads	Existing Limit (Rs.)	New Limit (Rs.)
192A	Payment of Accumulated balance due to an employee	30,000	50,000
194BB	Winnings from Horse Race	5,000	10,000
194C	Payments to Contractors	Annual limit of 75,000	Annual limit of 1,00,000
194LA	Payment of Compensation on acquisition of certain immovable property	2,00,000	2,50,000
194D	Insurance Commission	20,000	15,000
194G	Commission on sale of lottery tickets	1,000	15,000
194H	Commission or brokerage	5,000	15,000

2. Revision in Rates (W.E.F. 1st June, 2016)

Section	Heads	Existing Rate (%)	New Rate (%)
194DA	Payment in respect of Life Insurance Policy	2%	1%
194EE	Payments in respect of NSS Deposits	20%	10%
194D	Insurance Commission	10%	5%
194G	Commission on sale of lottery tickets	10%	5%
194H	Commission or brokerage	10%	5%

3. Omission of Provisions (W.E.F. 1st June, 2016)

Section	Heads
194K	Income in respect of units
194L	Payment in respect of acquisition of capital asset

Annexures to Budget Book

Annexure-C - Amendments Involving Change In Excise Duty Rates

Sr. No.	Particulars	From	To
	Amendments involving change in the rate of duty		
	Aerated Beverages		
1	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	18%	21%
	Tobacco and Tobacco Products		
2	Cigar and cheroots	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
3	Cigarillos	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
4	Cigarettes of tobacco substitutes	Rs.3375 per thousand	Rs.3755 per thousand
5	Cigarillos of tobacco substitutes	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
6	Others of tobacco substitutes	12.5% or Rs.3375 per thousand, whichever is higher	12.5% or Rs.3755 per thousand, whichever is higher
7	Gutkha, chewing tobacco (including filter khaini) and jarda scented tobacco	70%	81%
8	Unmanufactured tobacco	55%	64%
9	Paper rolled biris [whether handmade or machine made] and other biris [other than handmade biris] However, the effective rate of basic excise duty of Rs.21 per thousand shall remain unchanged.	Rs.30 per thousand	Rs.80 per thousand

Annexures to Budget Book

Annexure-D Other Provisions Involving Changes in Duty Rates of Excise

Sr. No.	Particulars	From	To
	Food processing		
1	Refrigerated containers	12.5%	6%
	Fertilizers		
2	Micronutrients which are covered under Sr. No.1(f) of Schedule 1 Part (A) of the Fertilizer Control Order, 1985 and are manufactured by the manufacturers which are registered under FCO, 1985	12.5%	6%
3	Physical mixture of fertilizers manufactured by Co-operative Societies, holding certificate of manufacture for mixture of fertilizers under the Fertiliser Control Order 1985, made out of chemical fertilizers on which duty of excise has been paid and no credit of duty paid on such chemical fertilizers has been taken under rule 3 of the CENVAT Credit Rules, 2004 and which are intended for supply to the members of such Co-operative Societies	1% [without CENVAT credit] or 6% [with CENVAT credit]	Nil
	Textiles		
4	To increase Tariff Value of readymade garments and made up articles of textiles	30% of retail sale price	60% of retail sale price
5	Branded readymade garments and made up articles of textiles of retail sale price of Rs.1000 or more	Nil [without CENVAT credit] or 6%/12.5% [with CENVAT credit]	2% [without CENVAT credit] or 12.5% [with CENVAT credit]
6	PSF / PFY, manufactured from plastic scrap or plastic waste including waste PET bottles	2% [without CENVAT credit] or 6% [with CENVAT credit]	2% [without CENVAT credit] or 12.5% [with CENVAT credit]
	Footwear		
7	Rubber sheets & resin rubber sheets for soles and heels	12.5%	6%
8	Increase the abatement from retail sale price (RSP) for the purposes of excise duty assessment for all categories of footwear	25%	30%
	Metals		
9	To change excise duty structure on disposable containers made of aluminium foils.	2% [without CENVAT credit] or 6% [with CENVAT credit]	2% [without CENVAT credit] or 12.5% [with CENVAT credit]

