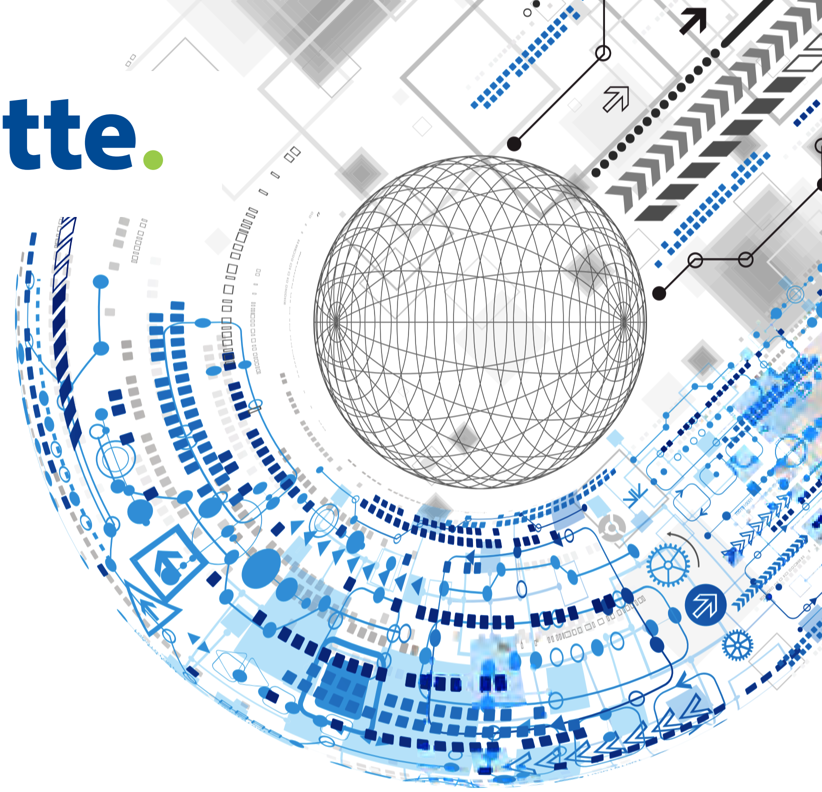
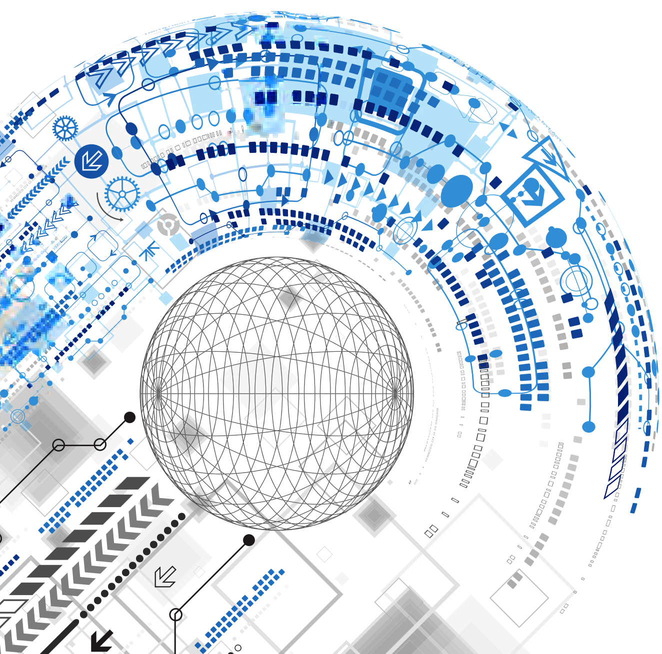


Deloitte.

BUDGET 2016

Understanding the Business Impact

India Budget Analysis



Foreword

Amidst falling commodity prices, Chinese Yuan devaluation, US FED rate hike and talks of Britain's exit from the European Union, the global economy has hardly displayed a portrait of unified and consolidated growth the past year. Withstanding global shocks for emerging economies is a matter of difficulty and most have suffered in line with geopolitical and global economic developments. India, conversely stands as a beacon of steady growth with a GDP consistently performing over 7%, falling inflation and current account deficits, fiscal prudence and rising reserves. The third budget of the current government was unveiled and it ticked most of the right development and economic reform boxes. This year's union budget was less about corporate sops and all about macro stability in an otherwise challenging environment. The government had to encounter the twin challenge of meeting expenditure demands on account of higher payout in government salaries while addressing the supply side of the economy by quality infra spend, and walking a tight rope in meeting fiscal consolidation targets.

Unveiling a pro-development budget with a focus on agriculture and farm reforms, the Finance Minister has done well by giving necessary aid to the rural economy, increasing expenditure on social sector for weaker sections and giving a boost to agriculture. He also announced a slew of initiatives for the farm sector including a dedicated irrigation fund worth ₹20,000 crore, and a ₹60,000 crore project to develop safe groundwater sources and a ₹500 crore program for enhanced pulses' production. Softening import prices has helped him on his fiscal consolidation plans where he has overachieved on the revenue deficit target whilst sticking to last year's fiscal roadmap.

Realising that spend has to be of quality, the Finance Minister has also announced a number of restricted but key measures focused on overall infrastructure build up, aiding the ease of doing business and reducing tax dispute and litigation. While the income tax remains unchanged, some relief has been provided for small taxpayers. The Budget also proposes to extend the presumptive taxation scheme to professionals with a certain gross receipt. In line with the government's focus on startups, new manufacturing companies

have been given the option to be taxed at a lower rate. In addition, as a welcome note to Indian corporates, legislation on PoEM is proposed to be deferred by one year. However, the Finance Minister did reiterate his commitment to implement GAAR from 2017.

On the indirect taxes area, certain exemption of service tax on specified services and general insurance services have been proposed. Basic customs and excise duty on certain products have also been reduced. However, what comes as a dampener is a proposal to increase overall service tax to an effective 15%, perhaps to bring it in line with the draft GST norms.

Overall, while the Budget is muted from an economic and pro-business perspective, it does focus on some of the hard areas of the economy that needed a boost. If the focus proves fruitful, it will provide a stronger platform to push through a more reforms-oriented agenda going forward.

29 February 2016

The Indian Economy - Reflecting a changed world

Introduction

The last year was all about making the right policy choices in a continuously deteriorating global demand scenario. As a measure of the domestic economy's resilience, India stood out as the only country out of the much coveted BRIC nations to register an improvement in growth. The Chinese economy slowed down while Brazil and Russia's growth levels plummeted. At the same time the Indian economy was able to withstand a second consecutive drought year and still maintain its upward move.

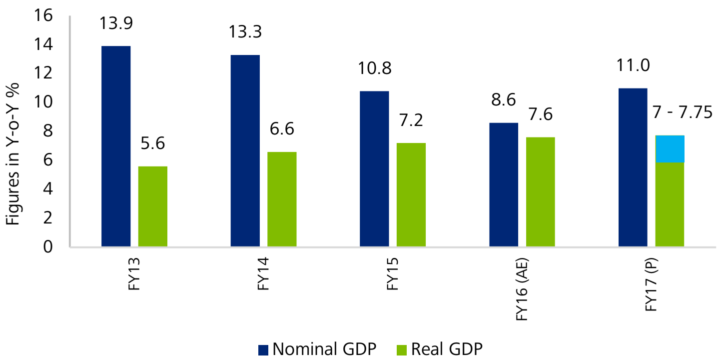
This was possible mainly because of broadly stable macroeconomic fundamentals. Despite the increasing episodes of volatility in the financial markets, the real market remained stable. Similarly, headline inflation also declined for most part of the year reflecting subdued demand pressures and pass through of commodity price declines.

An important aspect of the whole macro situation was the healthy state of the twin deficits; Current Account Deficit and Fiscal Deficit. High forex reserves and fairly stable FDI inflows meant that CAD hovered around comfortable levels of around 1.4% of GDP. Another positive was the ability of the government to stick to the fiscal deficit roadmap while consequently improving the expenditure mix. Buoyed by lower global crude prices and improved tax collection the government managed to achieve its fiscal target. As promised, the government continued it policy making process by introducing a whole host of measures under existing policies such as Skill India and Make in India while introducing new ones to encourage entrepreneurship to give a structural boost to growth.

