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INDIA BUDGET – 2016

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FOREWORD

Union Budget 2016 paves way for rebalancing of wealth towards the farm & rural class. This would lay strong foundation for long-term sustainable growth of India (Bharat). The Honourable Finance Minister has refrained from big bang announcements but focused on setting the house in order through fiscal discipline and thrust on governance that will have a long term sustainable impact including balanced growth in the country. One major change we see over the last budget is that this budget focuses on growth through increased domestic consumption along with increased investments in Road sector, a prudent decision given the global slowdown and lack of domestic demand.

This budget marked a strategic shift by addressing the agriculture, farming and social sector. The theme of the budget, apart from focusing on sustainable growth and fiscal prudence, set on social reforms as evident from the fact that four out of the nine pillars announced by the FM in budget directly address this.

The fiscal deficit target of 3.5% is a step in direction of attaining the target of fiscal deficit of 3% in FY2017-18 announced in the last budget. This will help the Bond markets as well as help India to maintain and improve its credit rating. There are questions being raised on the achievement of the fiscal target given the additional burden on account of the recommendations of the 7th Central Pay Commission and the implementation of Defence OROP in addition to reduction of Central share of taxes to 58% from 68%. However, the Government's resolve on fiscal discipline is evident especially after meeting the fiscal deficit target of 3.9% in FY2015-16.

The total expenditure in the budget has been projected at ₹ 19.78 lakh crore (₹ 5.5 lakh crore of plan and ₹ 14.28 lakh crore of non-planned). The increase in plan expenditure is to the tune of 15.3% with priority to provide additional resources for vulnerable sections, rural areas and social / infrastructure creation.

For rural development the FM increased the allocation to the Ministry of Rural Development by more than 10% to ₹ 87,765 crore. He has continued his support to MGNREGS and has allocated a sum of ₹ 38,500 crore, highest ever to the scheme. The FM has reiterated the Government's commitment to 100% electrification of Indian villages and set 01-May-2018 as deadline for it.

The budgetary allocation to the social sector including education and healthcare increased by over 8.5% to ₹ 1.51 lakh crore. Key proposals announced in social sector include new health protection scheme for poor and economically weak families and to also promote entrepreneurship among ST/SC and women.

The reeling real estate sector had few things to cheer. The FM announced measures to promote affordable housing that include, 100% deduction for profits in affordable housing projects, provided for exemption from service tax on construction of affordable houses, elimination of double taxation in case of REIT's are big welcome moves.

Furthering the thrust on infrastructure and energy the FM announced an allocation of ₹ 2.46 lakh crore, a 36% increase over last FY. The focus on Road sector was also enhanced.

On the FDI front, the FM announced further liberalisation by increased FDI limits in sectors / businesses such as insurance and pension (49%), ARCs (100%), stock exchanges (15%), marketing of food produces manufactured in India (100%) and CPSE (except listed PSB) (49%). FDI to be allowed in NBFC activities beyond the notified 18 activities.

The FM also announced measures to deepen the corporate bond market key proposals being setting up of dedicated infrastructure fund by LIC of India and allowing FPIs to invest in unlisted debt securities and pass through securities.

The FM's announcement of ₹ 25,000 crore for recapitalisation fund of PSB failed to meet the expectations of the market which was expecting atleast ₹ 35,000 crores given the amount of NPAs provided this year.

Keeping up with the promise of reduction in corporate taxes in last budget the FM has initiated the process by announcing that new manufacturing company set-up on or after 01-Mar-2016 will have an option to be taxed at 25% (plus applicable surcharges & cess) and reducing tax rate for small enterprises (annual turnover less than ₹ 5 crore in FY2015-16) to 29% (plus applicable surcharges & cess). Phase removal of incentives, also makes the intention of the FM clear on his move towards 25% of tax rate for corporates.

To widen the tax base the presumptive taxation provision has been liberalised to higher thresholds to cover businesses upto ₹ 2 crore turnover and in case of professionals with receipts of upto ₹ 50 lakh.

With regards to individual taxation, the theme of taxing the people who can pay was evident. The Government has introduced infrastructure cess on vehicles (1% to 4% depending upon type, engine capacity and size of the car), additional 10% dividend tax to be levied in hands of an individual shareholder who receive dividend in excess of ₹ 10 lakh in year and increase in surcharge from 12% to 15% on person having income of more than ₹ 1 crore.

The intent to fulfil the election promise on curbing 'Black Money' saw a limited compliance window of 4 months being proposed with a total of 45% tax levy on the undisclosed income.

Though the budget has not provided corporate sector (especially for promoting private investments) a lot to cheer, but it is visionary from long term and inclusive growth perspective, while maintaining the fiscal discipline. In hindsight the corporate sector & financial/business community should find this a rare occasion to feel happy without getting much directly. However, all eyes would be now on successful implementation of the grand vision.

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BUDGET HIGHLIGHTS

Economy

- Growth of Economy accelerated to 7.6% in FY 2015-16. India hailed as a bright spot amidst a slowing global economy by IMF. Robust growth achieved despite unfavourable global conditions
- Foreign exchange reserves at highest ever level of US$350 billion
- Fiscal deficit in RE2015-16 and BE2016-17 retained at 3.9% and 3.5%.
- Revenue deficit targeted from 2.8% to 2.5% in RE2015-16
- Total expenditure projected at ₹ 19.78 lakh crore; plan expenditure at ₹ 5.50 lakh crore, increase of 15.3%, and non-plan expenditure at ₹ 14.28 lakh crore
- Special emphasis to sectors such as agriculture, irrigation, infrastructure, social sector including health, women and child development, welfare of SC/ST, minorities, employment generation and recapitalization of the public sector banks
- Mobilization of additional finances to the extent of ₹ 31,300 crore by NHAI, PFC, REC, IREDA, NABARD and IWA by raising Bonds

Budgetary Allocation

- ₹ 35,984 crore for Agriculture and Farmer's Welfare
- ₹ 20,000 crore for dedicated Long-Term Irrigation fund
- ₹ 6,000 crore for management of ground water resources
- ₹ 97,000 crore for investment in the Road sector including PMGSY allocation of ₹ 19,000 crore
- ₹ 15,000 crore provision made in the BE2016-17 for reducing the burden of loan repayment on farmers
- ₹ 5,500 crore under Prime Minister Fasal Bima Yojana
- ₹ 850 crore for 4 dairy projects
- ₹ 87,765 crore for Rural sector
- ₹ 287,000 crore to be given as Grant in aid to Gram Panchayats/ Municipalities
- ₹ 38,500 crore for MGNREGS
- ₹ 655 crore for Rashtriya Gram Swaraj Abhiyan
- ₹ 151,581 crore for social sector incl. education and health care
- ₹ 2,000 crore to provide LPG connections to BPL families
- ₹ 100 crore each for celebrating Birth Centenary of Pandit Deen Dayal Upadhyay and 350th Birth Anniversary of Guru Gobind Singh

- ₹ 1,000 crore for capital base for set up of Higher Education Financing Agency
- ₹ 1,804 crore for Skill Development.
- ₹ 1,000 crore for Govt. contribution of 8.33% for new employees enrolling in EPFO for first 3 years of employment.
- ₹ 2,21,246 crore being the Total outlay for infrastructure
- ₹ 25,000 crore for recapitalization of Public Sector Banks
- ₹ 1,80,000 crore sanctioned under Pradhan Mantri Mudra Yojana
- ₹ 900 crore for Price Stabilastion Fund to help maintain stable prices of pulses.

Direct Tax

- No Change in personal tax slabs
- Tax rebate to be raised from ₹ 2,000/- to ₹ 5,000/- for individuals with income upto ₹ 5 lakhs
- Limit of deduction for rent paid to increase to ₹ 60,000/-
- Turnover limit under Presumptive taxation scheme to be increased to ₹ 2 crore (profit deemed at 8%) and for Professionals with gross receipts upto ₹ 50 lakh (profit deemed at 50%)
- Accelerated depreciation will be limited to 40% from 01-Apr-2017
- Sec 10AA benefits to new SEZ units will be available to those units which commence activity before 31-Mar-2020
- New manufacturing companies incorporated on or after 01-Mar-2016 to be given an option for tax at 25% + surcharge and cess subject to certain conditions
- Corporate tax rate for FY 2016-17 for companies (turnover not exceeding ₹ 5 crores in FY 2015-16) to be 29% plus surcharge and cess.
- 100% deduction of profits for 3 out of 5 years for startups setup during April-2016 to March-2019. MAT will apply in such cases
- 10% rate of tax on income from worldwide exploitation of patents developed and registered in India by a resident
- Determination of residency of foreign company on basis of POEM is proposed to be deferred by one year
- Deduction for additional interest of ₹ 50,000 per annum for loans up to ₹ 35 lakh sanctioned in 2016-17 for first time home buyers
- Additional tax at rate of 10% in case of dividend received in excess of ₹ 10 lakh in a year will be payable by recipients (Individuals, HUF)
- Surcharge to be raised from 12% to 15% on persons, other than companies, firms & cooperative societies having taxable income above ₹ 1 crore

- TDS at the rate of 1% on purchase of luxury cars exceeding value of ₹ 10 lakhs and purchase of goods and services in cash exceeding ₹ 2 lakhs
- Income declaration scheme, 2016 proposed with limited window of 4 months and tax, surcharge and penalty at 45% for undeclared income
- Penalty rates to be 50% of tax in case of underreporting of income and 200% of tax where there is misreporting of facts.
- Higher TDS not to apply for non-residents providing alternative documents to PAN Card.
- Holding period for shares of unlisted companies brought down to 2 years for the capital gains to be considered Long term in nature

Goods and Service Tax

- Passing remarks of Finance Minister that Government shall endeavor to ensure the passage of Constitutional Amendments to enable implementation of Goods and Services Tax.

Make In India

- Changes in Customs and Excise duty rates on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like IT, capital goods, defense production, textiles, mineral fuels & oils, chemicals & petrochemicals, paper, paperboard & newsprint, maintenance repair and overhauling of aircrafts and ship repair

Customs

- General BCD rates remain unchanged
- Provisions related to Warehouse amended and new concept – "Special Warehouse" introduced for certain specified class of goods to be stored under permission and restriction of proper office
- CVD exempted on imported media with recorded information technology software on so much value which is leviable to service tax
- Introduced enabling provisions for deferred payment facility of duty or any charges for certain class of importers and exporters
- Customs Single Window Project to be implemented at major ports and airports starting from beginning of next financial year

Central Excise

- Excise duty rates remain unchanged
- Interest payable from due date of tax liability on difference between amount payable under provisional assessment and final assessment

- 13 cesses levied under different enactments are proposed to be abolished
- Excise duty exemption on concrete mix manufactured at site for use in construction work extended to ready mix concrete
- Excise on branded readymade garments and made up articles of textiles with retail price of ₹ 1,000 or more raised to 2% without input tax credit or 12.5% with input tax credit

Service Tax

- Krishi Kalyan Cess of 0.5% on all or any taxable services from 01-Jun-2016 to finance and promote initiatives to improve agriculture thus increasing effective service tax rate to 15%
- Assignment of right to use spectrum and its transfers has been considered as declared service subjected to service tax and not to be considered as sale of intangible goods.
- Earlier exemption now withdrawn for senior advocates
- Services to be omitted from the negative list includes services by way of transportation of goods by an aircraft or a vessel from a place outside India to customs station of clearance on India.
- Special provision for restoration of exemption till 30-Mar-2020, in respect of taxable services provided to the government for construction of civil structures (for educational / clinical use), airports etc. under a contract entered before 01-Mar-2015.

CENVAT

- Rule 6 amended and rationalized. Primarily, only CENVAT credit on common inputs / input services are to be considered for purpose of proportionate reversals
- Input Service Distributor definition amended to include an outsourced manufacturing unit

Miscellaneous

- Clean Environment Cess increased from ₹ 300/tonne to ₹ 400/tonne on coal, lignite and peat
- Infrastructure Cess upto 4% on specified motor vehicles
- Introduction of Indirect tax Dispute Resolution Scheme, 2016 wherein cases pending before Commissioner (Appeals) is being closed by paying appropriate tax, interest and penalty

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ECONOMIC OUTLOOK

An Overview:

The global macro-economic landscape is currently chartering a rough and uncertain terrain characterized by weak growth of world output. The situation has been exacerbated by declining prices of a number of commodities, with reduction in crude oil prices being the most visible of them, turbulent financial markets (more so equity markets), and volatile exchange rates. These conditions reflect extreme risk-aversion behaviour of global investors, thus putting many, and in particular, commodities exporting economies under considerable stress. Even in these trying and uncertain circumstances, India's growth story has largely remained positive on the strength of domestic absorption, and the country has registered a robust and steady pace of economic growth in 2015-16 as it did in 2014-15. Additionally, its other macro-economic parameters like inflation, fiscal deficit and current account balance have exhibited distinct signs of improvement.