Annexures to Budget Book

Sr. No.	Particulars	From	To
	Precious metals & Jewellery		
10	Refined gold bars manufactured from gold dore bar, silver dore bar, gold ore or concentrate, silver ore or concentrate, copper ore or concentrate. Prospectively, the excise duty exemption under the existing area based exemptions on refined gold is being withdrawn.	9%	9.5%
11	Refined silver manufactured from silver ore or concentrate, silver dore bar, or gold dore bar. Prospectively, the excise duty exemption under the existing area based exemptions on refined silver is being withdrawn.	8%	8.5%
12	Articles of Jewellery [excluding silver jewellery, other than studded with diamonds or other precious stones namely, ruby, emerald and sapphire] with a higher threshold exemption upto Rs. 6 crore in a year and eligibility limit of Rs.12 crore, along with simplified compliance procedure.	Nil	1% [without CENVAT credit] or 12.5% [with CENVAT credit]
	Renewable Energy		
13	Unsaturated Polyester Resin (polyester based infusion resin and hand layup resin), Hardeners/Hardener for adhesive resin, Vinyl Ester Adhesive (VEA) and Epoxy Resin used for manufacture of rotor blades and intermediates, parts and sub parts of rotor blades for wind operated electricity generators.	Nil	6%
14	Carbon pultrusion used for manufacture of rotor blades and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators.	12.5%	6%
15	Solar lamp	12.5%	Nil
	Civil Aviation		
16	Aviation Turbine Fuel [ATF] other than for supply to Scheduled Commuter Airlines (SCA) from the Regional Connectivity Scheme airports	8%	14%
	Maintenance, repair and overhaul [MRO] of aircrafts		
17	Tools and tool kits when procured by MROs for maintenance, repair, and overhauling [MRO] of aircraft subject to a certification by the Directorate General of Civil Aviation	Applicable excise duty	Nil
18	To simplify the procedure for availment of exemption from excise duty on parts, testing equipment, tools and tool-kits for maintenance, repair and overhaul of aircraft based on records	-	-

Annexures to Budget Book

Sr. No.	Particulars	From	To
19	To remove the restriction of one year for utilization of duty free parts for maintenance, repair and overhaul of aircraft	-	-
	Electronics & IT hardware		
20	Charger / adapter, battery and wired headsets / speakers for supply to mobile phone manufacturers as original equipment manufacturer	Nil	2% [without CENVAT credit] or 12.5% [with CENVAT credit]
21	Inputs, parts and components, subparts for manufacture of charger / adapter, battery and wired headsets / speakers of mobile phone, subject to actual user condition.	12.5% / Nil	Nil
22	Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets]	12.5%	4% [without CENVAT credit] or 12.5% [with CENVAT credit]
23	Parts and components, subparts for manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets]	12.5%	Nil
	Machinery		
24	Electric motor, shafts, sleeve, chamber, impeller, washer required for the manufacture of centrifugal pump	12.5%	6%
	Automobiles		
25	Specified parts of Electric Vehicles and Hybrid Vehicles	6% Upto 31.03.2016	6% Without time limit
26	Engine for xEV (hybrid electric vehicle)	12.5%	6%
	Miscellaneous		
27	Excise duty on sacks and bags of all plastics is being rationalized at 15%.	12.5%/15%	15%
28	Unconditionally exempt improved cook stoves including smokeless chulhas for burning wood, agrowaste, cowdung, briquettes, and coal	Nil	Nil
29	Disposable sterilized dialyzer and micro barrier of artificial kidney	12.5%	Nil
30	Ready Mix Concrete manufactured at the site of construction for use in construction work at such site	2% [without input tax credit] / 6% [with input tax credit]	Nil