The previous year also saw the positive effects of subdued price pressures in the form of some uptick in urban demand even as rural demand got negatively affected by another failed monsoon. Looking ahead, the implementation of the 7th pay commission recommendations along with well-directed policy measures aimed at improving the rural sector is expected to give a boost to growth. However, the domestic economy is no longer immune to global downturn and further deterioration would have a negative effect on growth. On the domestic front, another year of insufficient rains could mean trouble. As such, the last year has seen a lot of dramatic change and we can safely say that we are now in a changed world economy.

GDP growth

Figure 1: GDP growth rate



Data Source: Budget documents and MOSPI

The past year has seen the economy move up the growth ladder albeit at a slower pace than expected. There have been both domestic and international challenges that have resulted in some new issues emerging on the horizon. As we delve deeper into how the domestic economy has performed, it is important to understand the environment in which we are operating.

First, a growth slowdown in China and consequently the turbulence in financial markets have spread fast throughout the emerging market space. On a broader canvas, growth in the emerging economies to a large extent was dependent on the ongoing economic boom in China. A direct result of the China slowdown has been the negative impact on these commodity producing economies pushing their growth lower. The impact on the financial markets has also been immense with depreciation of most emerging market economies laying further pressure on global financial infrastructure. Second, global growth has disappointed almost through the year with only the US being an exception with a semblance of stable recovery.

These circumstances have engulfed the world in a deflationary environment putting pressure on countries and corporates with high levels of debt. India is not immune to the ongoing global turmoil especially with the financial sector and trade exports requiring significant boost.

As per the advance estimates released by the CSO, growth in the current year is being driven by a pickup in manufacturing while agriculture is also likely to print with a marginally positive number. Services are expected to see a decline according to the government's own estimates from the previous year. Overall, growth is expected to print in at 7.6% according to these advance estimates. However, we believe that growth for FY16 could be a shade lower around the 7.4% mark.

The Indian economy is still turning a corner after having bottomed out over the last couple of years. There has been a gradual pick up in some of the lead indicators since the beginning of FY16 as data has shown moderate levels of growth for vehicle sales, customs and excise revenues, industrial production and FDI. However, the growth momentum has not picked up to the extent anticipated at the beginning of the year. Along with the global slowdown, a major factor has been the state of rural demand. While urban demand has seen some rise over the past 6 months, rural demand has been subdued on the back of two consecutive monsoon failures. Compounding issues has been the state of the public sector banks that have been hobbled by a rising share of their assets being categorized as non-performing (NPAs).

Table: GDP – Sectoral Growth

	FY 2014-15	FY 2015-16 (AE)
A) Agriculture, forestry & fishing	-0.2%	1.1%
B) Industry	5.9%	7.3%
Mining & quarrying	10.8%	6.9%
Manufacturing	5.5%	9.5%
Electricity, gas & water supply	8.0%	5.9%
Construction	4.4%	3.7%
C) Services	10.3%	9.2%
Trade, hotels, transport, communication and services related to broadcasting	9.8%	9.5%
Financial, real estate & professional services	10.6%	10.3%
Public administration, defence and Other Services	10.7%	6.9%

Outlook

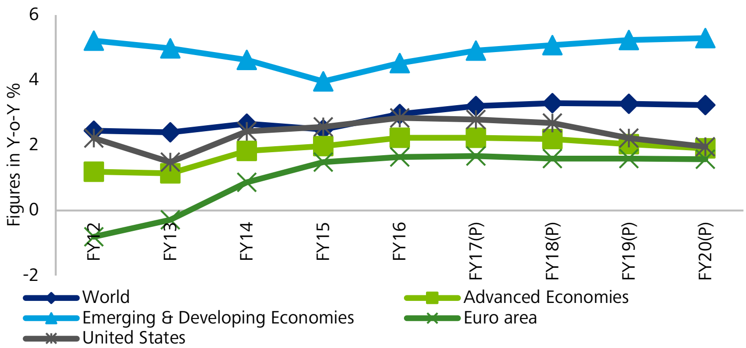
The crucial question is what will drive growth in FY17? The theme for next year would most likely be consumption driven growth. Urban demand is clearly picking up, as also seen by rising retail loans, car sales and consumer durable growth. The effects of the pay commission on domestic consumption has historically been positive and we believe that is likely to play out again this year. This is further expected to be strengthened by OROP payouts. On the other hand, normal monsoons and the additional spending by the government in the rural and social sectors, as envisaged in the Budget Proposals could see revival in the rural demand. The demand boost is also expected to come from the spends of higher allocations earmarked for roads and railways expansion.

Government will continue to lead by spending more in capital-intensive projects especially infrastructure while the private sector goes through a phase of deleveraging and fixing their balance sheets. All these factors playing out could mean growth in the region of around 7.6% for FY17. However, a further decline in global growth and/or another of monsoons could derail this upward move and rather result in somewhat lower growth than the previous year.

Budget Proposals to boost demand

- Higher infra spend, focus on roads and highways, ₹ ~ 2.21 lakh cr on infrastructure
- Implementation of 7th pay commission and OROP to provide a boost to urban demand

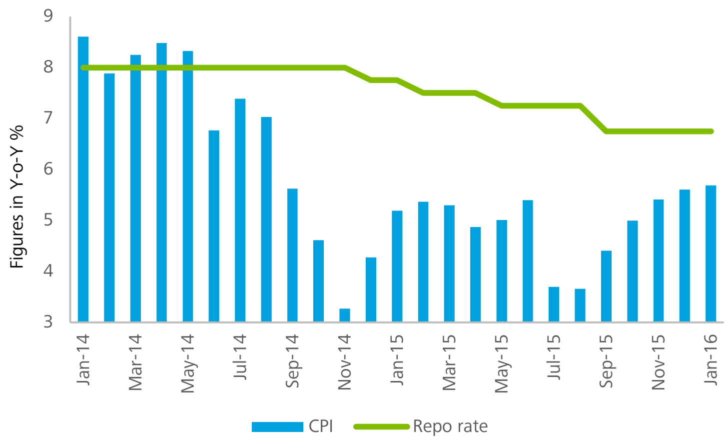
Figure 2: Global GDP growth rate



Data Source: IMF WEO

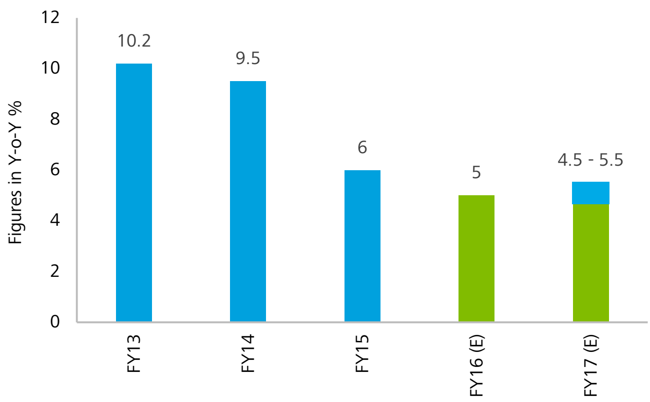
Inflation and monetary policy

Figure 3: Consumer Price Index



Data Source: RBI

Figure 4: Consumer Price Index

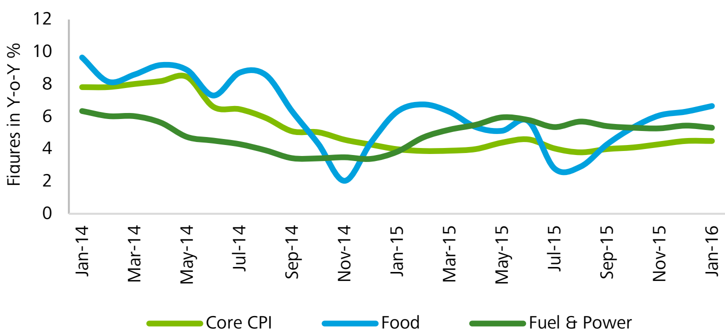


Data Source: RBI

Inflation has reached record lows in the previous years and the trend continued this financial year as well. The dip in inflation has been a combination of a decline in global commodity price, especially global crude prices, controlled food prices, subdued domestic demand, as well as favorable base effect.

Observing CPI, inflation hit record lows at 3.7% Y-o-Y in July and August with food inflation as low as 2.8% and 2.9% Y-o-Y respectively, as has been depicted in the graph. Food inflation has however, been on the rise during the second half of the year on back of rising vegetable, pulses and cereal prices withered with supply-side constrains also playing a significant role. The core inflation, an indicator of the demand driven price rise, has been subdued through the year.