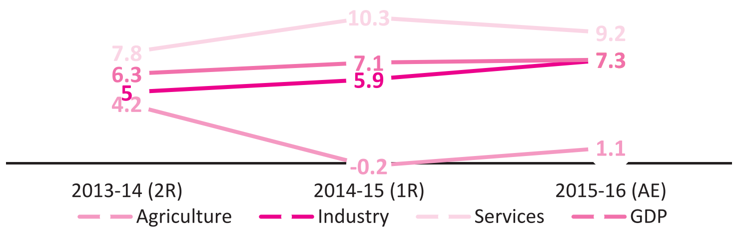
Wholesale price inflation has been in negative territory for more than a year and the all-important consumer prices inflation has declined to nearly half of what it was a few years ago. However, weak growth in advanced and emerging economies has taken its toll on India's exports. As imports have also declined, principally on account of reduced prices of crude oil for which the country is heavily dependent on imports, trade and current account deficits continue to be moderate. Growth in agriculture has slackened due to two successive years of less than normal monsoon. Saving and investment rates are showing hardly any signs of revival. The rupee has depreciated vis-à-vis the US$, like most other currencies in the world, although less so in magnitude. At the same time, it has appreciated against a number of other major currencies.

Given the fact that the government is committed to carrying the reform process forward, aided by the prevailing macro-economic stability, it appears that conditions do exist for raising the economy's growth momentum and achieving growth rates of 8% or higher in the next couple of years. At the same time, growth in 2016-17 may not pick up dramatically from the levels achieved in 2015-16 as the possibility of slow global economic growth and financial sector uncertainties still loom large. Given the prevalent overall macro-economic scenario, and assuming a normal level of rains in 2016-17, it would not be unreasonable to conclude that the Indian economy is all set to register growth in excess of 7% for the third year in succession. India should adopt a three-pronged strategy to achieve its long-term potential growth rate of around 8-10% by promoting competition and investing in health and education, while not neglecting agriculture.

Economic growth rate:

Despite global headwinds and a truant monsoon, India registered robust growth of 7.2% in 2014-15 and likely to achieve 7.6% in 2015-16. As per the estimates of IMF, global growth averaged 3.1% in 2015, declining from 3.4% registered in 2014. While growth in advanced economies has improved modestly since 2013, the emerging economies have witnessed a consistently declining trend in growth rate since 2010. It is against this background that the recent Indian growth story appears to be bright.

GROWTH IN GDP AND MAJOR SECTORS



Contribution of sectors to Gross Value Added (GVA)

Services contributed 51% to GVA in 2014-15, Industry contributed 32% and balance 17% contributed by Agriculture.

Final expenditures	**Growth (%)**		
Components to real GDP growth	**2013-14**	**2014-15**	**2015-16 (AE)**
Private final consumption	6.8	6.2	7.6
Government final consumption	0.4	12.8	3.3
Fixed capital formation	3.4	4.9	5.3
Change in stock	(18.6)	20.3	5.5
Valuables	(42.2)	15.4	13.3
Net exports	70.0	11.7	6.1
GDP at constant market prices	6.6	7.2	7.6
Investment to GDP ratio (%)	**2012-13**	**2013-14**	**2014-15**
Capital formation rate	38.6	34.7	34.2
Savings rate	33.8	33.0	33.0
Savings Investment gap	(4.8)	(1.7)	(1.2)
Net capital inflows	4.8	1.7	1.2

Per Capita Income	2013-14	2014-15	2015-16 (AE)
At constant market prices (₹)	68,913	72,910	77,431
Growth (%)	4.9%	5.8%	6.2%

Public Finance

The General Budget 2015, post Fourteenth Finance Commission (FFC) recommendations, ushered in a new era of 'co-operative federalism with shared responsibilities' between the centre and the states, and among the states for achieving development goals together. It was presented in a relatively stable economic environment as compared to the just preceding years but the challenge was to ensure the delicate equilibrium between the concerns of stirring growth, accommodating the resources transfer that greater fiscal federalism entailed and ensuring fiscal consolidation. The equilibrium was sought through a higher capital expenditure, higher net resource transfers to states and higher gross tax revenues.

The Budget 2015 sought to contain the fiscal deficit at ₹ 5.56 lakh crore (3.9% of GDP) as against ₹ 5.13 lakh crore (4.1% of GDP) in RE2014-15. The desired fiscal consolidation was planned to be achieved by an estimated growth of 15.8% in Gross Tax Revenue over RE2014-15. The overall non-debt receipts for FY 2015-16 were estimated to be ₹ 12.2 lakh crore against the total expenditure of ₹ 17.77 lakh crore which was 5.7% higher than RE2014-15.

The benign fiscal outcome in FY2015-16 owed to improved tax buoyancy and prudent expenditure management with assistance from the decline in oil prices. The robust growth in GTR in the first three quarters of FY 2015-16 was aided by 34.8% growth in indirect taxes, with union excise duties growing by about 68%. The trends in expenditure in the first nine months of the current year are encouraging and 33.5% increase in capital expenditure, mainly led by plan expenditure, was very much in line with the budgetary objective for ensuring improved quality of expenditure. Given the pattern of revenue and expenditure in the first nine months of current FY in spite of the challenges posed by the lower-than-projected nominal GDP growth, the fiscal deficit target of 3.9% of GDP is achievable.

Price and Monetary Management

The year 2015-16 continues to experience moderation in general price levels in the country. The substantial decline in price of the Indian basket of crude oil, through its direct and second round effects, partly contributed to the decline in general inflation for the second successive year. Further, the astute policies and management of inflation by the government through buffer stocking, timely release of cereals and import of pulses and moderate increase in Minimum

Support Prices (MSP) of agricultural commodities helped in keeping prices of essential commodities under check during 2015-16. Headline inflation, based on the Consumer Price Index (CPI) (combined for rural and urban areas) series, dipped to 4.9% during Apr-2015 to Jan-2016.

During the period Apr-2015 to Jan-2016

- Food inflation in terms of Consumer Food Price Index (CFPI) declined to 4.8%
- CPI-based core (non-food, non-fuel) inflation remained range-bound, inching marginally up to 4.7% in January-2016.
- Headline wholesale price index (WPI) inflation declined following the global trend of declining commodity and producers' prices. WPI inflation remained in the negative territory since November 2014 and was (2.8%) as compared to 2.0% in 2014- 15.
- WPI inflation in fuel and power group declined significantly and was (12.3%).
- Decline in global commodity prices resulted in drop in WPI based core inflation to (1.5%).
- WPI-based food inflation continues to remain moderate at 2.2%, despite the below average monsoon this year and the sporadic spurt in the prices of pulses and a few other essential commodities in the second half of the year.

Balance of Payment

Despite decline in merchandise exports during the H1of 2015-16, India's BoP position remained comfortable. Some of salient external sector developments are lower trade deficit and modest growth in invisibles resulted in lower Current Account Deficit (CAD), continued increase in Foreign Direct Investment (FDI) inflows and Non-Resident Indian (NRI) deposits and net outflow of portfolio investments.

Trade deficit (on BoP basis) declined from US$74.7 billion in H1 of 2014-15 to US$71.6 billion in H1 of 2015- 16. The surplus of net invisibles increased by around US$1 billion to US$57.2 billion in the first half of 2015- 16 resulted in a lower CAD of US$ 14.4 billion (1.4% of GDP) in the same period.

Foreign Exchange Reserves

India's foreign exchange reserves was US$351.5 billion as on 05-Feb-2016. With an increase in reserves, all traditional reserve-based external sector vulnerability indicators, namely foreign exchange cover for imports and short-term debt, have improved.

External Debt

As per the latest available data, India's external debt stock increased by US$8.0 billion (1.7 %) to US$483.2 billion at end Sep-2015 over end Mar-2015. This rise in external debt occurred on account of long-term debt, particularly commercial borrowings and NRI deposits. The maturity pattern of India's external debt shows the predominance of long-term borrowings. At end Sep-2015, long-term debt accounted for 82.2% of India's total external debt, vis-à-vis 82.0% at end of Mar-2015. India's external debt has remained in safe limits, with an external debt to GDP ratio of 23.7% and a debt service ratio of 7.5% in 2014-15.

Sectoral Developments

Agriculture

The contribution of agriculture and allied sectors to the GVA (at 2011-12 prices) of the country has been declining. The growth rates in agriculture have been fluctuating at 1.5% in 2012-13, 4.2% in 2013-14, (0.2%) in 2014-15 and a likely growth of 1.1% in 2015-16. The uncertainties in growth in agriculture are explained by the fact that 60% of agriculture in India is rainfall dependent and there have been two consecutive years of less than normal rainfall.

As per the Second AE 2015-16 released on 15-Feb-2016, food grains production during 2015-16, estimated at 253.16 million tonnes, is expected to be higher by 1.14 million tonnes over the production of 252.02 million tonnes during 2014-15.

Industrial, Corporate and Infrastructure

The industrial sector has continued to perform well in the wake of various reforms measures undertaken by the government recently. As per the data on RE of national income, the growth of industrial sector comprising mining and quarrying, manufacturing, electricity, gas, water supply and other utility services and construction is 5.9% during 2014-15, as against 5.0% during 2013-14. The growth is expected to strengthen further to 7.3% for 2015-16 as per the AE released by the CSO recently.

The performance of the corporate sector highlighted that the growth of sales has been contracting since Q3 of 2014-15. Similarly, the last four successive quarters since Q3 of 2014-15, witnessed a steep contraction in raw material costs. Net profit grew by 19.8% in Q2 of 2015-16, after a contraction in three successive quarters. Growth in credit flow to the industrial sector, including mining and manufacturing, has slowed down in 2015-16 as compared to 2014-15. Growth of credit flow to the manufacturing sector was 2.5% in 2015-16 (up to December) as compared 13.2% in 2014-15 (up to December).

Services

The services sector has emerged as the most dynamic sector globally and remains the key driver of India's economic growth. Services sector growth in India accelerated to 10.3% in 2014-15 from 7.8% in the previous year, on account of higher growth in services sub-sectors like trade, repair, hotels & restaurants (10.7%), financial services (7.9%), public administration and defence (9.8%), and other services (11.4%). In AE 2015-16, the services sector registered a growth of 9.2% (constant prices), mainly due to the lower growth of 6.9% in public administration, defence and other services vis-à-vis 10.7% growth achieved in 2014-15.

Economic Outlook

The Indian economy has made substantial improvements in its macro-economic fundamentals and impressive strides in reducing macro-vulnerability with pursuit of fiscal prudence and consolidation, focus on price stability and the resultant benign price situation and comfortable level of external current account. Set against the background of the unsupportive global economic landscape, and back-to-back weak monsoons with deleterious effects on farm production, the growth rate of 7.6% in 2015-16 as estimated by the CSO is encouraging. In sharp contrast, the global economy, shrouded in uncertainties and constrained by sluggish demand, has failed to generate confidence. While the emerging market economies have clearly slowed down, the large Chinese economy is faced with concerns of rebalancing investment and consumption activities. In this milieu, the Indian economy stands out as a haven of macro-economic stability, resilience and optimism and can be expected to register GDP growth that could be in range of 7.0% to 7.75% in coming year.

With focus on reforms in key sectors coupled with stable macro-economic conditions, above growth prospect for the economy in next year appears reasonable. Yet, the outlook will be conditioned by a number of factors; some of which indicate downside risks; the strongest of them being weak global demand.

In 2015-16, the external vulnerability indicators improved and rupee weathered the depreciation pressure better than the currencies of most emerging market economies. Improved competitiveness and brighter perceptions about the Indian economy get reflected in greater investment inflows.

From the angle of aggregate demand, domestic absorption has remained reasonably strong, despite reduction in overall investment. Private consumption has, of late, been the major driver of growth. The possible shifts on the consumption front in the next year are:

first, consumption incentives flowing from declining oil prices may partially recede in the next year; second, the pay commission awards could potentially add modestly to consumption demand; third, an improved farm sector performance can add to rural consumption. However, it may be hard to endlessly expect significantly higher growth impetus from consumption. Government's focus on fiscal consolidation rightly limits the option of raising general government consumption expenditure. Private corporate savings and investment showed encouraging results in 2014-15; but the eventual outcome may also be influenced by indications of excess capacity in some sectors. However, with multifaceted measures from the government to foster industry and enterprise, investment-led growth should return and the economy could continue weathering the global sluggishness with resilience and consolidate the gains in macro- economic stability in the year ahead.