Annexures to Budget Book

Sr. No.	Particulars	From	To
31	Parts of railway or tramway locomotives or rolling stock and railway or tramway track fixtures and fittings, railway safety or traffic control equipment, etc.	12.5%	6%
32	Remnant kerosene, presently available for manufacture of Linear alkyl Benzene [LAB] and heavy alkylate [HA] to N-paraffin. At present, exemption is restricted to manufacturers of LAB and HA.	14%	Nil
33	Clean Energy Cess / Clean Environment Cess on coal, lignite or peat produced or extracted as per traditional and customary rights enjoyed by local tribals without any license or lease in the State of Nagaland	Rs.200 per tonne	Nil
34	To extend Retail Sale Price [RSP] based assessment of excise duty to: a) all goods falling under heading 3401 and 3402 [with abatement rate of 30%], b) aluminium foils of a thickness not exceeding 0.2 mm [with abatement rate of 25%], c) wrist wearable devices (commonly known as 'smart watches') [with abatement rate of 35%], and d) accessories of motor vehicle and certain other specified goods [with abatement rate of 30%].		

Annexures to Budget Book

Annexure-E Changes In Duty Rates Under Customs

Sr. No.	Particulars	Amendments In Duty Rates	
		From	To
	Articles of rubber		
1	Natural latex rubber made balloons falling under specified headings	10%	20%
	Metals		
2	Primary aluminium	5%	7.5%
3	Zinc alloys	5%	7.5%
	Jewellery		
4	Imitation jewellery	10%	15%
	Renewable Energy		
5	Industrial solar water heater	7.5%	10%
	Capital goods and parts thereof		
6	Increase the tariff rate of BCD for 211 specified tariff lines in Chapters 84, 85 and 90	7.5%	10%
	a) The effective rates for 96 specified tariff lines will increase	7.5%	10%
	b) The effective rate for 115 tariff lines will be maintained	7.5%	7.5%

OTHER PROPOSALS INVOLVING CHANGES IN BCD, CVD, SAD AND EXPORT DUTY RATES

Sr. No.	Particulars	BCD/CVD/SAD/ Export Duty	
		From	To
	Export duty		
	Ores and concentrates		
1	Iron ore fines with Fe content below 58%	10%	Nil
2	Iron ore lumps with Fe content below 58%	30%	Nil
3	Chromium ores and concentrates, all sorts	30%	Nil
4	Bauxite (natural), not calcined or calcined	20%	15%
	Basic Customs Duty		
	Food Processing		
1	Cashew nuts in shell	Nil	5%
2	Cold chain including pre-cooling unit, packhouses, sorting and grading lines and ripening chambers	10%	5%
3	Refrigerated containers	10%	5%
	Mineral fuels and Mineral oils		
4	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	2.5% / 10%	2.5%
5	Lignite, whether or not agglomerated, excluding jet	10%	2.5%
6	Peat (including peat litter), whether or not agglomerated	10%	2.5%

Annexures to Budget Book

Sr. No.	Particulars	BCD/CVD/SAD/ Export Duty	
7	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	5% / 10%	5%
8	Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10%	5%
9	Tar distilled from coal, from lignite or from peat and other mineral tars, whether or not dehydrated or partially distilled, including reconstituted tars	10%	5%
10	Oils and other products of the distillation of high temperature coal tar similar products in which the weight of the aromatic constituents exceeds that of the non-aromatic constituents	2.5% / 5% / 10%	2.5%
11	Pitch and pitch coke, obtained from coal tar or from other mineral tars	5% / 10%	5%
Petroleum exploration and production			
12	Goods required for exploration & production of hydrocarbon activities undertaken under Petroleum Exploration Licenses (PEL) or Mining Leases (ML) issued or renewed before 1st April 1999	Applicable BCD and CVD	BCD - Nil CVD - Nil
Chemicals & Petrochemicals			
13	All acyclic hydrocarbons and all cyclic hydrocarbons [other than para-xylene which attracts Nil BCD and styrene which attracts 2% BCD]	5% / 2.5%	2.5%
14	Denatured ethyl alcohol (Ethanol) subject to actual user condition	5%	2.5%
15	Orthoxylene for the manufacture of phthalic anhydride subject to actual user condition	SAD - 4%	SAD - 2%
16	Electrolysers, membranes and their parts required by caustic soda / potash unit using membrane cell technology	2.5%	Nil
Paper, Paperboard and newsprint			
17	Wood in chips or particles for manufacture of paper, paperboard and news print	5%	Nil
18	Plans, drawings and designs	Nil	10%
Textiles			
19	Specified fibres and yarns	5%	2.5%
20	Specified fabrics [for manufacture of textile garments for export] of value equivalent to 1% of FOB value of exports in the preceding financial year subject to the specified conditions. The entitlement for the month of March 2016 shall be one twelfth of 1% of the FOB value of exports in the financial year 2014-15.	Applicable BCD	Nil
Electronics / Hardware			
21	Polypropylene granules / resins for the manufacture of capacitor grade plastic films	7.5%	Nil
22	E-Readers	Nil	7.5%
23	Parts of E-readers	Applicable BCD	5%
24	Magnetron of capacity of 1 KW to 1.5 KW for use in manufacture of domestic microwave ovens subject to actual user condition.	10%	Nil