Figure 5: Components of Consumer Price Index



Data Source: RBI

Monetary policy

As inflationary pressures have been largely ranged, it has created considerable room for policy makers to adapt a more accommodative monetary policy. The RBI, did factor in the base effect during its policy stance. Closely monitoring the movement in food prices, the central bank maintained its policy rate at 7.25% till August amid increasing pressure from the government as well as the private sector. However, with inflationary pressures expected to be ranged, the RBI turned its focus on the issues faced by the Indian economy. The Indian economy was marred by global headwinds with low global demand and commodity prices greatly affecting exports. Moderate domestic demand and low investment have also greatly affected the economy. In an effort to address these issues, the RBI reduced the repo rate by 50 bps in October to 6.75%.

The central bank has successfully achieved its target of restricting the CPI under 6% till January 2016 and has its eyes set on achieving the next target of 5% by March next year. As such, this seems challenging as effects on the implementation of pay hikes and increased rural support are still unclear. This may weigh on RBI's hand as it discusses its monetary policy space in the current year.

Outlook

At present the Economic Survey expects inflation to trend down from current levels and average from 4.5% to 5.5% through the year. As such, we believe that these numbers are slightly optimistic and expect inflation to average around the 5.5% mark in FY17. With a major part of OROP and the 7th pay commission to be implemented this year, the effects on inflation is uncertain and something that the RBI has also pointed out. However, given the fiscal stance of the central government and its focus on macro stability, we would expect some more easing in the coming future.

Budget Proposals to control Inflation

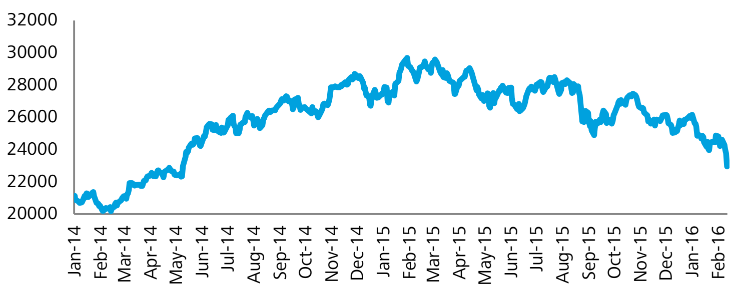
- E-market for agricultural produce to control inflation
- 100% FDI in marketing of food products to bring in investments

Budget Proposal on the monetary front

- Creation of a Monetary Policy Framework and Monetary Policy Committee
- Amendments in SARFAESI Act 2002 enable the sponsor of an ARC to hold up to 100% stake in the ARC and permit non-institutional investors to invest in Securitization Receipts.

Capital Markets

Figure 6: Movement of SENSEX (Jan '14-Feb'-16)



Data Source: BSE

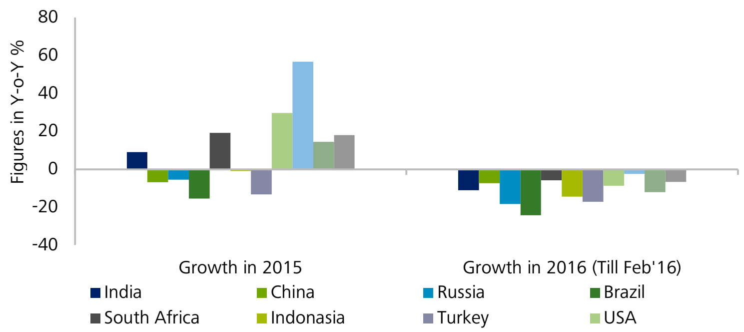
The global economy is witnessing one of its toughest phases in the recent past and global investors across the board are reacting to it. The overall mood of global investors has been somber and there has been an increase in risk aversion over the past few months. Largely reacting to global cues, the Indian capital markets are no different. After witnessing a good FY15, the markets have been largely subdued through the year even hitting record lows. After almost breaking the 30,000 barrier during the previous year, the SENSEX has witnessed a freefall through the year hitting record lows around February. This turbulent run of the capital markets has been a result of a combination of the external environment as well as factors within the Indian economy. One of the major developments during the current year has been the continued decline in the global crude and commodity prices which greatly affected the global investor appetite.

Further, China, once an enviable force in the global economy, has consistently reported contraction in its growth this fiscal. Similar to China, other EMEs including Brazil and Russia, have experienced subdued economic growth. To add to this uncertainty, the US Fed finally pulled the trigger in December increasing the fund rate by 25 basis points. As global uncertainty increases with oil prices continuing to plunge combined with China showing weak signs of recovery and the financial markets stipulating about the next Fed hike, global investor appetite has been compromised with the global markets continuing to see a bearish run.

Coupled with global markets, the Indian capital markets have witnessed one its biggest sell-off sprees in recent history. Although a volatile external environment is a cause of concern, internal factors have greatly contributed to this performance. One of the biggest contributors has been weaker than expected corporate earnings.

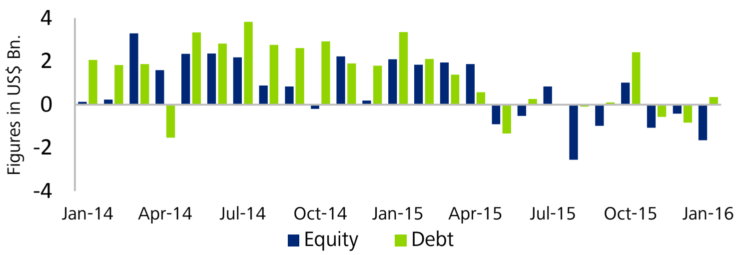
A combination of global investors shying away from EMEs on account of risk aversion has meant that markets have remained volatile. Going forward, we would expect the financial market volatility to continue with FII inflows responding to investor sentiments towards EMEs.

Figure 7: Performance of global stock markets in 2015 & 2016



Data Source: Bloomberg

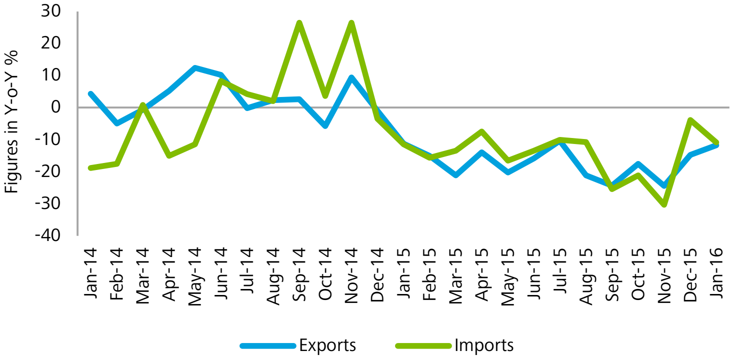
Figure 8: FII inflows in 2014-15



Data Source: SEBI & NSDL

External sector

Figure 9: Performance of global stock markets in 2015 & 2016



Data source: Ministry of Commerce and Industry

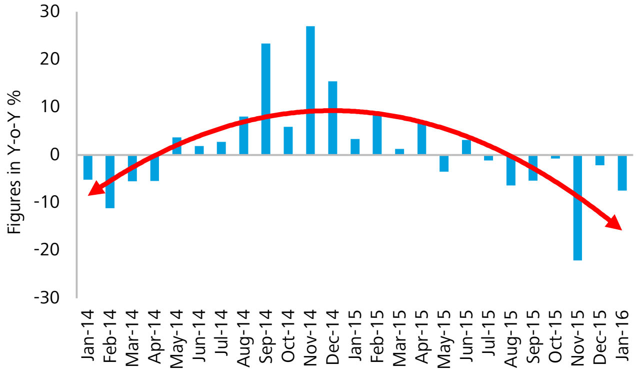
India's external account is stable and is unlikely to cause any issues in the medium term. That said, there has been a significant decline in exports through the past year, which has also impacted earnings of some large corporates.

Indian exports have contracted for more than a year in succession as there has been declining demand for indigenous goods in the international markets. Another key contributing factor has been the strong performance of the Indian rupee against other emerging market economies, with the real effective exchange rate rising by 3.7% (Apr-Dec), rendering Indian exports less competitive. Traditional products such as agricultural goods, gems and jewelry, leather, engineering goods, etc. in which India enjoyed considerable advantage have all struggled throughout the year. Exports of articles such as jute, handicrafts as well as textiles have provided some relief to the overall exports. In terms of the performance through the year, exports have been progressively declining with Q3 experiencing a contraction of 18.9% Y-o-Y on the back of contraction in the export of engineering goods and petroleum products.