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DIRECT TAX PROPOSALS

(Unless specified, proposals shall take effect from AY 2017-18)

Rates of Tax / Thresh-hold Limit

a. Individual, HUF, AOP or BOI

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

Taxable Income Slab (₹)	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%

b. Firm/LLP

- No change in basic tax rate, surcharge and cess

c. Corporates

Taxable Income Slab (₹)	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 or gross receipt, of company, in P.Y. does not exceed ₹ 5 crore, the rate of Income Tax shall be 29% plus applicable surcharge and cess.*

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

Tax payable on total income of newly setup domestic companies shall be computed @25% subject to following conditions:

- Company has been setup and registered on or after 01-Mar-2016
- 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

scientific research and any deduction in respect of certain income under Part-C of Chapter-VI-A other than provisions of sec 80JJAA (relating to job creation)

- Option to avail reduced rate is to be furnished in prescribed manner before due date of furnishing of ITR

e. Dividend Distribution Tax (DDT)

- No change in basic tax rate, surcharge and cess

f. Advance Tax

Surcharge (as below) is payable at the time of payment of Advance Tax

Taxable Income (₹)	Individual/ HUF/AOP/ BOI/Artificial Juridical person	Co-operative society/ Firm/ Local Authority	Domestic Company	Foreign Company
Up to 1 Crore	No Surcharge	No Surcharge	No Surcharge	No Surcharge
> 1 Crore to 10 Crore	Surcharge @15%	Surcharge @12%	Surcharge @7%	Surcharge @2%
> 10 Crore	Surcharge @15%	Surcharge @12%	Surcharge @12%	Surcharge @5%

g. Revision in Threshold limit for deduction of TDS (w.e.f. 01-Jun-2016)

Section	Heads	Existing Threshold Limit (₹)	Proposed Threshold Limit (₹)
192A	Withdrawal from EPF	> 30,000	> 50,000
194BB	Winning from Horse races	> 5,000	> 10,000
194C	Payment to contractors	> 75,000	> 1,00,000
194LA	Payment of compensation on compulsory acquisition of immovable property (other than agricultural land)	> 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

h. Revision in TDS Rates for deduction (w.e.f. 01-Jun-2016)

Section	Heads	Existing Rates (%)	Proposed Rates (%)
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%
194K	Income in respect of Units	10%	Omitted
194L	Payment of Compensation on acquisition of Capital Asset	10%	Omitted

i. TDS under Chapter XVII-B including surcharge in certain cases

- Increase in surcharge by 3% in case of Non-resident person
- Accordingly, amount of tax deducted under Chapter XVII-B shall be increased by a surcharge in following cases:

Taxable Income Slab (₹)	**Non-resident person (other than company)**	**Foreign Company**
Upto 1 Crore	No Surcharge	No Surcharge
> 1 Crore to 10 Crore	Surcharge @15%	Surcharge @2%
> 10 Crore	Surcharge @15%	Surcharge @5%

j. Enabling of filing of form 15G/15H for rental payments

Recipient of rental payments covered under sec 194I can also furnish form 15G/15H certificates for non-deduction of TDS if tax on estimated total income of the relevant previous year would be nil, subject to certain conditions.

k. Amendments relating to TCS provisions (w.e.f. 01-Jun-2016)

- Tax will now required to be collected by seller of goods & services in following cases

Nature of Goods	Rate (%)	Mode of receipt	New Threshold (₹)
Sale of any goods (other than bullion and Jewellery) and services*	1%	Cash	2,00,000
Sale of Bullion	1%	Cash	2,00,000
Sale of Jewellery	1%	Cash	5,00,000
Sale of Motor Vehicles	1%	Any Mode	10,00,000

*Excluding services on which tax is deducted at source.

- TCS in relation to sale of any goods (other than bullion and Jewellery) or services shall not apply to certain class of buyers who fulfill such conditions as may be prescribed.

l. Securities Transaction Tax (STT) (w.e.f. 01-Jun-2016)

Securities Transaction Tax on sale of an option in securities, where option is not exercised, is increased from 0.017% to 0.05%.

m. Taxability of Dividends u/s. 115BBDA

- Applicable to Individual, HUF and Firms resident in India.
- Income by way of dividends exceeding ₹ 10 lakhs shall be chargeable to tax @10% in hands of recipient.
- Dividend will be taxed on gross basis without deduction of any expenses.
- Benefit of set off of loss against such income will not be available.

Business Income

a. Tax Incentives for Start-Ups

It is proposed to insert new section 80-IAC to allow 100% deductions for eligible start-ups set up on or after 01-Apr-2016 and before 01-Apr-2019, for 3 consecutive years out of 5 years as opted by the assessee. MAT will continue to apply in such cases.

b. Exemption of Central Government subsidy or grant or cash assistance

It is proposed to amend section 2(24) to provide that subsidy or grant by the CG for the purpose of corpus of a trust or institution established by the CG or SG shall not form part of income.

c. Benefits of initial additional depreciation for power sector - Sec 32(1)(iia)

It is proposed to provide that an assessee engaged in business of transmission of power shall also be allowed additional depreciation at rate of 20% of actual cost of new machinery or plant acquired and installed in a previous year.

d. Rationalization of scope of tax incentives – Sec 32AC

- Section 32AC(1A) provides for deduction available to a company engaged in manufacturing or production of any article or thing upto 15% of investment made in new plant and machinery, if the said investment exceeds ₹ 25 crores
- The said deduction can be claimed in the year of installation of plant and machinery, in case the year of acquisition and installation is not the same, subject to a condition that the installation should be made by 31-Mar-2017

e. Deduction for provision made for bad and doubtful debts

Deduction with respect to provision for bad & doubtful debts will now also be allowed to NBFC's subject to maximum of 5% of GTI

f. Expenditure for obtaining right to use spectrum for Telecommunication services – New section 35ABA

It is proposed that any capital expenditure incurred and actually paid by an assessee for the acquisition of any right to use spectrum for telecommunication services either before the commencement of the business or thereafter at any time during any previous year as spectrum fee will be allowed as a deduction in equal instalments over the period for which the right to use spectrum remains in force. Further, the provisions contained in sub-sections (2) to (8) of sec. 35ABB shall also be applicable.

g. Taxation of Non-compete fees and exclusivity rights in case of Profession - sec 28(va)

- It is proposed to bring non-compete fee received / receivable (which are recurring in nature) in relation to not carrying out any profession, within the scope of the charging section of profits and gains of business or profession.

- Further, it is also proposed to amend the proviso to clarify that receipts for transfer of right to carry on any profession, which are chargeable to tax under the head "capital gains", would not be taxable as profits and gains of business or profession.
- It is also proposed to amend sec 55 so as to provide that 'cost of acquisition' and 'cost of improvement' for working out 'capital gains' on capital receipts arising out of transfer of right to carry on any profession shall also be taken as 'nil'.

h. Expenses incurred toward specified services – sec 40(a)(ib) (w.e.f. 01-Jun-2016)

- Expenses incurred by assessee toward specified services, on which equalization levy is deductible, but such levy has not been deducted or after deducting has not been paid on or before the due date of filling return, same shall not be allowed as expense while computing the Income.
- Further where the Equalization levy has been deducted in any subsequent year or has been deducted during the P.Y. but paid after the due date of filling the return same shall be allowed as deduction in computing the income of P.Y. in which such levy is deposited.

i. Presumptive Taxation Scheme for Professionals- New section 44ADA

- It is prosed to introduce new section 44ADA in case of professionals, which provides for taxing on presumptive basis.
- The section is applicable to persons (Resident Individual, HUF and Partnership Firm only & not LLP) involved in the profession of legal, medical, engineering, architectural profession, accountancy profession, technical consultancy, interior decoration or any other profession as notified in official gazette from time to time for this purpose.
- Presumptive scheme of taxation is applicable in case where the gross receipts from profession during the year under consideration does not exceed ₹ 50 lakhs
- 50% of the gross receipts or a higher sum, if any, earned by the assesse will be considered as the presumptive income.

j. Increase in threshold limit for audit – 44AB

Persons carrying on a profession will be required to get its accounts audited if gross receipts from such profession exceeds ₹ 50 lakhs p.a.

k. Increase in threshold limit for presumptive taxation scheme for business Income - 44AD

- Persons having income from eligible business can offer income to tax on presumptive basis at rate of 8% of gross receipts, if total turnover or gross receipts does not exceed ₹ 1 crore. This limit is proposed to be increased to ₹ 2 crores.
- Other related provisions of the section would continue to apply.
- Persons have to offer income as per provisions of this section, for consecutive 6 AYs in order to enjoy offering income on presumptive basis for the following succeeding year.
- If a person fails to offer income on presumptive basis in any year, the said year being within the 6 years as explained above, he will be disqualified from offering income on presumptive basis for next succeeding 5 years
- Under this scheme, advance tax is liable to be paid directly by 15-March of the relevant FY.

l. Taxation of Income from 'Patents' - New section 115BBF

- It is proposed that royalty income in respect of a patent developed and registered in India of an eligible assessee shall be taxable @ 10% (plus applicable surcharge and cess). No expenditure or allowance in respect of such royalty income shall be allowed.
- Eligible assessee shall mean a person resident in India and who is a patentee (true and first inventor of the invention and whose name is entered on the patent register as the patentee in accordance with Patents Act, 1970).
- It is further proposed that net revenue (royalty income less expenditure related therero) shall be reduced from net profit for determining taxability under MAT.

m. Phasing out of Various Deductions/Exemptions

Section	Incentive Currently available	Proposed Amendments
Section 32 read with rule 5 of Income tax Rules, 1962- Accelerated Depreciation	Accelerated depreciation is provided to certain Industrial sectors in order to give impetus for investment. The depreciation under the Income-tax Act is available up to 100% in respect of certain block of assets.	It is proposed that the Highest Rate of Depreciation for all the assets, whether old or new, under the Income Tax Act, shall be restricted to 40% w.e.f. 01-Apr-2017; AY 17-18

Section	Incentive Currently available	Proposed Amendments
35(1)(ii)	**175% deduction on** contribution made to approved scientific research association, approved unitersity, college, or institution used for scientific research.	**Deductions restricted to 150%** if paid from 01-Apr-2017 to 31-Mar-2020 and thereafter to **100% dedcution.**
35(2AA)	**200% deduction** on contribution made to National Laboratory or a university, IIT, or specified persons	
35(2AB)	**200% deduction** for companies into business of bio-technology and in-house-scientific R&D.	
35(1)(iia)	**125% deduction** on contribution made to approved scientific research company.	**Deductions restricted to 100% if paid from 01-Apr-2017**
35(1)(iii)	**125% deduction** on contribution made to approved scientific research association, approved unitersity, college, or institution used for Social Science or Statistical research.	
35AD -deduction in respect specified business	**150% deduction** in case of companies in busniess of providing Cold storage/ warehousing facility for storage of agro produce, an aforedable housing project, production of fertilisers, and hospitals.	**Deductions restricted to 100% if paid from 01-Apr-2017**
35CCC - Expenditure on notified agricultural extension project	**150% deduction** on notified agricultural extensions	
10 AA - Provisions relating to newly incorporated SEZ units	Deduction of Profits from SEZ units:- First 5 Years - 100 % Deduction Next 5 Years - 50% Deduction Next 5 Years - 50% as prescribed	**No Deductio**n if activity not commenced before 31-Mar-2020
35CCD -Expenditure on Skill development	**150% deduction** on notified Skill development project	**Deductions restricted to 100% if paid from 01-Apr-2020**

Section	Incentive Currently available	Proposed Amendments
35AC - Expenditure on eligible projects and schemes	Expenditure incurred for payment to a public sector company or a local authority or to an approved association or institution, etc. on certain eligible social development project or a scheme.	**No deduction** if paid after 31-Mar-2017.

Capital Gains

a. Provision for tax benefits to Sovereign Gold Bond Scheme

- It is proposed to amend section 47, so as to provide that any redemption of Sovereign Bond under the Scheme, by an individual shall not be treated as transfer and therefore, shall be exempt from tax from capital gains.
- It is also proposed to amend section 48, so as to provide indexation benefits on long terms capital gains arising on transfer of Sovereign Bond in respect of all assessees.

b. Tax Treatment of Gold Monetization schemes

It is proposed to exclude deposit certificate issued under Gold Monetization Scheme from the definition of capital asset and therefore, the capital gains arising from transfer of the said deposit certificate issued under Gold Monetization Scheme shall be exempt from tax.

c. Conversion of Companies into LLP

In order to claim exemption on conversion of company into LLP, it is proposed to add one more condition to section 47(xiiib) i.e. book value of the assets in any of the three preceding previous years prior to the conversion should not exceed ₹ 5 crores.

d. Rationalization of Section 50C

It is proposed to amend the provisions of section 50C, so as to provide that where date of the agreement fixing the amount of consideration for the transfer of immovable property and the date of registration are not the same, the stamp duty value on the date of agreement may be taken for the purposes of computing the full value of consideration.

e. Clarification regarding definition of the term 'unlisted securities' for the purpose of Sec 112(1)(c)

- As per the existing provisions, non-residents are subject to concessional tax rate of 10% on long term capital gains on transfer of unlisted securities.