Annexures to Budget Book

Sr. No.	Particulars	BCD/CVD/SAD/ Export Duty	
25	Machinery, electrical equipment and instrument and parts thereof (except populated PCBs) for semiconductor wafer fabrication / LCD fabrication units	Applicable BCD SAD	Nil BCD Nil SAD
26	Machinery, electrical equipment and instrument and parts thereof (except populated PCBs) imported for Assembly, Test, Marking and Packaging of semiconductor chips (ATMP)	Applicable BCD SAD	Nil BCD Nil SAD
27	The exemption from basic customs duty, CV duty, SAD on charger / adapter, battery and wired headsets / speakers for manufacture of mobile phone being withdrawn	BCD- Nil CVD - Nil SAD - Nil	Applicable BCD CVD - 12.5% SAD - 4%
28	Inputs, parts and components, subparts for manufacture of charger / adapter, battery and wired headsets / speakers of mobile phones, subject to actual user condition	Applicable BCD, CVD SAD	Nil BCD Nil CVD Nil SAD
29	Parts and components, subparts for manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets]	Applicable BCD, CVD SAD	Nil BCD Nil CVD Nil SAD
30	Magnetic - Heads (all types), Ceramic / Magnetic cartridges and stylus, Antennas, EHT cables, Level meters/level indicators/tuning indicators/ peak level meters/ battery meter/VC meters / Tape counters, Tone arms, Electron guns	Nil BCD	Applicable BCD
31	To exclude specified telecommunication equipment [Soft switches and Voice over Internet Protocol (VoIP) equipment namely VoIP phones, media gateways, gateway controllers and session border controllers, Optical Transport equipment; combination of one / more of Packet Optical Transport Product/Switch (POTP/POTS), Optical Transport Network(OTN) products, and IP Radios, Carrier Ethernet Switch, Packet Transport Node (PTN) products, Multiprotocol Label Switching-Transport Profile (MPLS-TP) products, Multiple Input / Multiple Output (MIMO) and Long Term Evolution (LTE) Products on which 10% BCD was imposed in 2014-15 Budget being non-ITA I bound] from the purview of the other exemption.	Nil BCD	10%
32	Preform of silica for manufacture of telecom grade optical fibre /cables	Nil	10%
33	Specified capital goods & inputs for use in manufacture of Micro fuses, Sub-miniature fuses, Resettable fuses and Thermal fuses	Applicable BCD	Nil
34	Neodymium Magnet (before Magnetization) and Magnet Resin (Strontium Ferrite compound/before formed, before magnetization) for manufacture of BLDC motors, subject to actual user condition	Applicable BCD	2.5%
35	Populated PCBs for manufacture of personal computers (laptop or desktop)	Nil SAD	4% SAD
36	Populated PCBs for manufacture of mobile phone/tablet computer	Nil SAD	2% SAD