Although global demand has been a significant deterrent to the growth of Indian exports this alone does not depict the entire picture. Among Asian economies, Indian exports have performed poorly. Most of the Asian economies have fared much better than India with Vietnam's cumulative exports even experiencing a growth of 7.9% (Apr-Dec) Y-o-Y in 2015 calendar year with China's cumulative exports contracting by 2.8% (Jan-Dec) Y-o-Y in 2015, at a much slower pace than India due to the devaluation of the Yuan. It is imperative to note that although most of the EMEs are struggling to improve their exports, there are economies that have managed to, through various measures, improve the performance of their external sector. This puts the spotlight on India now, as policymakers have their work cut out to improve the faltering exports in a challenging external environment.

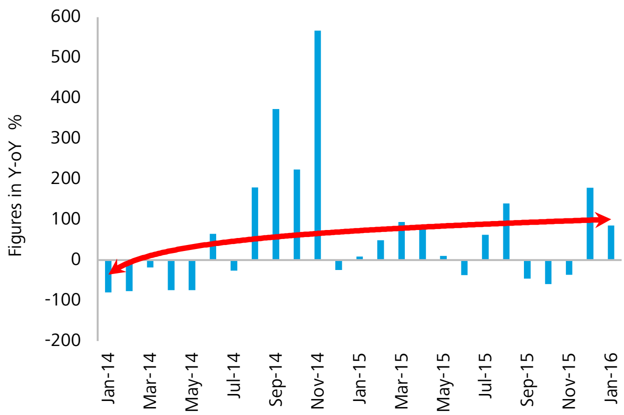
Imports have also declined primarily on the account of continuously declining commodity prices. This decline in the overall trade activity primarily reflects the subdued state of global demand. Q3 imports reported a contraction of 19.3%, which at a higher pace than exports led to a a favorable trade balance impact. Persisting softness in international commodity prices (especially oil and metals) has brought the momentum for imports into negative territory. Although data indicates a pick-up in volume demand for gold, it was mainly inventory build-up ahead of the festive season. The increase in oil import volumes on the other hand, has been unable to offset the favorable impact of sharply lower commodity prices. Amidst weakness in rural demand and prolonged dip in international commodity prices, some normalization (increase) in imports is expected only in FY17.

Figure 10: Non-oil, non-gold imports



Data Source: Ministry of Commerce and Industry

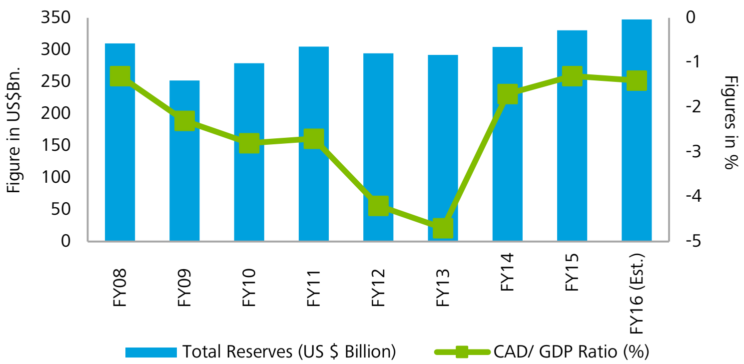
Figure 11: Gold Imports growth rate



Data Source: Ministry of Commerce and Industry

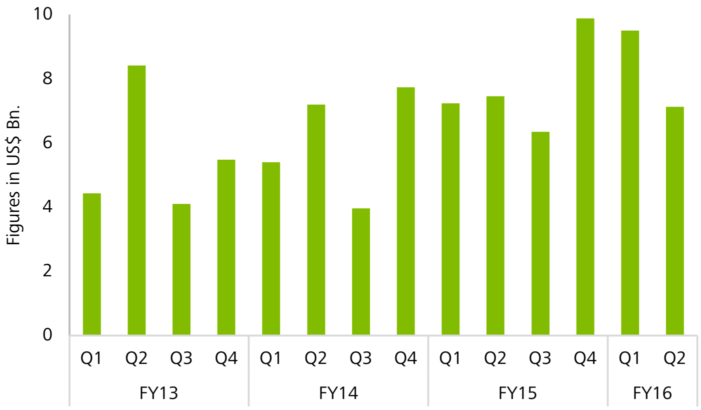
There has been considerable stability in the inflows of long-term capital as FDI has remained bouyant. We believe that passing of key reforms in the parliament will make sure that FDI continues at a stable pace. Expectations are that the current account deficit to come in at 1.4% of GDP and move up slightly to 1.6% next year as growth expands from current levels.

Figure 12: CAD and FOREX



Data Source: RBI

Figure 13: Quarterly FDI Inflows



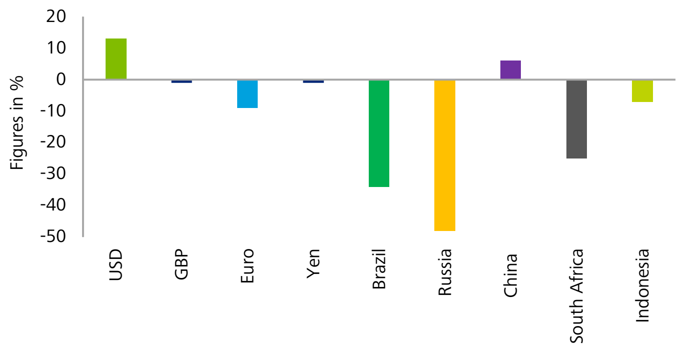
Data Source: DIPP

Budget Proposals for Trade

- Changes in Customs Act to allow differed payment of custom duties for credible importers and exporters
- Single window project to be implemented at major ports and airports which are expected to help foreign trade

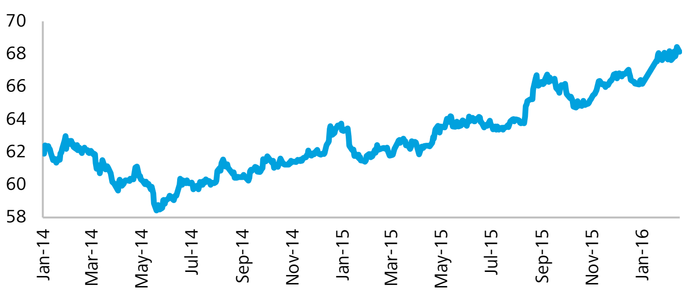
Exchange rate dynamics

Figure 14: Exchange rate of rupee against global currencies (Apr14- Feb16)



Data Source: OANDA

Figure 15: Exchange rate of ₹ against the USD



Data Source: RBI

The domestic currency had been steadily depreciating during the course of the year as expectations were building up of the US Federal Reserve hiking rates. However, the recent tumult in global markets have caused the currency to depreciate much faster responding to changing investor appetite for emerging market assets. One of the key facets of the past year has been the strength the currency has displayed with respect to other currencies.

Outlook

Expectations are that the ₹ will remain volatile and depreciate in the face of pressures from a fast depreciating Chinese currency in addition to global risk aversion. The ₹ could potentially breach the 70 per USD mark if the situation were to get worse in the international markets. ₹ is estimated to hover in the range of 67.5 to 69.5 per USD over the next few months.

Make in India

'Make in India' has been a marquee scheme of the present government, seen as a panacea for solving the employment as well as productivity issues. While a number of foreign investors have announced plans to join this initiative, the response from the domestic industry, on account of their stressed balance sheets, has not been very enthusiastic. The Budget has not made any major policy announcements for this program. This could be because the various policy initiatives announced earlier have to be followed through to ensure effective implementation.