- In order to clarify the uncertainty for term 'Unlisted Securities', it is proposed that the term 'Unlisted Securities' shall include shares of a company not being a company in which public are substantially interested.

f. Tax on distributed Income to Shareholders (w.e.f. 01-Jun-2016)

- It is proposed to amend sec 115QA to provide that the provisions of the said section shall apply to any buy back of unlisted share undertaken by the company as per prevalent law in this regards.
- It is further proposed to provide that for the purpose of computing distributed income, the amount which was received by the company for issue of the shares being bought back shall be determined in the prescribed manner.

Deductions

a. Deductions u/s 50EE

It is proposed to provide exemption from capital gains tax if the prescribed long term gain proceeds are invested by a tax payer in units of a specified fund, provided that the amount remain invested for 3 years (up to ₹ 50 lakhs)

b. Deductions u/s 54GB

- It is proposed to amend section 54GB to allow an individual or HUF willing to setup a start-up company by selling a residential property, any long term capital gains arising on account of such transfer shall be exempt on investment of such proceed to acquire minimum 50% stake in shares of eligible start-up companies and such company shall utilize the funds invested in purchase of new assets including computers or computer software in case of technology driven start-ups.
- The term 'eligible Start-up' has been defined to mean a company engaged in eligible business (defined as a business which involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property).

c. Deduction u/s. 80EE

It is proposed to allow deduction to Individuals to the extent of ₹ 50,000/- for interest paid on Housing Loan taken from Banks or Housing Finance Company provided that the assessee must not own any other house on the date of sanction of Loan and subject to the following condition:

(i) Loan should have been sanctioned during the FY 2016-17.

(ii) Amount of Loan sanctioned must not exceed ₹ 35 lakhs

(iii) Value of Residential House Property must not exceed ₹ 50 lakhs

d. Deduction u/s. 80GG

It is proposed to amend sec. 80GG so as to increase the maximum limit of deduction for rent payments by non-salaried assessee from existing ₹ 2000/- per month to ₹ 5000/- per month subject to fulfillment of certain conditions.

e. Incentives for Promoting Housing for All - Deduction u/s 80-IAB

- In order to incentivize "Housing for All", it is proposed that assessee engaged in eligible business of developing and building housing projects be allowed 100% deduction of profits if the housing project is approved by the competent authority before 31-Mar-2019 subject to conditions as follows:
- The project is completed within a period of three years from the date of approval.
- The project is on a plot of land measuring not less than 1000 sq. mtr. where the project is within 25 km from the municipal limits of four metros and in any other area, it is measuring not less than 2000 sq. mtr. where the size of the residential unit in the said areas is not more than 30 sq. mtr. and 60 sq. mtr. respectively.
- Where residential unit is allotted to an individual, no such unit shall be allotted to him or any member of his family

f. Tax incentives for employment generation – Sec 80JJAA

- It is proposed that the deduction equal to 30% of additional wages paid to the new workers for period of 3 years shall be available in respect of cost incurred on any employee whose total emoluments are less than or equal to ₹ 25,000/- per month. No deduction, however, shall be allowed in respect of cost incurred on those employees, for whom the entire contribution under EPS notified in accordance with EPF Act, is paid by the Government.
- It is further proposed to relax norms for minimum number of days of employment in a financial year from 300 days to 240 days
- Also the condition of increase in number of employees every year is proposed to be done away with.
- The benefit of this provision is proposed to all sectors.

Non-residents Taxation

a. Insertion of new chapter - Equalization Levy, collection and recovery of such levy

- It is proposed to insert a new chapter titled "Equalization Levy" in Finance Bill, 2016, to provide for an equalization levy of 6% of the amount of consideration, for specified services (i.e. online advertisement, any provision for digital advertising space or any other facility or service for the purpose of online advertisement and any other services as may be notified by the Central Government in this behalf), received or receivable by a non-resident not having permanent establishment in India, from a resident in India who carries out business or Profession, or from non-resident having permanent establishment in India.
- It is also provided that no such levy shall be made if aggregate amount of consideration for specified service received or receivable does not exceed ₹ 1,00,000/-. In order to avoid double taxation it is proposed to provide exemption u/s. 10 of the IT Act in respect of any income arising from providing specified services on which equalization levy is chargeable.
- Further for collection and recovery procedure of such levy has also been provided.

b. Applicability of MAT on foreign companies for period prior to 01-Apr-2015 (w.e.f. 01-Apr-2001 and subsequent years)

The provisions of sec 115JB shall not be applicable to a foreign company

a) if the assessee is a resident of a country or a specified territory with which India has an agreement referred to in sec. 90(1) or the Central Government has adopted any agreement u/s. 90A(1) and the assessee does not have a Permanent Establishment in India in accordance with the provisions of such Agreement; or

b) the assessee is a resident of a country with which India does not have an agreement of the nature referred to in clause (i) above and the assessee is not required to seek registration under any law for the time being in force relating to companies.

Certain Non-residents not required to furnish PAN (w.e.f. 01-Jun-2016)

Higher rate of TDS @ 20% shall not be applicable for non-furnishing of PAN by a non-resident, subject to fulfillment of conditions as may be prescribed.

BEPS

Country-by-Country (cbc) Report and Master file

In order to implement International consensus and in line with OECD BEPS report on Action Plan 13, it is proposed to provide specific regime for maintaining and reporting of three-tiered documentation (Master file, Local file & CBC report) to the prescribed authorities, for all international transactions by the groups having consolidated revenues of preceding year more than €750millions (equivalent to ₹ 5,395 crore) as per current exchange rates. Non-compliance of the same may attract penalty of up to ₹ 5 lakhs

Transfer Pricing

Extension of time limit to TPO in certain cases (w.e.f. 01-Jun-2016)

It is proposed to insert a proviso to sec. 92CA(3A) to provide that the time limit for the TPO shall be extended by 60 days in cases the assessment proceedings are stayed by any court or where a reference for exchange of information has been made by a competent authority.

Procedural changes

a. Return of Income and Assessments

i. Mandatory filing of return in case of transfer of Listed Shares held for more than a year

It is proposed to mandate filing of return of income for the assessee having income from long term transfer of listed shares which is exempt u/s. 10(38) in case the total income of the assessee before claiming such exemption u/s. 10(38) exceeds the maximum amount not chargeable to tax.

ii. Belated Return

It is proposed to provide that belated return shall be filed before the end of the relevant assessment year. For example: Return for the Assessment year 2017-18 shall be filed on or before 31-Mar-2018

iii. Revised Return

It is proposed to provide that on discovery of any omission or wrong statement in belated return, same can also be revised now.

iv. Defective Return

Amendment in sec. 139(9) is proposed to provide that return shall not be regarded as defective if self-assessment tax u/s.140A and interest payable along with it is not paid at the time of furnishing the return.

b. Reduction in time limit for assessment, reassessment and recomputation [w.e.f. 01-Jun-2016]

- Section 153 is proposed to be substituted with the following changes in time limit from the existing limits:
  - (i) the period, for completion of assessment u/s. 143 or u/s. 144 to be changed from existing 2 years to 21 months;
  - (ii) the period for completion of assessment u/s. 147 to be changed from existing 1 year to 9 months;
  - (iii) the period for completion of fresh assessment in pursuance of an order u/s. 254 or u/s. 263 or u/s. 264, setting aside or cancelling an assessment to be changed from existing 1 year to 9 months.
- The period for giving effect to an order, of the CIT(Appeal) u/s. 250 or the ITAT u/s. 254 or the High Court u/s. 260 or the Supreme Court u/s. 262 or the CIT u/s. 263 or 264 or an order of the Settlement Commission u/s. 245D(4), where effect can be given wholly or partly otherwise than by making a fresh assessment or reassessment, shall be 3 months from the end of the month in which order is received or passed, as the case may be.
- In a case where it is not possible for the Assessing Officer to give effect to such order within the aforesaid period, the Principal Commissioner or Commissioner may allow additional time of 6 months to give effect to the said order. However, in respect of cases pending as on 1st June 2016, the time limit for passing such order can be extended to 31-Mar-2017.
- Where the assessment, reassessment or recomputation is made on the assessee or any person in consequence of or to give effect to any finding or direction contained in an order u/s. 250, 254, 260, 262, 263, or 264 or in an order of any court in a proceeding otherwise than by way of appeal or reference under the Income-tax Act, then it shall be made on or before the expiry of 12 months from the end of the month in which such order is received by the Principal Commissioner or Commissioner. However, for cases pending as on 1.6.2016, the time limit is proposed to be 31.3.2017 or 12 months from the end of the month in which such order is received, whichever is later.
- Where an assessment is made on a partner in consequence of an assessment made on the firm u/s. 147, it shall be made on or before the expiry of 12 months from the end of the month in which the assessment order in the case of the firm is passed. However, for cases pending as on 01-Jun-2016, the time limit is proposed to be 31-Mar-2017 or 12 months from the end of

the end of the month in which order in case of firm is passed, whichever is later.

- It is also proposed to make consequential changes in time limit for completion of assessment or reassessment by the Assessing Officer in accordance with the extension of time limit provided to the Transfer Pricing Officer in certain cases by amendment in sec. 92CA(3A).

c. Rationalization of time limit for assessment in search cases (w.e.f. 01-Jun-2016)

Sec. 153B is proposed to be substituted with the following changes in time limit from the existing time limits as under:

(i) The limitation for completion of assessment under sec. 153A, in respect of each assessment year falling in the block of 6 years and in respect of the assessment year relevant to the previous year in which search is conducted under sec. 132 or requisition is made under sec. 132A to be changed from existing 2 years to 21 months.

(ii) The limitation for completion of assessment in case of other person referred to in sec. 153C shall be as under:-

a. Changed from existing 2 years to 21 months from the end of the financial year in which the search u/s. 132 or requisition u/s.132A was completed or

b. Changed from existing 1 year to 9 months from the end of the financial year in which the books of account or documents or assets seized or requisition are handed over to the Assessing Officer having jurisdiction over such other person, whichever is later.

d. Legislative framework to enable and expand the scope of electronic processing of information (w.e.f. 01-Jun-2016)

- In order to expedite verification and analysis of the information and documents so received, it is proposed to amend sec. 133C to provide adequate legislative backing for processing of information and documents so obtained and making the outcome thereof available to the Assessing Officer for necessary action.
- It is also proposed to amend Explanation 2 to sec. 147 to provide for reopening of cases by the AO on the basis of the information so received.
- In order to expeditiously remove the mismatch between the return and the information available with the Department, it is proposed to expand the scope of adjustments that can be made at the time of processing of returns u/s. 143(1). Such

adjustments can be made based on the data available with the Department in the form of audit report filed by the assessee, returns of earlier years of the assessee, 26AS statement, Form 16, and Form 16A. However, before making any such adjustments, an intimation shall be given to the assessee requiring him to respond to such adjustments. The response received, if any, will be duly considered before making any adjustment. However, if no response is received within 30 days of issue of such intimation, the processing shall be carried out incorporating the adjustments.

e. Jurisdiction of the Assessing Officer in search cases

It is proposed to amend sec. 124(3) to specifically provide that cases where search is initiated, no person shall be entitled to call into question the jurisdiction of an Assessing Officer after the expiry of one month from the date on which he was served with the relevant notice or after the completion of the assessment, whichever is earlier.

f. Interest on refund – (w.e.f. 01-Jun-2016)

- In order to facilitate timely filing of return, it is proposed to amend sec. 244A to grant interest from the date of payment of taxes or filing of return, which is later till the date of grant of refund.
- Also, the refund arising out of order giving effect to appeal order u/s. 153(5), an interest at the rate of 3% shall be paid additionally from the date of expiry of time allowed u/s. 153(5) [beyond 90 days] to the date on which refund is granted.

Appeals

Appellate Tribunal

a. Appeal against order of DRP (w.e.f. 01-Jun-2016)

It is proposed that no appeal can be filed by the Assessing Officer against the order of the Dispute Resolution Panel.

b. Rectification of order (w.e.f. 01-Jun-2016)

It is proposed to provide that, the Appellate Tribunal may rectify any mistake apparent from the record in its order, within 6 months from the end of the month in which the order was passed.

The Direct Tax Dispute Resolution Scheme, 2016 (w.e.f. 01-Jun-2016)

a. Eligibility for filing declaration under the scheme.

- It has been proposed that scheme shall be applicable to the cases where appeal against the assessment order or the penalty order is pending before Commissioner of Income Tax (Appeals) as on 29th February, 2016.
- The scheme is also proposed to cover cases where tax is determined in consequence of or is validated by an amendment made with retrospective effect for a prior period and the dispute is pending as on 29th February, 2016.

b. Declaration of tax payable and time limit of payment

- It has been proposed that the eligible persons availing the benefit of scheme shall file the declaration and pay the amount as under –

Assessment / Penalty	Disputed Tax Amount (₹)	Tax and Interest to be paid	Penalty to be paid
Assessment	< = 10 lakhs	100%	Nil
Assessment	> 10 lakhs	100%	25%
Penalty	Any amount	100%	25%

- It has been proposed that consequent to the declaration, appeal in respect of the disputed income shall be deemed to have been withdrawn.
- The designated authority shall issue the prescribed certificate within 60 days of receipt of the declaration specifying the amount payable.
- The declarant shall pay the determined amount within 30 days of receipt of the prescribed certificate.