Annexures to Budget Book

Sr. No.	Particulars	BCD/CVD/SAD/ Export Duty	
	Metals, glass and ceramics		
37	Silica sand	5%	2.5%
38	Brass scrap	5%	2.5%
39	Other aluminium products	7.5%	10%
	Jewellery		
40	Gold dore bars.	8% CVD	8.75% CVD
41	Silver dore.	7% CVD	7.75% CVD
	Automobiles		
42	Golf cars	10%	60%
43	Specified parts of electric and hybrid vehicles	BCD-Nil CVD – 6% Upto 31.03.2016	BCD-Nil CVD – 6% Without time limit
44	Aluminium Oxide for use in the manufacture of Wash Coat, which is used in the manufacture of catalytic converters, subject to actual user condition	7.5%	5%
45	Engine for xEV (hybrid electric vehicle)	Applicable BCD and CVD	Nil BCD 6% CVD
	Capital Goods		
46	Specified machinery required for construction of roads	CVD – Nil	CVD – 12.5%
	Defence Production		
47	Direct imports of specified goods by Government of India or State Governments, with effect from 01.4.2016	BCD Nil CVD – Nil SAD – Nil	Applicable BCD, CVD and SAD
48	Imports of specified goods for defence purposes by contractors of the Government of India, PSUs or sub-contractors of PSUs, with effect from 01.4.2016	BCD Nil Applicable CVD and SAD	Applicable BCD, CVD and SAD
	Maintenance, repair and overhaul [MRO] of aircrafts		
49	Tools and tool kits when imported by MROs for maintenance, repair, and overhauling [MRO] of aircraft subject to a certification by the Directorate General of Civil Aviation	Applicable BCD, CVD and SAD	Nil BCD Nil CVD Nil SAD
50	Simplify the procedure for availment of exemption from customs duties on parts, testing equipment, tools and tool-kits for maintenance, repair and overhaul of aircraft based on records and subject to actual user condition	-	-
51	Remove the restriction of one year for utilization of duty free parts for maintenance, repair and overhaul of aircraft	-	-

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Sr. No.	Particulars	BCD/CVD/SAD/ Export Duty	
52	Further relax the existing conditions of stay [upto 60 days], so as to provide for stay up to 6 months of the foreign aircraft for maintenance, repair or overhauling, and provide for further extension of such period by DGCA as deemed fit	-	-
	Ship Repair Units		
53	Capital goods and spare thereof, raw materials, parts, material handling equipment and consumable for repairs of ocean-going vessels by a ship repair unit subject to actual user condition.	Applicable excise duty	Nil
54	Simplify the procedure for availment of exemption from Basic Customs Duty, CVD and SAD by ship repair units based on records and subject to actual user condition	-	-
	Miscellaneous		
55	Braille paper	10%	Nil
56	Disposable sterilized dialyzer and micro barrier of artificial kidney	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD
57	Solar tempered glass / solar tempered (anti-reflective coated) glass, subject to actual user condition	Nil	5%
58	Medical Use Fission Molybdenum-99 imported by Board of Radiation and Isotope Technology (BRIT) for manufacture of radio pharmaceuticals	7.5%	Nil
59	Pulp of wood for manufacture of sanitary pads, napkins & tampons	5%	2.5%
60	Super Absorbent Polymer when used for the manufacture of sanitary pads, napkins & tampons	7.5%	5%
61	Merge the exemptions from customs duties on specified goods imported for petroleum exploration under various types of licenses or mining leases, pre-NELP contracts, NELP contracts, Marginal Fields Policy and Coal Bed Methane Policy into a single exemption with a unified list of specified goods and conditions	Nil BCD Nil CVD Nil SAD	Nil BCD Nil CVD Nil SAD
62	Specified goods required for exploration & production of hydrocarbon activities undertaken under Petroleum Exploration Licenses (PEL) or Mining Leases (ML) issued or renewed before 1st April 1999	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD
63	Prescribe actual user condition for imports of Phosphoric Acid and Anhydrous Ammonia at concessional BCD/CVD for manufacture of Fertilizers	-	-
64	Prescribe actual user condition for imports of LCD/LED/OLED Panels imported at Nil BCD for manufacture of LCD/LED/OLED TVs	-	-
65	“Foreign Satellite data” on storage media when imported by National Remote Sensing Centre (NRSC), Hyderabad	Applicable BCD, CVD, SAD	Nil BCD, CVD, SAD