Policy Initiatives	Recent Developments
Amendment in Companies Act, 2013 to do away with minimum paid-up capital and common seal for companies	Rank of ease of doing business improved by 12 places according to the Doing Business Report of the World Bank
Further simplification of a number of other regulatory requirements under the Companies Act, 2013	Investment proposals worth ₹1.2 lakh crore companies interested in manufacturing of electronics
A notification issued to curtail the number of documents required for foreign trade to 3	Initiatives such as creation of industrial corridors, industrial clusters as well as smart cities

Budget Proposals

- Reduction of customs and excise duty rates on certain inputs.
- Domestic industry competitiveness to be improved in sectors such as IT hardware, capital goods, defense production, textiles, mineral fuels and mineral oils, chemicals and petrochemicals, paper, paperboard and newsprint, maintenance repair and overhauling [MRO] of aircrafts and ship repair.
- Launch of Ek Bharat Shreshtha Bharat programme to link States and Districts to connect people through exchanges in areas of language, trade, culture, travel and tourism in an annual programme.
- Automation facilities to be provided in 3 lakh fair price shops by March 2017.
- Companies Act to be amended to improve the environment and ease of doing business.
- A comprehensive review and rationalization of Autonomous Bodies to be conducted.

Skill India

'Skill India', an initiative launched by the government along with the flagship program 'Make in India', can be considered as cornerstone of new policy initiatives. As the government looks to transform India into a thriving industrial economy, a fleet of able and skilled workforce is of paramount importance. Skill India is a ₹1,500 crore initiative taken by the Government of India, launched by Prime Minister Narendra Modi on July 15, 2015.

Skill India			
National Skill Development Mission	**National Policy for Skill Development and**	**Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**	**Skill Loan Scheme**
Aims to merge skill training activities across sectors and States, and consolidate skilling efforts and expedite coordination across sectors to achieve skilling at scale with speed and standards	Aim to align all the skilling policy initiatives at scale with speed and standard. The policy will link skills development to enhanced employability and productivity	Will provide financial rewards to candidates who successfully complete approved skill training programs as a form of incentive	₹5,000 to ₹1.5 lakh made available to 34 lakh of the youth population seeking to pursue the skill development program within the next 5 years

Source: Economic Survey 2015-16

With a young demographic and an enviable workforce, the success of Skill India can ensure an overall improvement in the socio-economic paradigm. An efficient implementation of the schemes launched by the government under Skill India, holds the key in India truly realizing the potential of its vast resource of human capital. The government has initiated several programs such as setting up a student Financial Aid Authority to monitor scholarships and Educational Loan Schemes, and setting up various institutes including a new IIT, AIIMS, and Horticulture, Pharmaceuticals, and Science and Education Research institutes across different states in India to name a few. Below is a table summarizing the key policy initiatives and recent developments with regards to Skill India.

Policy Initiatives	Recent Developments
The British PM David Cameron has offered to support India with this initiative under the new UK-India Skills pledge. Numerous joint research partnerships between India and the UK are being initiated.	11 UK companies have committed to support skill development in India wherein New "Centres of Excellence" will be established by the UK government and UK business in key sectors in India. Academics from the UK will be going to India to undertake studies and research over the next 2 years.
Launched 4 initiatives; National Skill Development Mission, National Policy for Skill Development and Entrepreneurship 2015, Pradhan Mantri Kaushal Vikas Yojana (PMKVY) scheme, the Skill Loan scheme. PMKVY, the flagship scheme organized by the government, will provide financial rewards to candidates who successfully complete approved skill training programs as a form of incentive.	PMKVY completes 5.32 lakh enrollments, out of which 4.38 lakh have successfully completed training throughout India. Special PMKVY mobilization camps are being organized at 100 locations across India with Nehru Yuva Kendra Sangathan (NYKS). Fresh PMKVY training commenced in 1000 centers across India, covering 50,000 of the youth population in 100 job roles across 25 sectors.
Introduction of the Recognition of Prior Learning initiative for certification of around 10 lakh youth who currently possess skills but are not certified for them. They will be evaluated and officially certified for the skills they already have.	A national SMS campaign has initiated to help build awareness of the program, reached approximately 40 crore subscribers.
Skill Loan Scheme: ₹5,000 to ₹1.5 lakh made available to 34 lakh of the youth population seeking to pursue the skill development program within the next five years.	MoU signed between the Ministry of Skill Development and Entrepreneurship and with Yashaswi Academy for Skills to provide 1 lakh trade apprentices for youth.
The government has set up student Financial Aid Authority to monitor scholarships and Educational Loan Schemes, and set up various institutes including a new IIT, AIIMS, and Horticulture, Pharmaceuticals, and Science and Education Research institutes across different states in India to name a few.	2,33,000 of the youth population across India were given certificates from Industrial Training Institutes (ITIs) and over 18,000 students that were graduating received job offer letters on the launch of Skill India on World Youth Skills Day, July 15, 2015.
The Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), a placement-linked skill development scheme for rural youth who are poor, as a skilling component of the NRLM has also been launched.	During 2015-16 a total of 1.75 lakh have been trained and 0.60 lakh placed till November 2015 under the DDU-GKY, compared with a target of skilling 1.78 lakh candidates.

Budget Proposals

- National Skill Development Mission has successfully imparted training to 76 lakh youth. 1500 multi skill training institutes are to be set up
- ₹1804 crore to be allocated for skill development
- National Board for Skill Development Certification is to be setup in corporation with the industry and academia
- Massive Open Online Courses to endorse Entrepreneurship Education and Training
- 1 crore youth to be skilled in the next 3 years under PM Kaushal Vikas Yojana
- 62 new Navodaya Vidyalayas to be opened
- Increase focus on quality of education under Sarva Shiksha Abhiyan
- Ten public and ten private institutions to be provided with regulatory architecture to arise as world-class Teaching and Research Institutions
- 1000 crore initial capital base to be allocated to set up Higher Education Financing Agency
- Digital Repository for School Leaving Certificates, College Degrees, Academic Awards and Mark Sheets to be setup.

Startup India

Among the various initiatives undertaken within the ambit of ‘Make in India’, the ‘Startup India’ initiative is one of the most recent ones. Various factors such as policy hurdles, lack of investor appetite, bureaucracy and red tape, as well as lack of technology and skills, have all hindered the growth of startups in India in the past. Startups can contribute a lot to the economy, creating businesses, self-employment and income opportunities at various levels within the economy, right from a rural small scale industry to an urban medium and large scale industry, catering to a large audience with varied background. As such, a good environment for startups can propel the economy.

Addressing these issues, ‘Startup India’ is an innovative initiative and the first of its kind in India. The government has introduced various measures under this initiative to create a conducive environment for startups in India. To start with, the government has set up a fund of funds with a corpus of ₹10,000 crore to provide support for startups. Further, the government has set up a fund of ₹3,000 crore under the MUDRA Credit Guarantee Fund (CGF) which will hedge against default of ₹50,000 to ₹10 lakh loans provided to small entrepreneurs. One of the more critical policy initiatives has been the introduction of the special scheme for woman entrepreneurs under ‘Startup India’, in which woman entrepreneurs would be entitled to a loan from ₹10 lakh to ₹1 crore to start businesses. This has been an important development as increased participation of woman in the startup movement will also have socio-economic advantages. Further, not just focusing on providing funds and infrastructure, the initiative aims at enabling the country’s populace especially the youth, with the right skills and technical know-how to successfully reap the benefits of this initiative. The government plans to introduce innovation related programs in schools as well as set up the Atal Innovation Mission, an initiative set up under the NITI with an aim to create an Innovation Promotion Platform, to encourage youth and boost investments.

In its effort to create the right infrastructure, the government plans to set up 7 research parks, 6 Indian Institute of Technology campuses as well as Indian Institute of Science campus, besides starting 5 biotech clusters. In accordance with the government's commitment to increase the ease of doing business in India, it has introduced a slew of measures that will do the same for new startups mushrooming. The government has initiated a program such as self-certification to curtail regulatory processes, create start-up hubs as a single contact point for start-up foundation as well as create an online portal to help new startups easily register. Further, initiatives such as creating a fast track system for examining of patents in a cost-effective manner, no capital gains tax, exemption of income tax for the first three years as well as tax exemption on high investments, is expected to reduce administrative and legal costs, inculcate investor interest and make startups more cost-effective and competitive.

Along with the comprehensiveness of the program, the timing has also been good as the world is now taking notice of the tremendous potential that India holds. According to a latest report by NASSCOM, India ranks third in the world when it comes the fastest growing tech base for start-ups surpassed only by the US and the UK and is expected to draw in an investment of around US$ 5 billion by this year end – a growth of 125% as compared to the previous year. With a young demographic looking for business opportunities, with around 72% of the current founders being below the 35 age bracket, this thrust by the government to support startups in India is expected to gain traction in the coming months and we can expect it to greatly contribute to the overall growth momentum within the economy.