Penalties and Prosecution

a. Penalty for under reporting and / or misreporting of income

New sec. 270A proposed to be introduced in lieu of section 271(1)(c) for levy of penalty, bifurcating into two broad categories viz. under reporting and misreporting of income @ 50% and 200% respectively. The instances where income is / is not considered as under reported or misreported has been elaborated in the section.

b. Penalty where search has been initiated

In case where search has been initiated, penalty would be levied at a flat rate of 60% of undisclosed income, when the same has neither been admitted in the statement nor declared in the return of income.

c. Immunity from penalty & prosecution in certain cases – New sec 270AA

- It is proposed that an application for immunity from penalty can be made to the Assessing Officer within 1 month from the end of the month in which the order of assessment or reassessment is received provided tax and interest is paid as per the notice of demand and no appeal is preferred against such order.
- The AO shall pass an order accepting or rejecting the application within one month from the end of the month in which such application is received.
- It has been further proposed that no appeal or revision application shall be filed against order in respect of which order accepting application has been passed.

d. Provisional attachment of property (w.e.f. 01-Jun-2016)

It is proposed that the Assessing Officer shall release provisional attachment of property if a bank guarantee is provided by the assessee from a scheduled bank, for an amount not less than FMV of the property or for an amount sufficient to protect the interest of the revenue.

Others

a. Deferment of POEM and transition mechanism to be introduced

- It is proposed that the applicability of provisions relating to Place of Effective Management be deferred till 01-Apr-2017.
- It is proposed to insert sec. 115JH which provides for transition mechanism when a foreign company is said to be resident in India for the first time. The Central Government is to be empowered to notify exception, modification and adaptation subject to which, the provisions relating to computation of income, treatment of unabsorbed depreciation, setoff or carry forward and set off of losses, special provision relating to avoidance of tax and the collection and recovery of taxes shall apply in such a case.
- These transition provisions would also cover any subsequent previous years up to date of determination of POEM in assessment proceedings.

b. Increase in time period for acquisition or construction of self-occupied house property for deduction of interest u/s 24(b)

It is proposed that the time limit for completion/acquisition of house shall be 5 years instead of existing 3 years, from end of FY in which capital was borrowed.

c. No set-off losses against deemed undisclosed income

No set off of any loss shall be allowable in respect of income assessed under section 68 or section 69 or section 69A or section 69B or section 69C or section 69D relating to unexplained / undisclosed assets, moneys or credits.

d. Time limit for carry forward and set off of such loss under sec. 73A of the Income-tax Act (w.e.f. 01-Apr-2016)

It is proposed to provide that loss from specified business u/s. 35AD can be carried forward and set-off u/s. 73A only if return is furnished within the due date in accordance with sec. 139(1).

e. Exemption in case of Recognized Provident Fund

- It has been proposed that employers contribution to Recognized provident Fund which was exempt to the extent of 12% of salary, now shall be further subject to monetary ceiling of ₹ 1,50,000/-.
- It is also proposed that except in case of excluded employee (whose salary does not exceed prescribed limit), not more than 40% of accumulated balance due and payable shall be exempt. This shall however be prospective and only accreditations attributable to periods commencing from PY 01-Apr-2016 shall be taxed in the new manner.
- Further clarification are possible in this proposal.

f. Exemption in case of National Pension System Trust

- The Finance bill proposes to introduce exemption on closure or opting out of pension scheme. The amount exempt shall be restricted to 40% of total amount payable to him at the time of closure or opting out of the scheme.
- Also, the amount received by the nominee on closure or opting out of the pension scheme due to death of the contributor shall not be deemed to be income of the nominee.

g. Taxability of Contribution to Superannuation Fund

- It is proposed to enhance the tax exempt limit of contribution to approved superannuation fund from ₹ 1,00,000/- to ₹ 1,50,000/-

- It is also proposed that payment received in respect of annuity purchased after 01-Apr-2016, not more than 40% of the annuity shall be exempt from Tax

h. Transfer of Funds to pension Scheme

In order to bring all pension plans under one umbrella, it is proposed to exempt one-time portability from RPF or ASF to NPS.

i. New Taxation Regime proposed for securitization trust and its investors (w.e.f. 01-Jun-2016)

- Income of securitization trust shall be exempt from tax.
- Income received from securitization trust taxable in the hands of investor.
- TDS @ 25% for individual and HUF resident investors, 30% for other resident investors, at "rates in force" for non-resident investors shall be deducted by trusts on payments to investors
- An application under sec. 197 for lower deduction or nil deduction of tax can also be made for receipts u/s. 194LBC.

j. DDT exemption on distribution made by SPV to Business Trust

In respect of business trusts being of REITs and Invits regulated by SEBI, it is proposed that DDT shall not be leviable on declaration/ distribution/ payment of dividend by a SPV to the business trust subject to certain conditions. Further it is proposed that receipt of such dividend shall be tax free in the hands of trust or investors

k. Tax Incentives to International Financial Services Centre

It is proposed that a company, being a unit located in International Financial Services Centre and deriving income solely in convertible foreign exchange shall be brought to tax as under:-

- Lower MAT rate of 9% will apply;
- Any dividend declared, distributed or paid by such company shall not be subject to DDT. Receipt of dividend shall be tax free in hands of recipient.

It is proposed that Income from long-term capital gains (non STT paid) arising from transaction undertaken in foreign currency on a recognized stock exchange located in any International Financial Services Centre shall be exempt from income-tax.

The Income Declaration Scheme, 2016 (w.e.f. 01-Jun-2016)

a. Declaration of undisclosed income.

- It is proposed to provide a single opportunity to any person who wishes to declare any undisclosed income of any past year up to A.Y. 2016-17. The scheme is proposed to be opened for a limited time frame to be notified by the Central Government in the Official Gazette.
- The declaration shall be in respect of any income chargeable to tax where either return of income has not been furnished or true and full disclosure of facts has not been made.

b. Tax on undisclosed income

- It is proposed that the declarant shall pay total tax, surcharge and penalty of forty-five percent of such undisclosed income. It shall be paid on or before the notified date otherwise the declaration shall be void.
- If the undisclosed income is in the form of investment in any asset, then the fair market value of the asset as on 01-Jun-2016 shall be deemed to be the undisclosed income.
- No deduction of any expenditure shall be allowed against the declared income.

c. Persons ineligible under this scheme

The Scheme shall not apply to the following persons –

- where notices have been issued u/s. 142(1) or 143(2) or 148 or 153A or 153C;
- where a search or survey has been conducted and time for issuance of notices has not expired;
- where information is received under an agreement with foreign countries regarding such income;
- persons covered under the Black Money Act, 2015;
- persons notified under Special Court Act, 1992;
- on whom detention order has been made under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;
- cases covered under Indian Penal Court, the Narcotic and Psychotropic Substances Act, 1985, the Unlawful Activities (Prevention) Act, 1967, the Prevention of Corruption Act, 1988

d. Other proposals of the scheme

- Income declared under this scheme shall not be included in the total income.
- Declarations made for specified assets shall be exempt from wealth tax.
- No scrutiny and enquiry shall be conducted under the Income Tax Act, 1961 or the Wealth Tax Act, 1957 in respect of the declarations and immunity from prosecution shall be provided
- Undisclosed income declared shall not affect the finality of completed assessments. Also, no immunity is provided under any other laws.

INDIRECT TAX PROPOSALS

(Changes to come into effect immediately unless otherwise specified)

Custom

No change in peak rate of BCD of 10%

A. Tariff

Effective BCD remains same except following change in scheduled BCD

Description of Goods	Scheduled BCD	Effective BCD
Natural latex rubber made balloons falling under specified headings (CTH 9503 and 9505)	10%	20%
Primary aluminium (Chapter 76)	5%	7.5%
Zinc alloys (CTH 7901 20)	5%	7.5%
Imitation jewellery (CTH 7113)	10%	15%
Industrial solar water heater (CTH 8419)	7.5%	10%
Capital goods and parts thereof		
Increase the tariff rate of BCD for 211 specified tariff lines in Chapters 84, 85 and 90	7.5%	10%

Change in Effective Rate (Noti. No. 12 / 2012 – Cus)

Chapter / CTH	Description of Goods	Duty	Old Rate	New Rate
0801 31 00	Cashew nuts in shell	BCD	Nil	5%
8609 00 00	Refrigerated containers	BCD	10%	5%
2207 20 00	Denatured ethyl alcohol (Ethanol)	BCD	5%	2.5%
Chapter 44	Wood in chips or particles for manufacture of paper, paperboard and news print	BCD	5%	Nil
Chapter 49	Plans, drawings and designs	BCD	Nil	10%
3902	Polypropylene granules / resins	BCD	7.5%	Nil
8543	E-Readers and parts	BCD	Nil	7.5%
2505 10 11/ 12 /19	Silica sand	BCD	5%	2.5%
7402 00 22	Brass scrap	BCD	5%	2.5%
7608 760900 00	Other aluminium products	BCD	7.5%	10%
Chapter 71	Gold dore bars.	CVD	8%	8.75%

Chapter / CTH	Description of Goods	Duty	Old Rate	New Rate
Chapter 71	Silver dore.	CVD	7%	7.75%
8703	Golf cars	BCD	10%	60%
Chapter 84 and 85	Specified machinery required for construction of roads	CVD	Nil	12.5%
4823 90 11	Braille paper	BCD	10%	Nil
3906 90 90	Pulp of wood for manufacture of sanitary pads, napkins & tampons	BCD	5%	2.5%

(This list of changes in rates of duties is illustrative and not exhaustive)

Other Changes made in SAD (Noti. No. 16/2016-Cus)

Chapter or CTH	Description of Goods	Old Rate	New Rate
Various Chapters	PCBs for manufacture of personal computer including tablet computer	NIL	4%
Various Chapters	Charger or Adaptor, Battery, Wired Head Sets and Speakers for mobile handsets including cellular phones	NIL	4%
2902 41 00	O-xylene for use in manufacture of phthalic anhydride	4%	2% *ad valorem**
84, 85 or 90	Machinery, electrical equipments, other instruments and their parts [except populated PCB] for use in fabrication of semiconductor wafer and Liquid Crystal Display (LCD)	4%	NIL*
84, 85 or 90	Machinery, electrical equipments, other instruments and their parts [except PCB] for use in assembly, testing, marking and packaging of semiconductor chips	4%	NIL*
8473 30 or 8517 70	PCBs for use in manufacture of tablet computers and mobile handsets including cellular phones	NIL	2% *

**Provided* that the importer shall follow the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996.

Information Technology Software

CVD exempted on imported media with recorded information technology software on so much value as is equivalent to the value of the information technology software recorded on the said media which is leviable to service tax.

Import of Gifts

Value limit of bona fide goods imported by post or as air freight is increased from ₹ 10,000/- to ₹ 20,000/-.

Telecom Optical Fibers

BCD on preform of silica for manufacture of telecom grade optical fiber / cables to be 10% from Nil rate

Textiles

- Specified fibers and yarns duty reduced to 2.5% from 5%.
- Basic Customs Duty is being exempted on import of specified fabrics, of value equivalent to 1% of FOB value of exports in the preceding financial year, for manufacture of textile garments for exports, subject to the specified conditions. The entitlement for the month of March 2016 shall be one twelfth of one per cent of the FOB value of exports in the financial year 2014-15.