Budget Proposals

- ₹500 crore to be allocated for SC, ST and women entrepreneurs
- Startups setup during April, 2016 to March, 2019 to receive 100% deduction of profits for 3 out of 5 years (MAT will apply in such cases).
- Amendments in Companies Act to improve empowering environment for start-ups.
- Two projects per bank branch to be facilitated, which will benefit at least 2.5 lakh entrepreneurs.

Digital India

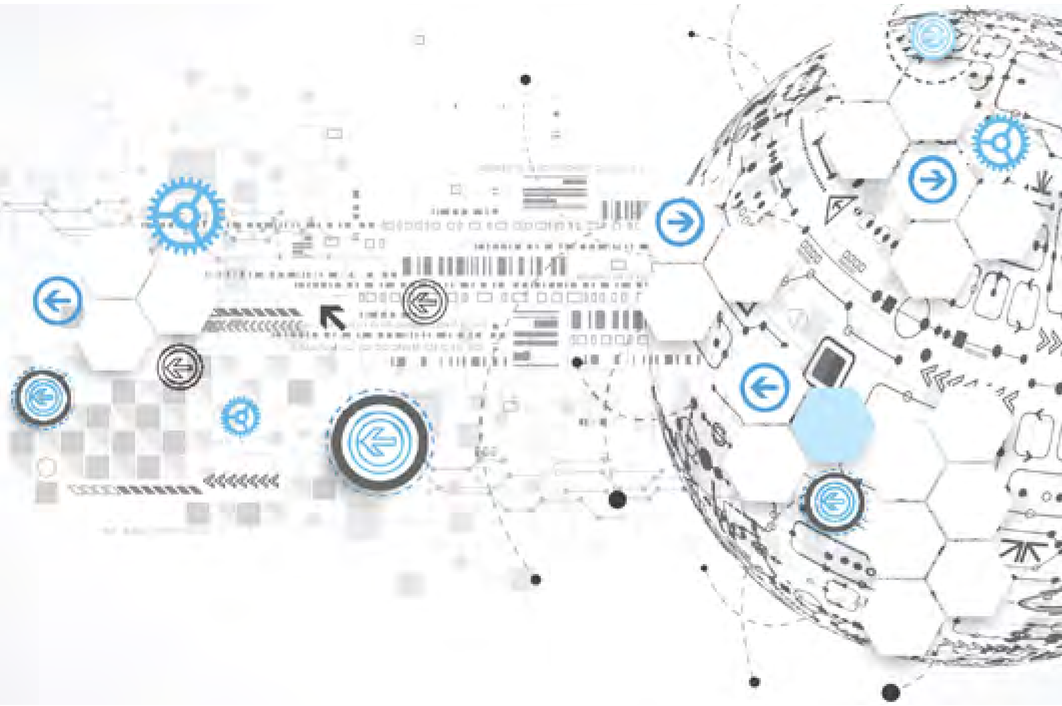
Digital India is an initiative taken by the Government of India that seeks to transform the country into a connected economy, attract investment in electronics manufacturing, and create millions of jobs and support trade. It was launched by Prime Minister Narendra Modi on July 1, 2015 with a view to empower the people of India digitally, and bridge the gap between rural and digital India. The Digital India program focuses on three key vision areas: digital infrastructure as a core utility to every citizen, governance and services on demand, and digital empowerment of citizens. The wider goal of Digital India is to bring broadband connectivity in all panyachats, wifi in all schools and universities, and public wifi hotspots in all major cities in India by 2019. The program will also contribute in the delivery of services in the health, education, agriculture, and banking industries.

Digital India is ambitious and aspirational in nature, and the program has received acclaim from industry captains and experts alike. The potential is enormous due to a number of reasons, the first one being the extent to which the youth of India has been embracing technology. Even children nowadays understand the prowess of digital power, said Prime Minister Narendra Modi at the launch of Digital India. With the youngest population in the world, 15% of teenagers in the world live in India. The sheer vastness of the 1.2 billion Indian population, the predominant younger segment in particular, could allow the initiative to take India to new heights. Furthermore, software products are the fastest growing segment in the Indian market with a rate of 4.5% year-on-year growth, which provides a huge potential that remains to be tapped.

Overall, it seems that the plans announced by the government and the private sector could mean substantial advancement towards the goal of achieving the objectives of Digital India. According to Telecom Minister Ravi Shankar Prasad, e-governance transactions have almost doubled in 2015 owing to the Digital India Program. The government has launched several key initiatives such as Mygov.in, Digital Locker, National Scholarship Portal, BharatNet, and Next-Generation Network within the past two years, which are forecasted to have the desired impact by 2019.

Budget Proposals

- Digital Literacy Mission Scheme to be enacted for rural India which will cover around 6 crore additional households within the next 3 years.
- Enlargement in the scope of e-assessments to all assessees in 7 mega cities.
- A 9% p.a interest rate to be levied against the normal 6% p.a for delay in giving effect to Appellate order over and above ninety days.
- The e-Sahyog initiative to be expanded to reduce compliance costs, which will particularly benefit small taxpayers.



Budget Proposals Direct Taxes

Rates of Income Tax

Individuals/HUFs

There is no change in the basic exemption limit and tax rates for individuals/HUFs. It is proposed to increase the surcharge from 12% to 15% on taxable income above ₹1 crore for individuals/HUFs. Currently, rebate (deduction from income tax) of upto ₹2,000 is available to resident individuals whose total income does not does exceed ₹500,000. It is proposed to increase the rebate from ₹2,000 to ₹5,000.

Table 1: Tax Rates for Individuals/HUFs

Income Slabs (₹)	Rate of Tax (%)
Upto 250,000	Nil
250,001-500,000	10
500,001-1,000,000	20
1,000,001 and above	30

Notes:

- For resident senior citizens (60 years but less than 80 years) and very senior citizens (80 years or more), the basic exemption limit remains unchanged at ₹300,000 and ₹500,000, respectively.
- Education cess will continue to be levied at the rate of 3% of Income Tax (including surcharge).
- The maximum marginal rate will be 35.535%, where taxable income is above ₹1 crore.

Tax rate for domestic companies

Corporate tax rate is proposed to be reduced to 29% in case of domestic companies having a total turnover or gross receipts up to ₹5 crore.

Newly set-up domestic manufacturing companies incorporated on or after 1 March 2016 can opt to be taxed at 25% plus surcharge and cess, provided they do not claim any profit-linked incentives, investment-linked incentives, accelerated depreciation, investment allowance, expenditure on scientific research and certain deductions covered under Chapter VI-A.

In other cases, the corporate tax rate remains unchanged.

Personal taxation

Uniformity in taxation of unrealised rent and arrears of rent

Currently, arrears of rent or unrealised rent received is deemed to be income from house property in the year of receipt.

It is proposed to merge relevant provisions of unrealised and arrears of rent into a single section, to bring uniformity in taxation and standard deduction of 30%.

Extension of time limit for construction/acquisition of house property for interest deduction

Currently, the enhanced interest deduction of ₹200,000 on self-occupied house property is available only if the acquisition or construction of property is completed within 3 years from the end of the financial year in which capital was borrowed.

It is proposed to increase the time limit from 3 years to 5 years

Introduction of presumptive taxation for certain professional's resident in India

It is proposed to introduce presumptive taxation in case of specified professionals (example – legal, medical, engineering professionals) whose total gross receipts do not exceed ₹50 lakh in a financial year. The taxable income will be 50% of total gross receipts or a higher sum, if taxpayer claims to earn higher income. Requirement to maintain books of account and get the accounts audited is also not applicable to such professionals, unless they claim that the actual income is lower than the deemed income.

Increase in existing limit of presumptive taxation

Currently, eligible taxpayers having income from business are eligible for taxation on presumptive basis, if their total turnover or gross receipts does not exceed ₹1 crore during the financial year.

It is proposed to increase the limit for such taxpayers to ₹2 crore. It is also proposed that such taxpayers will need to pay advance tax during the financial year.

It is also proposed that once a taxpayer who follows presumptive taxation for any year, decides not to follow the presumptive basis for any financial year within a period of 5 years subsequent to the year in which the presumptive basis was adopted, he will not be eligible to follow the presumptive taxation for the next 5 financial years.

Increase in threshold for audit of persons carrying on profession

Currently, taxpayers carrying on a profession are required to get their accounts audited if the gross receipts exceed ₹25 lakh in a financial year.

It is now proposed to increase the threshold to ₹50 lakh.

Deduction for rent paid

Currently, deduction for rent paid in excess of 10% of total income, where an individual does not receive house rent allowance, is allowed upto 25% of total income or ₹2,000 per month, whichever is less.

It is proposed to increase the limit of ₹2,000 per month to ₹5,000 per month.

Income declaration scheme for domestic tax evaders

It is proposed to introduce the Income Declaration Scheme, 2016 to provide an opportunity to taxpayers to correct past non-compliances. The scheme is effective from 1 June 2016.

Taxpayers to declare undisclosed income by paying a total tax and penalty amounting to 45% of the undisclosed income as below:

- Tax @ 30%
- Surcharge @ 7.5% (being 25% of tax payable)
- Penalty @ 7.5% (being 25% of tax payable)

The fair market value of an asset as on the date of commencement of the scheme will be deemed to be undisclosed income.

The scheme provides immunity to taxpayer from certain consequences. Further, as per the Finance Minister's speech, the window under the scheme shall remain open until 30 September 2016 and the amount is due to be paid within 2 months of declaration.

Additional tax on dividend

Currently, companies declaring dividend are subject to DDT @ 15% plus applicable surcharge and cess and dividends are not taxable in the hands of the shareholders.

In order to create an equity amongst the tax payers, it is proposed that individuals, firms and HUF resident in India receiving dividend income in excess of ₹10 lakh shall be chargeable to additional tax @ 10% plus applicable surcharge and cess (as may be applicable) on gross basis. Further, appropriate consequential amendment has been proposed to be inserted in section 10(34) of the Act.

Impetus for first-time home buyers

It is proposed to re-introduce the additional deduction which was available for first-time home buyers in financial year 2013-14 and financial year 2014-15.

It is proposed to allow deduction of ₹50,000 (over and above the existing ₹200,000) for interest on housing loan to first-time home buyers subject to the following conditions:

- The loan has been sanctioned during the financial year 2016-17;
- The loan amount does not exceed ₹35 lakh;
- The value of the house property does not exceed ₹50 lakh; and
- The individual does not own any other residential house property on the date of sanction of the loan

Modifications in threshold limit and rate of tax deduction applicable for deducting tax at source

Currently, the tax deducted at source is required to be deducted at the specified rate if the payment exceeds the threshold limit prescribed for deducting the tax.

The changes proposed in threshold limits are as below:

Section	Nature of payment	Existing Threshold Limit (₹)	Proposed Threshold limit (₹)
192A	Payment of accumulated balance of provident fund due to employee	30,000	50,000
194BB	Winnings from horse race	5,000	10,000
194C	Payment to contractors	Aggregate annual limit of 75,000	Aggregate annual limit of 100,000
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
194LA	Payment of compensation on compulsory acquisition of immovable property	2,00,000	2,50,000

The changes proposed in rate of deduction of tax is as below:

Section	Nature of payment	Existing rate of TDS (%)	Proposed rate of TDS (%)
194D	Insurance Commission	10%	5%
194DA	Payments in respect of Life Insurance Policy	2	1
194EE	Payments in respect of National Savings Scheme	20	10
194G	Commission on sale of lottery tickets	10	5
194H	Commission or brokerage	10	5

The amendments will be applicable from 1 June 2016.

Taxation of employer's contribution to an approved superannuation fund and a recognized provident fund

Currently, employer's contribution to an approved superannuation fund in excess of ₹100,000 is taxed as perquisite at the time of contribution.

It is proposed to enhance the non-taxable limit from ₹100,000 to ₹150,000 in respect of employer's contribution to the superannuation fund.

Currently, the employer's contribution to a recognized provident fund in excess of 12% of the employee's salary is taxable at the time of contribution.

As per the Memorandum, the intent appears to be to tax employer's contribution to the recognized provident fund in excess of 12% of salary or in excess of ₹150,000 in the year of contribution.

No tax on portability of balance from approved superannuation fund and recognised provident fund to National Pension System (NPS)

Currently, there is no provision dealing with portability of the employee's balance from approved superannuation fund or a recognised provident fund to NPS.

It is proposed to exempt from tax transfer of funds from an approved superannuation fund or transfer of the entire accumulated balance of provident fund to NPS account of the employee.

Exemption upon withdrawal from NPS / recognized provident fund / approved superannuation fund

Withdrawal from NPS

Currently withdrawal from NPS is taxable.

It is proposed that withdrawal from the National Pension System Trust upon closure or opting out of the scheme will be exempt to the extent of 40% of the amount payable to the individual at that time.

Lumpsum amount received from NPS by a nominee on death of the taxpayer will be exempt from tax.

Withdrawal from Recognised Provident Fund

Currently, the withdrawal from a recognized provident fund is fully exempt from tax under specified circumstances.

It is proposed that 40% of the accumulated balance attributable to the contributions made by an employee on or after 1 April 2016 will be exempt at the time of withdrawal from recognized provident funds.

The above provision will not apply to 'excluded employee, i.e., an employee whose monthly salary does not exceed a specified amount.

Withdrawal from an approved Superannuation und

Any payment made from an approved superannuation fund to an employee in lieu of or in commutation of an annuity on his retirement at or after a specified age is exempt from tax.

It is now proposed that any payment in lieu of or in commutation of an annuity purchased out of contributions made to an approved superannuation fund on or after 1 April 2016 will be exempt to the extent of only 40% of the commuted annuity.

Corporate Taxation

Phasing out of weighted deductions

The Finance Minister in his Budget Speech, 2015 had indicated that the rate of corporate tax will be reduced from 30% to 25% over the next 4 years along with corresponding phasing out of exemptions and deductions.

In pursuance thereof, several incentives tabulated below are proposed to be phased out.

Sr. No.	Section	Current Provisions	Proposed amendments
1.	Sum paid to specified research associations [section 35(1)(ii)]	Weighted deduction of 175%	Weighted deduction proposed to be restricted to 150% for financial years 2017-18 to 2019-20 Deduction proposed to be restricted to 100% from financial year 2020-21 onwards
2.	Sum paid to an approved scientific research company [section 35(1)(iia)] Sum paid to approved social science or statistical research association or university or college or other institution [section 35(1)(iii)]	Weighted deduction of 125%	Deduction proposed to be restricted to 100% from financial year 2017-18 onwards
3.	Sum paid to National Laboratory, Indian institute of Technology of scientific research or University [section 35(2AA)] Expenditure on scientific research by company engaged in bio-technology or specified article or approved in-house research and development facility [section 35(2AB)]	Weighted deduction of 200%	Weighted deduction proposed to be restricted to 150% for financial years 2017-18 to 2019-20. Deduction proposed to be restricted to 100% from financial year 2020-21 onwards
4.	Expenditure on eligible social development projects or schemes (section 35AC)	Deduction for payment of any sum to a public sector company or a local authority or to an association or institution approved by the National Committee for carrying out any eligible project	Deduction proposed to be removed from the financial year 2017-18

Sr. No.	Section	Current Provisions	Proposed amendments
5.	Investment linked deduction in case of a cold chain facility, warehousing facility for storage of agricultural produce, an affordable housing project, production of fertilizer and building and operating hospitals (section 35AD)	Weighted deduction of 150% for capital expenditure (other than expenditure on land, goodwill and financial assets)	Deduction proposed to be restricted to 100% of capital expenditure from financial year 2017-18 onwards. It is proposed to extend the deduction to the business of developing or maintaining and operating or developing, maintaining and operating a new infrastructure facility as defined therein (i.e. road, highway project, water supply project, port, etc.) and subject to specified conditions. The proposed amendment will be applicable from financial year 2017-18
6.	Expenditure incurred on notified agricultural extension project. (section 35CCC)	Weighted deduction of 150% of expenditure	Deduction proposed to be restricted to 100% of expenditure from financial year 2017-18 onwards
7.	Expenditure incurred (not being expenditure in the nature of cost of any land or building) by a company on any notified skill development project (section 35CCD)	Weighted deduction of 150% of expenditure	Deduction proposed to be restricted to 100% of expenditure from financial year 2020-21 onwards

Phasing out of tax holidays

Currently, tax holiday to the extent of 100% of profits derived by industrial undertakings/ enterprises engaged in:

- development, operation and maintenance of an infrastructure facility (section 80-IA);
- development of SEZ (section 80-IAB); and
- production of mineral oil and natural gas [section 80-IB(9)].