Food Processing

BCD on Cold chain including pre-cooling unit, packhouses, sorting and grading lines and ripening chambers reduced to 5% from 10%

B. Non-tariff (w.e.f. bill to be enacted)

- Definition of Warehouse amended to introduce "Special Warehouse" and new Sec 58A introduced whereby certain specified class of goods will required to be stored under permission and restrictions of Proper officer
- Concept of "Warehousing Station" has been proposed to be removed or omitted
- Sec 53 to be amended allowing CBEC to frame regulations in relation to transit of goods without payment of duty for goods imported in conveyance, mentioned in import manifest or report, for transit to any place outside India or any customs station
- Principal Commissioner / Commissioner of Customs permitted to allow for licensing of public warehouse (Sec 57) and private warehouse (Sec 58)
- Warehousing Bonds is proposed to be fixed at 3 times of duty involved and to furnish security as may be prescribed (Sec 59)

- Proper officer to make an order permitting deposit of goods in warehouse from Customs station and to prescribe manner of such deposit (Sec 60)
- Earlier time limit for warehousing of Capital and non-capital goods now removed allowing time limit till their clearance from warehouse and permission for warehouse of goods from 100% EOU extended to others units like EHTP, STP (Sec 61)
- Warehousing of certain goods not specified above may be extended from 1 year to 2 years, subject to approval from Principal Commissioner / Commissioner of Customs (Sec 61)
- Sec 64 to be amended to rationalize the owner's right to deal with warehoused goods. Earlier permission from proper officer and payment of prescribed fees now to be omitted
- Sec 65 to be amended empowering Principal Commissioner / Commissioner of Customs to permit to carry out manufacturing or other operations without payment of fees
- New Sec 73A is proposed to be introduced to provide for custody of warehoused goods the duties and responsibilities of the person who has been granted a Warehousing License under Section 57, 58 and 58A
- Customs (import of goods at concessional rate of duty for manufacturers of excisable goods) Rule, 2016 introduced for manufacturers to avail the benefit of a customs exemption notification subject to actual user condition. (w.e.f. 01-Apr-2016)

Miscellaneous (w.e.f. bill to be enacted)

- Customs Act amended to provide for deferred payment of custom duties for importers and exporters with proven track record.
- Period of limitation has been increased from 1 year to 2 years except in cases not involving fraud, suppression of facts, willful misstatement etc. where duties has been short levied or short paid or not levied or not paid (Sec 28)
- Custom Single Window Project to be implemented at major ports and airports starting from beginning of next financial year
- Interest rates on delayed payment of Customs duty under Sec 28AA are being rationalized at 15% (w.e.f. 01-Apr-2016)

Service Tax

Change in Service Tax Rate

Effective rate of service tax increase from 14.5% to 15% with new levy of Krishi Kalyan Cess of 0.5%

Krishi Kalyan Cess – new levy

- Purpose is to finance and promote initiatives to improve agriculture or others relating thereto
- Proposed at 0.5% to be levied with effect from 01-Jun-2016 on value of any or all taxable services
- CENVAT Credit of proposed cess paid on input services allowed to be utilized against payment of proposed cess

Broadening of Tax Base

To be effective from 01-Mar-2016

- Service tax leviable on construction, erection, commissioning, or installation of original works pertaining to monorail or metro for which contract has been executed on or after 01-Mar-2016

To be effective from 01-Apr-2016

- Senior advocates, to collect and pay service tax, on services rendered by it to person carrying out any activity related to industry, commerce or any other business or profession
- Services related to arbitral representation now taxable
- Services of transportation of passengers, with or without belongings, by ropeway, cable or aerial tramway now subjected to service tax

To be effective from 01-Jun-2016

- Tax applicable now on services by way of transportation of goods by an vessel from a place outside India to customs station of clearance in India
- Earlier relief in relation to service of transportation of passengers, with or without accompanied belongings by a Stage Carriage now exemption restricted to non-air conditioned carriage
- Assignment by Government of right to use radio-frequency spectrum and subsequent transfers to be considered as declared services instead of sale of intangible goods (w.e.f. bill to be enacted)

New Exemptions

To be effective from 01-Mar-2016

- Services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any original works pertaining to scheme under Housing for All (Urban) Mission/ Pradhan Mantri Awas Yojana
- in-situ rehabilitation of existing slum dwellers using land as a resource through private participation only for existing slum dwellers
- Services by way of construction, erection, commissioning or installation of original works pertaining to Low cost houses up to a carpet area of 60 sq. mtrs. per house in a housing project approved by the competent authority under
- The "Affordable Housing in Partnership" component of the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana
- Any housing scheme of a State government.
- Exemption granted to Information Technology Software recorded on a media subject to conditions that Retail Sale Price is declared and not recovered in excess of such amount, value determined under Central Excise Act and has been subjected to appropriate duties of customs or excise

To be effective from 01-Apr-2016

New exemptions for services to be provided by,-

- Assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship
- Training providers (project implementation agencies) under Deen Dayal Upadhyay Grameen Kaushalya Yojana
- "Niramaya" Health Insurance scheme implemented by National Trust
- Life insurance business provided by way of annuity under the National Pension System
- Employees' Provident Fund Organization
- Insurance Regulatory and Development Authority (IRDA) of India
- Securities and Exchange Board of India
- National Centre for Cold Chain Development
- Bio-incubators approved by Biotechnology Industry Research Assistance Council

Amendments in Mega Exemption Notification

To be effective from 01-Apr-2016

- Threshold Exemption of services of an artist by way of performance in folk or classical art forms of music, dance or theatre, increased from ₹ 1 lakh to ₹ 1.5 lakh per performance

Exemption withdrawn earlier, restored retrospectively

To be effective from enactment of Finance Bill, 2016

- Exemption withdrawn earlier now restored retrospectively from 01-Mar-2015 till 31-Mar-2020 for a contract entered prior to 01-Mar-2015 on which appropriate stamp duty, as may be applicable, has been paid
- Service provided to Government, a local authority or a government authority by way of construction, erection, commissioning, fitting out, repair, maintenance, renovation or alteration
- a civil structure or any original works meant predominantly for use other than commerce, industry or any other business or profession
- a structure meant predominantly meant for use as educational, clinical, an art or cultural establishment
- a residential complex predominantly meant for self-use or their employees or other persons specified
- services by way of construction, erection , commissioning or installation of original works pertaining to airport or port (provided a certificate is obtained from Ministry of Civil Aviation for contract entered before 01-Mar-2015)

Note: In both the above cases, services provided during period from 01-Apr-2015 to 29-Feb-2016 under such contracts are also proposed to be exempted from service tax.

Exemption from retrospective date

- Refund of Service Tax paid on services used beyond the factory or any other place or premises of production or manufacture of goods, for the export of the said goods is being made effective from 01-Jul-2012
- Refund earlier rejected to be claimed within one month from the date of commencement of Finance Act, 2016
- Exemption was granted from 30-Jan-2014 to services provided by way of construction, maintenance, etc., of canal, dam or other

irrigation works provided to bodies set up by Government but not necessarily by an Act of Parliament or a State Legislature has now been exempted from 01-Jul-2012 to 29-Jan-2014, with consequential service tax refunds, subject to the principle of unjust enrichment

- Claim of Refund of service tax so paid earlier to be filed within six month from the date of commencement of Finance Act, 2016

Reverse Charge Mechanism

To be effective from 01-Apr-2016

- Payment of Service tax under Reverse Charge Mechanism in case of services provided by mutual fund agent / distributor to a mutual fund or asset management company now removed. Tax to be discharged by Mutual Fund agent / distributor
- Ambit of Government service widened with the deletion of word “Support” covering all services provided by government and liable to be taxed under Reverse Charge Mechanism

Abatements

To be effective from 01-Apr-2016

Change in Percentage of value on which service tax is to be paid and conditions (Sr. No. as per Notification No. 26/2012 dated 20-Jun-2012):

Sr. No.	*Description of taxable service*	*Old %*	*New %*	*Change in Condition*
2	Transport of Goods by Rail (other than service specified at Sl No. 2A Below)	30	30	Note 1
2A	Transport of goods in containers by Rail other than Indian Railways (New Entry)	30	40	Note 1
3	Transport of passengers, with or without accompanied belongings by rail	30	30	Note1
7	Services of goods transport agency in relation to transportation of goods other than used household goods	30	30	Note 1
7A	Services of goods transport agency in relation to transportation of used household goods (New Entry)	-	40	Note 2

Sr. No.	Description of taxable service	Old %	New %	Change in Condition
8	Services provided by a foreman chit fund in relation to chit (New Entry)	—	70	Note 2
10	Transport of goods in a vessel	30	30	Note 1
11	Services by a tour operator in relation to,- (i) a package tour (Entry deleted) (i) a tour, if the tour operator is providing services solely of arranging or booking accommodation for any person in relation to a tour (ii) any services provided by Tour operator other than (i) above (Entry amended)	 25 10 40	 - 10 30	
12	Construction of complex, building, civil structure, or a part thereof (Replaced the existing entry)	25/30	30	
Note 1: CENVAT Credit of input services now allowed *Note 2: No CENVAT Credit of inputs, input service and Capital goods*				

- In case of Renting of motor cab services, the amount charged to include fair market value of all goods (including fuel) and services supplied by service recipient

Miscellaneous Changes:

- Effective service tax rate on single premium annuity policies shall be 1.4% instead of 3.5% (w.e.f. 01-Apr-2016)
- Benefit of quarterly payment of Service Tax extended to 'One Person Company' (OPC) and HUF (w.e.f. 01-Apr-2016)
- Facility of payment of Service Tax on receipt basis extended to 'One Person Company (w.e.f. 01-Apr-2016)
- Power to arrest in situations where the tax payer has collected tax but not deposited is above ₹ 2 crore (w.e.f. bill is enacted)
- Interest rates shall be as follows (w.e.f. bill is enacted):
  - 24% - in case of service tax collected but not deposited
  - 12% - in case of small service providers
  - 15% - in all other cases

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Central Excise

A. Tariff

No change in the standard ad valorem rate of Excise duty

Major Changes in Rate of Central Excise Duty are as below

Tariff No.	Description of Goods	Existing Rate	New Rate
220210	Beverages - waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored	18%	21%
Chapters 61, 62 and 63 (6301 to 6308)	Branded readymade garments and made up articles of textile except those falling under 6309 and 6310 of retail sale price of ₹ 1,000 and above (Note 1)	Nil	2%-without CENVAT Credit 12.5%-with CENVAT Credit
Chapters 61, 62 and 63 (6301 to 6308)	Branded readymade garments and made up articles of cotton not containing any other textile material with RSP less than ₹ 1,000 (Note 1)	Nil	Nil-without CENVAT Credit 6%-with CENVAT Credit
Chapters 61, 62 and 63 (6301 to 6308)	Branded readymade garments and made up articles of composition of any other textile material with RSP less than ₹ 1,000 (Note 1)	Nil	Nil-without CENVAT Credit 12.5%-with CENVAT Credit
7113	Articles of jewellery excluding articles of silver jewellery, other than those studded with diamonds, ruby, emerald or sapphire (Note 2)	Nil – without CENVAT 6% - with CENVAT	1%–without CENVAT 12.5%-with CENVAT
71	Refined gold bars manufactured from gold dore bar, silver dore bar, gold dore or concentrate, silver ore or concentrate, copper ore or concentrate (Note 2)	9%	9.5%
71	Refined silver manufactured from silver ore or concentrate, silver dore bar, or gold dore (Note 2)	8%	8.5%
8517 62 30 8517 69 30 8517 69 60 8521 90 90 8525 80 20 8528 71 00 8507 60 00	Broadband modem Routers Set-top boxes-to access internet Digital/ Network Video Recorder CCTV camera or IP camera Reception apparatus for television but not designed to incorporate a video display	12.5%	4%- without CENVAT 12.5%–with CENVAT
	lithium ion battery [other than those for mobile handsets]		

Tariff No.	Description of Goods	Existing Rate	New Rate
8504, 8506, 8507, 8518 30 00, 8518	Charger/ adapter, battery & wired headsets / speakers for supply to mobile phone manufacturers as original equipment	Nil	2%-without CENVAT 12.5%-with CENVAT
Note 1: Tariff Value has been increased from 30% Retail Sale Price to 60% Retail Sale Price for the purpose of calculating Excise duty on readymade garments and made up article of textiles *Note 2*: Excise duty exemption under the existing area based exemptions on refined gold / refined silver is being withdrawn.			

Automobiles

- ED 6% on specified parts of Electric Vehicles and Hybrid Vehicles has been extended without sunset clause
- ED reduced from 12.5% to 6% on Engine for hybrid electric vehicle

Construction

- Ready Mix Concrete (38 24 50 10) manufactured at the construction site for use in work at such site is fully exempted from ED

Other Relief Measures – ED Exempted

- Solar Lamp (9405 50 40)
- Disposable sterilized dialyzer and micro barrier of artificial kidney
- Remnant kerosene, presently available for manufacture of Linear Alkyl Benzene and Heavy Alkylate to N-paraffin
- Inputs, parts & components, subparts for manufacture of charger/adapter, battery and wired headset/speaker of mobile, subject to actual user condition
- Parts & components, subparts for manufacture of Routers, broadband Modems, Set-top boxes to access internet, set top boxes for TV, digital/network video recorder, CCTV camera / IP camera, lithium ion battery

B. Non-Tariff

Central Excise Act, 1944

- Time limit for issuance of Show Cause Notice has been increased from one year to two year in cases not involving fraud, suppression, willful mis-statement, etc. (w.e.f. bill to be enacted)
- Amendment has been made in Sec 37B which empowers the Board to implement any other provision of the Act for the purpose of uniformity in classification or levy of duties on goods. (w.e.f. bill to be enacted)

- Notification No. 9/2012 – Central Excise (N.T.) has been rescinded which fixes tariff value at the rate of 30% of transaction value in respect of jewellery falling under chapter heading no. 7113. (w.e.f. 01-Mar-2016)
- Interest rate on delayed payment of Excise duty under Sec 11AA of Central Excise Act are being rationalized at 15% (w.e.f. 01-Apr-2016).

Changes in Abatement under MRP based Assessment: (w.e.f. 01-Mar-2016)

- All goods falling under sub heading of 3401 & 3402 namely Soaps & Organic surface active agents, can now avail the abatement of 30%.
- For Footwear falling under chapter 64, abatement has been increased to 30% from 25%.
- Abatement of 25% allowed by inserting entry 64A to Aluminium foils for thickness up to 0.2mm (Chapter heading, sub heading 7607).
- Abatement of 35% allowed by inserting entry 87A to Smart watches (chapter heading, sub heading 851762).
- Abatement of 30% extended to the accessories of Automobiles.

Amendments in CENVAT Credit Rules (w.e.f. 01-Apr-2016)

- Definition of Capital Goods amended to include Wagon falling under chapter 860692;
- Further, Capital Goods allowed to be used for
- Equipment or appliances used in office (earlier restricted)
- For Pumping of water for captive consumption within the factory
- Definition of Exempted Services amended to not include a service (w.e.f. 01-Mar-2016)
- which is exported in terms of Rule 6A of the Service tax Rules, 1994 or
- by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India
- Definition of Input amended to include
- Goods used for pumping of water or
- Capital goods having value upto ₹ 10,000 per piece
- Capital goods used as parts or components in manufacture of final product
- Input Service Distributor definition amended to include an outsourced manufacturing unit.

- CENVAT Credit of Capital goods available to small scale industrial manufacturers extended to manufacturers of articles of jewellery other than articles of silver jewellery having turnovers of less than ₹ 12 crores.
- CENVAT Credit of Jigs, fixtures, moulds and dyes or tools shall also be available to manufacturer sent to another manufacturer or job worker for production without bringing to its own premises. (w.e.f. 01-Mar-2016)
- Validity of permission extended from one year to three year in case of manufacturer sending inputs or partially processed inputs to a job worker and clearances from there on payment of duty.
- Proportionate CENVAT credit of service tax paid on amount charged for assignment by Government or any other person of a natural resource such as radio-frequency spectrum, mines etc. based on period of time for which the rights have been assigned.
- Time limit for filing of refund claim under Rule 5 clarified – i.e. 1 year from receipt of payment (if payment received post invoice) or issue of invoice (if advance received prior to invoice) (w.e.f. 01-Mar-2016)
- Rule 6 prescribing the CENVAT Credit mechanism has been amended as follows
- Scope of exempt services is explained to include any activity which is not a 'service'
- Option to maintain separate accounts is done away with. Only two options are provided under the amended rule:
- Claim entire CENVAT Credit and reverse 6 per cent of the value of exempted goods and 7 per cent of the value of exempted services;
- Claim entire CENVAT Credit on procurements meant exclusively for non exempted goods or non exempted services and proportionate CENVAT credit on common procurements.
- Banks and financial institutions (including NBFCs) provide an option to either claim a fixed 50 per cent CENVAT Credit or adopt the option available to the other assesses.
- Capital goods are ineligible for CENVAT Credit if used for exempt goods or services for the first two years.
- Manner in which distribution of CENVAT Credit by Input Service distributor has been amended as follows:
- CENVAT credit can also be distributed to outsourced manufacturers as defined except for the period prior to 01-Apr-2016

- CENVAT credit attributable to 1 or more unit to be distributed to such units only
- Rule 6 is not applicable to Input Service Distributor.
- Rule 7B introduced to allow manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute credit to individual manufacturing unit.
- Annual return of CENVAT credit to be filed on or before 30-Nov. of succeeding year.

Amendment in Central Excise Rules

- Exemption from registration of multiple premises or factory of manufacturer / producer of jewellery covered under Chapter Heading 7113 having centralized billing or accounting system with appropriate records maintained. Also, requirement of physical verification of premise also done away (w.e.f. 01-Mar-2016)
- Rule 12 amended to file annual return instead of 'Annual Financial Information Statement' or 'Annual Installed Capacity Statement', which reduces the number of returns to be filed (w.e.f. 01-Apr-2016).
- Provision for revised return introduced allowing monthly or quarterly return to be revised in same calendar month and annual return to be revised in one month (w.e.f. 01-Apr-2016).
- Rule 11 is amended to provide that if invoices are digitally signed, the self-attestation of invoices meant for transporter is not required Rule 7(4) has been amended which provides that in case of finalization of provisional assessment, interest will be calculated from first day after due date till date of actual payment of duty whether such amount is paid before/after the order for Final Assessment (w.e.f. 01-Apr-2016).
- Amendment proposed in Notification no. 21/2004 Central Excise (N.T.) stating that Chartered Engineer's Certificate is now required in respect of correctness of the ratio of input & output in relation to goods manufactured or processed required for claiming rebate under Rule 18 of Central Excise Rules. (w.e.f. 01-Mar-2016)

Miscellaneous

Infrastructure Cess (w.e.f. 01-Mar-2016)

- Infrastructure Cess levied on motor vehicles at the rates prescribed under Eleventh Schedule of the Finance Bill, 2016 read with Exemption Notification No. 1/2016 – Infrastructure Cess dated 1 March, 2016 at the time of clearance of vehicles

Description of Motor Vehicles	Rate
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 Motor **vehicles cleared as ambulances or registered for use solely as ambulance	Nil
Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc	1%
Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc	2.5%
All categories of motor vehicles other than those listed above	4%

Clean Environment Cess (w.e.f. 01-Mar-2016)

- Clean Energy Cess levied on coal, ignite and pear now renamed as "Clean Environment Cess" has been increased from ₹ 300/tonne to ₹ 400/tonne

Central Sales Tax (w.e.f. bill to be enacted)

- Sec 3 amended to insert an explanation to clarify that gas sold or purchased and transported through a common carrier pipeline or any other common transport or distribution system from one State and is taken out in another State would be considered as interstate sale of such gas

Indirect Tax Dispute Resolution Scheme (w.e.f. 01-Apr-2016)

- Scheme is introduced in respect of cases pending before Commissioner (Appeals)
- Assessee may file a declaration in appropriate form before 31-Dec-2016 before designated authority
- On receipt of acknowledgement of declaration filed, would be required to pay duty, interest and penalty equivalent to 25% of duty
- On submission of payment details, such cases or proceedings against the assessee will be closed and will also get immunity from prosecution.
- Detailed Rules and Forms is yet to be prescribed

  However, scheme will not be applicable in certain specified cases such order related to search and seizure

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KEY POLICY CHANGES IN FY 2015-16

FOREIGN DIRECT INVESTMENT

- Investment by NRIs on non-repatriable basis is treated at par with domestic investment, hence, there shall be no requirement to comply with FDI provisions namely sectoral caps, pricing guidelines, reporting requirements, etc. (Press Note No.7 (2015 Series) of DIPP dated 03-Jun-2015)
- Introduction of composite caps: All types of foreign investments, direct and indirect i.e. FDI, FII, FPI, NRI, FVCI, QFI, LLPs, DRs shall be clubbed together under a composite sectoral cap i.e. the maximum amount which can be invested by a foreign investor. However, such total foreign investment, direct and indirect, in an entity should not exceed the sectoral cap. (Press Note No.8 (2015 Series) of DIPP dated 30-Jul-2015)
- An Indian company may issue warrants and partly paid shares as eligible capital instruments to a person resident outside India under automatic route subject to certain terms and conditions. (Press Note No.9 (2015 Series) of DIPP dated 15-Sep-2015)
- There have been significant relaxations to the foreign direct investment policy and amendments made to the FDI provisions governing various sectors are as follows:- (Press Note No.12 (2015 Series) of DIPP dated 24-Nov-2015)

Construction - Development Sector

  - Condition of minimum floor area to be developed under each project i.e. 20,000 sq. mtr. for construction and minimum capitalization of US$ 5 million to be brought within the period of six months of the commencement of business have been removed. Thereby, now, there is no restriction on minimum area to be developed and minimum foreign investment to be brought in.
  - Removal of minimum area condition will encourage FDI in small projects, where availability of bigger land in Tier I cities is a challenge and is a welcome step towards deregulating FDI in real estate sector. This change also sets to rest the debate on floor area versus built up area.
  - The removal of minimum capitalization requirement will encourage investment in small projects and also set to rest various ambiguities such as timing of investment, stage at which it should be achieved etc.

- It is now clarified that each phase of the construction development project considered as a separate project for the purposes of FDI policy.
- Now, foreign investors are permitted to exit and repatriate foreign investment before completion of project under automatic route subject to completion of lock-in-period of 3 years.
- Lock-in-period condition not applicable to Hotels & Tourist Resorts, Hospitals, SEZs, educational institutions, old age homes and NRIs.
- Transfer of stake by a non-resident to another non-resident investor, without repatriation will not be subject to lock in period.
- 100% FDI under automatic route permitted in completed projects for operation and management of townships, malls/ shopping complexes / business centers.
- FDI in LLPs still not permitted under automatic route in construction-development sector, since there are a number of FDI-linked performance conditions for this sector.

Banking (Private) Sector

- Decision to introduce full fungibility of foreign investment.
- FIIs/ FPIs/ QFIs, following due procedure can now invest up to sectoral limit of 74% provided that there is no change of control and management of the investee company.

Single Brand Retailing And Duty Free Shops

- Government has further relaxed FDI provisions for SBPRT sector.
- Earlier retail trading, in any form, by mean of e-commerce was not permitted for companies with FDI engaged in SBPRT. Now, vide PN 2015, SBPRT entity operating through brick and mortar stores, permitted to undertake retail trading through e-commerce.
- Indian manufacturer permitted to sell own branded products in any manner i.e. wholesale, retail, through e-commerce platforms without government approval subject to certain conditions.
- 30% sourcing requirement to be reckoned from date of opening of first store instead of date of receipt of FDI. Sourcing norms may be relaxed for entities undertaking SBPRT of products having 'state-of-art' and 'cutting edge' technology and where local sourcing is not possible.

- 100% FDI under automatic route permitted in Duty Free shops located and operated in Customs Bonded Area.

Cash & Carry Wholesale Trading/ Wholesale Trading

- A wholesale/cash & carry trader can undertake SBPRT subject to conditions.
- An entity can undertake both the activities of SBPRT and wholesale provided:
  a. Separate books of accounts to be maintained for each arm and duly audited
  b. FDI policy conditions for both the business to be complied with by respective business arms

INVESTMENT BY COMPANIES/ TRUSTS/ PARTNERSHIPS OWNED & CONTROLLED BY NRI ON NON-REPATRIATION BASIS

- Under the FDI regulations, NRIs were provided certain exemptions from minimum capitalization, minimum area and lock in restrictions in case of FDI in their individual capacity. Subsequently, Press Note 7 of 2015 further liberalized the investment by NRIs on non-repatriation basis under Schedule 4 of FEMA and investment to be treated at par with domestic investment. Hence, investment by NRIs was not subject to any of the conditions to be complied with under FDI policy.
- However, in order to attract further investment from NRIs, it has now been clarified that the relaxation extended to NRIs will also apply to companies, trusts and partnership firms, incorporated outside India and owned and controlled by NRIs. This intermediated investment regime for NRIs will be hugely beneficial in pooling their capital in optimal jurisdiction for making investment into India.

FDI IN LLPs

- 100% FDI under automatic route permitted in LLPs operating in sectors/ activities where 100% FDI is allowed through automatic route and no FDI-linked performance conditions.
- Downstream investment permitted in another company or LLP in sectors/ activities where 100% FDI is allowed through automatic route and there are no FDI-linked performance conditions.
- Ownership and control with reference to LLPs defined.

THRESHOLD LIMIT FOR FIPB APPROVAL RAISED

- FIPB to consider proposals with total foreign equity inflow of and below ₹ 5,000 crores (earlier ₹ 3,000 crores).
- Proposals above ₹ 5,000 crores to be considered by CCEA.

OTHERS

- An Indian company may issue “employees’ stock option” and/or “sweat equity shares” to its employees/directors or employees/directors of its holding company or joint venture or wholly owned overseas subsidiary/subsidiaries who are resident outside India subject to certain conditions (Circular No. 4 of RBI dated 16-Jul-2015)
- Online filing of Foreign Currency Transfer of Shares (FCTRS) returns for reporting transfer of shares, convertible debentures, partly paid shares and warrants from a person resident in India to a person resident outside India or vice versa enabled under the e-Biz project of the Government (Circular No. 9 of RBI dated 21-Aug-2015)
- A non-resident entity or entities, whether owner of the brand or otherwise, can undertake single brand product retail trading business in India for the specific brand, through one or more wholly owned subsidiaries or joint ventures. This will provide more structuring options to foreign players in the SRBT sector. Further, it has also been clarified that the FDI policy on SRBT equally applies to Indian brands seeking foreign investment. (Clarification issued by DIPP)

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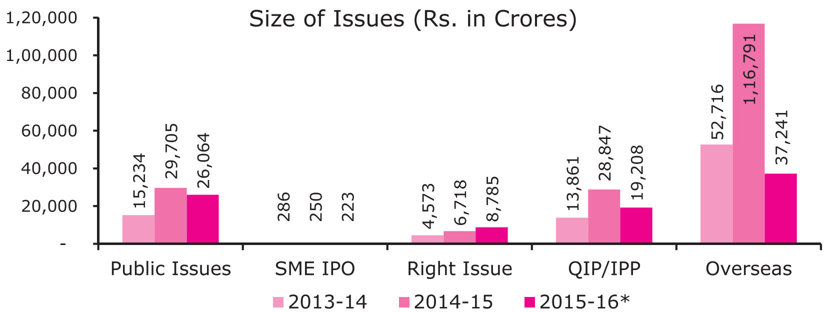
CAPITAL MARKET

Primary Markets

The Primary market have done well this year so far with Indian firms raising upto ₹ 261 billion via IPOs in 2015-16 till January 2016. The number of deals have increased – investors have been supportive of IPOs primarily on account of scalable business models, good sponsors and high corporate governance profiles. However, the risk-off mode in global markets have affected the secondary market and hence at some point of time, it will impact the investor appetite for IPO market as well. The volatility in the secondary market continues on account of various factors including challenging global macros, china woes and lack of earnings growth in listed Indian companies.

At the same time, India continues to remain a bright spot on the global map and continued focus by government on reforms, infrastructure push and improving ease of doing business will give investors the confidence of growth and stability.



Issue Type	2013-14	2014-15	2015-16*
Public Issues	82	36	32
SME IPO	37	38	34
Right Issue	13	14	10
QIP/IPP	17	45	19
Overseas	25	39	12

* Upto 31-Jan-2016 Source: Prime Database

Secondary Markets

For the year 2015-16, Sensex started at 28,260 and as of 29-Feb-2016 it closed at 23,002 – a drop of more than 19% and the BSE Midcap index also closing almost 11% lower from 01-Apr-2015. Foreign Portfolio Investors (FPIs) infused a net amount of ₹ 63,663 crore in the capital markets in entire 2015 as compared to a record investment of ₹ 2,56,213 crore in 2014. However, in the first two months of year 2016, FPIs have pulled out more than ₹ 16,250 crores from equity markets.

The decline in inflows has been attributed to a slew of domestic and international factors including concerns of global economic slowdown, Chinese equity meltdown and poor corporate earnings growth in Indian companies. Besides, a delay in implementation of major economic reforms in India also dampened investors' sentiment like the GST Bill and other major legislations. Although India has not outperformed in the last three months, in the long term, India continues to be one of the best investment destinations in Asia. Despite the decline in Indian equity markets, the country continues to command one of the highest valuations among Emerging Markets (EM's). The Sensex's forward price-to-earnings (P/E) ratio currently stands at 14.41 – one of the highest among EM's. This premium valuation of India is due to stable macroeconomic environment. In contrast to FPI selling, domestic funds continue to be net buyers in the Indian equity markets. Domestic Institutional Investors (DIIs) comprising banks, insurance companies and mutual funds have net purchased equities worth ₹ 20,314 crore since the beginning of 2016.

The mutual fund industry has registered an increase of 13% in the market value of its Assets Under Management (AUM) during the nine months ended on 31-Dec-2015 with the AUM approximately at ₹ 13,39,484 crores as on 31-Dec-2015 as against ₹ 11,87,477 crores as on 31-Mar-2015.

M&A and PE Activity

The year so far (CY2015 YTD*) has seen a lackluster performance on the deal value front in the absence of any mega-ticket M&As. While deal volume stands robust at 755 transactions and is well on way to beat the all-time high seen in CY2014, the disclosed deal value barely crosses the US$17-billion mark compared to last year which stood around US$35 billion suggesting a significant drop in the average deal value. An increasing amount of inbound activity is aimed at establishing a foothold in the fast-growing consumer market and financial system. The total cross-border M&A in terms of value saw an increase of 30% as compared to the last year. A Brief summary as is follows:

Deal Summary	Volume		Value (₹ in Crore)		Avg. Deal Size (₹ in Crore)	
Year	**CY 2014**	**CY 2015***	**CY 2014**	**CY 2015***	**CY 2014**	**CY 2015***
Domestic	501	453	118,397	40,308	236	89
Cross Border						
Inbound	167	114	28,074	36,048	168	316
Outbound	132	107	16,051	20,917	122	195
Others#	94	81	42,110	11,952	448	148
Total M&A	**894**	**755**	**204,632**	**109,225**	**974**	**748**

*2015YTD represents the period 01-Jan-2015 to 27-Oct-2015.

#'Others' as an M&A sub-type represents deals that either do not have the buyer disclosed, or an Indian seller in an overseas transaction.

Private Equity (PE) investments in India increased to ₹ 91,392 crore in 2015 (upto sept.15) across 928 deals as compared to the previous high of ₹ 75,689 crore recorded in 2014 (874 deals)

Debt Markets

As of 26-Feb-2016, the G Sec–5 year increased by 16 basis points to 7.90% and 10 year bonds yield increased by 4 basis points to 7.78%, respectively compared to 31-Mar-2015. The 10 years credit spread almost doubled in case of AAA spread (78bps) and AA+ spread (90bps), while 5 years credit spread have also increased to 61bps from 47bps and 77bps from 51bps in case of AAA spread and AA+ spread respectively.

Inspite of the dip in number of the public issue, there is a jump in the value of public issues by 135% approx. The private placement and commercial paper of debt witnessed fall in the FY 2015-16 as depicted in the table below:

Value in ₹ Crore

Particulars	FY 2013-14		FY 2014-15		FY 2015-16	
	No.	**Value**	**No.**	**Value**	**No.**	**Value**
Public Issues*	35	42,383	25	9,713	16	22,773
Private Placement*	1,745	295,630	2295	482,565	2,265	390,904
Commercial Paper#	4,546	417,729	4,976	589,412	3,924	526,948
Total	**6,056**	**731,109**	**7,296**	**1,081,690**	**6,205**	**940,625**

**As on January 31, 2016 # As on February 17, 2016*
Source : Prime Database

SECTORAL ANALYSIS

Banking, Finance and Insurance — Positive

Budget Proposals

- Amendments in the SARFAESI Act 2002 to enable the sponsor of an to hold up to 100% stake in the ARC
- Statutory basis for Monetary Policy framework and Monetary Policy Committee through the Finance Bill 2016
- Allocation of ₹ 25,000 crore towards recapitalization of Public Sector Banks
- General Insurance Companies owned by the Government to be listed
- Target of amount sanctioned under Pradhan Mantri Mudra Yojana increased to ₹ 1.8 lakh crore
- Reforms in FDI policy in Insurance and Pension, ARCs & Stock Exchanges

Impact

- Government recognizes the problems related to NPAs in the banking sector. An allocation towards recapitalization is a step in right direction which should boost the confidence of the markets and the banks
- Government may also expect the PSU banks to put their house in order quickly so that the recapitalization needs are reduced
- Listing of general insurance companies will not only help the Government in raising funds but also bring in transparency in operations

Real Estate — Positive

Budget Proposals

- Service Tax exemption on construction of affordable houses up to 60 sq. mtr
- 100% deduction for profits to an undertaking in housing project for flats upto 30 sq. mtr. in four metro cities and 60 sq. mtr. in other cities, approved during June 2016 to March 2019 and completed in three years. MAT to apply
- Dividend Distribution Tax exempted for REITs
- Additional exemption of ₹ 50,000 for housing loans up to ₹ 35 lakhs for homes not above ₹ 50 lakhs

Impact

- The budget is very positive for affordable housing segment. It will help in reducing the cost of housing for the lower middle class and these steps are in line with the Government's ambition of providing houses for all
- An indirect impact of these measures is to drive the consumption higher in the economy as well as increasing employment opportunities
- Will provide the necessary motivation for developers to develop good quality affordable houses thus catering to the large demand in this segment

Infrastructure — Positive

Budget Proposals

- With investment in the road sector, including PMGSY allocation of ₹ 97,000 crore. Total outlay for infrastructure in Budget 2016 is ₹ 2.21 lakh crore.
- Allocation of ₹ 55,000 crore in the Budget for Roads. Additional ₹ 15,000 crore to be raised by NHAI through bonds.
- To approve 10,000 kilometers of national highways in 2016-17 and 50,000 kilometers state highways to be converted to national highways.
- New Greenfield ports to be developed on east and west coasts. Revival of underserved airports. Centre to Partner with States to revive small airports for regional connectivity

Impact

- The outlays for roads (highways & rural roads) have increased substantially
- Government recognizes the difficult environment and the capability of private sector to commit funds
- The higher outlay will not only have an immediate impact but will also help in boosting sentiments

Agriculture — Neutral

Budget Proposals

- Allocation for agriculture is ₹ 35,984 crore
- 'Pradhan Mantri Krishi Sinchai Yojana' to be implemented in mission mode. 28.5 lakh hectares will be brought under irrigation
- Agricultural credit target of ₹ 9 lakh crore. Government to allocate ₹ 5,500 crore for crop insurance scheme

- A dedicated Long Term Irrigation Fund will be created in NABARD with an initial corpus of about ₹ 20,000 crore
- Paramparagat Krishi Vikas Yojana to bring 5 lakh acres under organic farming
- Implementation of 89 irrigation projects under AIBP, which are languishing for a long time, will be fast tracked

Impact

- While the Government's attempt to double the farmers income in next five years is laudable, the steps taken in this budget are insufficient
- We should expect the agriculture ministry to come out with some kind of white paper which could detail the roadmap
- From the markets perspective, the focus on agriculture should be taken as big positive as it may help in moderating the food inflation in the long term

Other sectors

Budget Proposals

Automobiles — Negative

- Infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs
- 1% service charge on purchase of luxury car over ₹ 10 lakh and in-cash purchase of goods and services over ₹ 2 lakh
- Amendments to be made in Motor Vehicles Act to open up the road transport sector in the passenger segment

Gems and Jewellery — Negative

- To levy 1% excise duty on jewellery without input credit or 12.5% excise with input credit
- Increased the basic customs duty on imported imitation jewellery from 10% to 15%

Impact

- Consumers will have to shell out more for the gold and diamond jewellery and the India Bullion & Jewellery Association fears that the introduction of the excise duty will lead to job loss in the gem and jewellery sector
- Biggest positive is the tax-free status awarded to income from gold bonds and the sovereign gold deposit scheme

ABBREVIATIONS

AMT	Alternative Minimum Tax
AOP	Association of Person
ARC	Asset Reconstruction Company
BCD	Basic Custom Duty
BED / ED	Basic Excise Duty / Excise Duty
BEPS	Base Erosion and Profit Shifting
BG	Bank Guarantee
BOI	Body of Individual
BPL	Below Poverty Line
BPS	Basis points
CAD	Current Account Deficit
CBDT	Central Board of Direct Tax
CBEC	Central Board of Excise and Customs
CCEA	Cabinet Committee on Economic Affairs
CCR	CENVAT Credit Rules
CE	Central Excise
CENVAT	Central Value Added Tax
CIT	Commissioner of Income Tax
CSR	Corporate Social Responsibility
CTH	Customs Tariff Heading
CVD	Countervailing Duty
DDT	Dividend Distribution Tax
DEITY	Department of Electronics and Information Technology
DIPP	Department of Industrial Policy & Promotion
DR	Depository Receipts
DRP	Dispute Resolution Panel
EC	Education Cess
ECB	External Commercial Borrowings
EPFO	Employee Provident Fund Organisation
FD	Fixed Deposit
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor
FIPB	Foreign Investment Promotion Board
FM	Finance Minister
FOB	Free on Board
FPI	Foreign Portfolio Investor
FVCI	Foreign Venture Capital Investor
GAAR	General Anti Avoidance Rule

GDP	Gross Domestic Product
HUF	Hindu Undivided Family
ICB	International Competitive Bidding
IFSC	International Financial Services Centre
InviT	Infrastructure Investment Trusts
IPO	Initial Public Offering
ITAT	Income Tax Appellant Tribunal
LIC	Life Insurance Corporation of India
LLP	Limited Liability Partnership
LTCG	Long Term Capital Gain
MAT	Minimum Alternate Tax
NBFC	Non Banking Financial Company
NHAI	National Highway Authority of India
NRI	Non-Resident Indian
PCB	Printed Circuit Boards
PF	Provident Fund
PN	Press Note
POEM	Place of Effective management
PSU / PSB	Public Sector Unit / Public Sector Bank
QFI	Qualified Foreign Investor
RBI	Reserve Bank of India
REIT	Real Estate Investment Trusts
SAD	Special Additional Duty
SBPRT	Single Brand Product Retail Trading
SEBI	Securities Exchanges Board of India
Sec	Section
SEZ	Special Economic Zone
SHEC	Secondary and Higher Education Cess
SME	Small & Medium Enterprises
SPV	Special Purpose Vehicle
STCG	Short Term Capital Gain
STP	Software Technology Park
STT	Securities Transaction Tax
TAN	Tax Deduction Account Number
TCS	Tax Collected at Source
TDS	Tax Deducted At Source
TPO	Transfer Pricing Officer
U/s.	Under section
W.e.f.	With effect from