It is proposed that no deduction will be available if the specified activity commences from financial year 2017-18.

Phasing out of accelerated depreciation

As per the existing provisions, accelerated depreciation is provided to certain industrial sectors at the rate of 100%. As a part of the phasing out proposals, it is proposed to restrict such accelerated depreciation to 40% of the block of assets (for both old and new assets).

Benefit of initial additional depreciation extended to assessee engaged in the business of transmission of power

The benefit of additional depreciation equal to 20% of the actual cost of new machinery or plant (other than ships and aircraft) is proposed to be extended to tax payers engaged in the business of transmission of power.

Taxation of Income from 'Patents'

To encourage indigenous research and development, it is proposed to tax royalty income of a patentee who is resident in India at a reduced corporate tax rate of 10% (plus applicable surcharge and cess) on gross basis.

Certain key features are as follows:

- The patent to be developed and registered in India.
- No deduction for any expenditure or allowance in respect of such royalty income will be allowed.
- Definitions of terms like “invention”, “patent”, “patented article”, “patented process”, “true and first inventor” have been drawn from the Patents Act, 1970.
- For computation of MAT, the royalty income and corresponding expenditure incurred by the tax payer would be ignored.

Tax holiday in respect of specified start up business

Section 80-IAC is proposed to be introduced to provide tax holiday benefit of an amount equal to 100% of the profits and gains derived by an eligible start-up from an eligible business. The proposed tax holiday will be available at the option of the assesse for any 3 consecutive assessment years out of 5 years beginning from the year in which the eligible start-up is incorporated.

The start-up company to be eligible to claim the above tax holiday benefit will inter alia need to satisfy the following conditions:

- it is not formed by splitting up, or the reconstruction, of a business already in existence
- it is not formed by the transfer to a new business of machinery or plant previously used for any purpose
- its accounts are audited and prescribed certificate is furnished along with the return of income

Eligible start-up means a company engaged in eligible business which fulfills the following conditions, namely:

- it is incorporated on or after 1 April 2016 but before 1 April 2019;
- the total turnover of its business does not exceed ₹25 crore in any of the financial years beginning on or after 1 April 2016 and ending on 31 March 2021; and
- it holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government.

Eligible business for the purpose of claiming the above tax holiday benefit means a business which involves innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property.

Capital gains not to be charged on investment in units of specified fund (Created to promote start-up eco-system)

It is proposed to insert a new section to incentivize investment in units of specified funds by exempting LTCG. As per this section, exemption would be available if the capital gains proceeds are invested in units of such specified fund, as may be notified by the Central Government.

The exemption shall be dependent upon the amount invested in the units of the specified fund. Where the amount invested in such units is equal to or more than the capital gains, the entire amount of capital gains would be exempt from tax. Where the amount invested in such units is less than the amount of capital gains, exemption would be eligible to the extent of the proportion of the amount invested to the whole of the capital gains.

Further, the amount has to remain invested in such units for 3 years failing which the exemption shall be withdrawn. The investment in the units of the specified fund shall be allowed upto ₹50 lakh.

In the event of assessee taking any loan or advance on the security of such specified fund, the assessee shall be deemed to have transferred such specified fund on the date on which such loan or advance is taken.

Capital gain on transfer of residential property not to be charged in certain cases.

LTCG arising on account of transfer of a residential property shall not be charged to tax if such capital gains are invested in subscription of shares of an eligible start-up. This is subject to satisfaction of prescribed conditions such as:

- Such individual holds more than 50% share capital or voting rights after the subscription in shares;
- Such company utilizes the amount invested in shares to purchase new assets before due date of filing of return by the investor.

Boost for Housing Development Sector

A profit linked tax holiday from the activities of developing and building housing projects is proposed, subject to certain conditions such as:

- The project is completed within a period of 3 years from the date of approval;
- The other conditions with respect to area of the plot of land, area of the residential units comprised in the housing project and conditions with respect to floor area ratio are met;
- Where residential unit is allotted to an individual, no other residential unit shall be allotted to the individual or the spouse or the minor children of such individual;
- The assessee has to maintain separate books of account in respect of the housing project.
- The housing project should be duly approved by the competent authority on or before 31 March 2019.

Revised tax incentive scheme for employment generation

Provisions relating to claim of additional deduction under section 80JJAA for new employment is extended to all assessees who are subjected to tax audit. Earlier the incentive was available only in respect of new workmen employed in a factory for manufacture of goods. The minimum number of days of employment has been reduced from 300 days to 240 days to determine the eligibility of new workmen. Further, the requirement of minimum number of workmen has been done away with. Other salient features of the new incentive scheme are as under:

- In respect of an existing business, deduction will not be available if there is no increase in the number of employees from the total number of employees employed as on the last day of the preceding year.
- In case of the first year of a new business, deduction will be allowed in respect of emoluments paid or payable to employees employed in that previous year.
- The deduction will *inter alia* not be available in respect of an employee whose total emoluments are more than ₹25,000 per month; or an employee for whom the entire contribution under Employees Pension Scheme is paid by the Government.

Deduction is available for an amount equal to 30% of the additional employee cost for a period of 3 years.

Deduction of Provision for bad and doubtful debts to Non-Banking Financial Companies

As per existing provisions, deduction is available in respect of any provision for bad and doubtful debts made by certain eligible entities like scheduled banks, foreign banks, etc.

Non-Banking Financial Companies (as defined under the RBI Act, 1934) are also proposed to be given a deduction in respect of any provision for bad and doubtful debts, of an amount not exceeding 5% of the total income.

Rationalisation of investment allowance

Dual conditions of acquisition and installation of new plant and machinery in the same year is relaxed for claiming investment allowance under Section 32AC(1A). Benefit will be allowed for new asset installed on or before 31 March 2017 even though acquired in earlier year. This provision is applicable retrospectively from financial year 2015-16.

Addition to list of deductions allowed only on payment basis

Section 43B provides for deduction of certain expenses on payment basis.

It is proposed to include any sum payable to the Indian Railways for the use of railway assets within the ambit of section 43B.

Amortization of expenditure for purchase of spectrum

Government has recently introduced spectrum fee for auction of airwaves.

Given the uncertainty regarding the tax treatment of the spectrum fees, a new section is proposed, the salient features of the same are as under:

- Capital expenditure incurred and actually paid for acquisition of right to use spectrum for telecommunication services will be allowed as a deduction in equal installments over the period of the right to use;
- In case where the right is transferred, the difference between the sale consideration and the expenditure remaining unallowed, in case of surplus will be taxed as income from business and profession and in case of deficit the same shall

be allowed as a deduction in the year of transfer;

- Unallowed expenses in a case where part of the spectrum is transferred would be amortised;

In case of transfer of spectrum pursuant to amalgamation of companies, the above provisions will be applicable to the amalgamated company as they would have applied to the amalgamating company as if the spectrum was not transferred.

Non-resident taxation

Equalisation Levy

B2B e-commerce transactions include digital/online market place services, online advertisement, and services for the purpose of online advertisement. Digital economy has poised various challenges in taxability of e-commerce transactions.

In order to provide clarity and avoid ambiguity to taxability of such transactions and on the lines of the recommendations of the OECD, a new Chapter titled "Equalisation Levy" is proposed to be inserted to impose an equalization levy on consideration for certain digital transactions received or receivable by a non-resident from a resident or from a non-resident having PE in India.

Certain salient features of these provisions are as under:

Applicability	Payments to non-resident by: • Resident in India and carrying on business or profession; or • Non-resident having a PE in India
Exclusion	• Non-resident providing specified services has PE in India and specified service is effectively connected with such PE • Payment does not exceed ₹1 lakh in any previous year • Payment is not for the purposes of carrying out business or profession
Services Covered	Online advertisement, any provision for digital advertising space or any other facility or service for the purpose of online advertisement and such other services as may be notified
Levy	6% on the amount of consideration
Mode of collection	Deduction at source
Time limit for deposit	Seventh day of month subsequent to the month in which the levy is deducted
Furnishing of statement	Within prescribed time at the end of each financial year in prescribed form
Disallowance in the hands of the payer	Payments on which levy is non-deducted or deducted but not deposited before the prescribed due date under section 139(1) of the Act will be disallowed in the hands of the payer in the year of default. However, such expenditure will be allowed as a deduction in computing the income of the previous year in which such levy has been paid
Interest on delayed payment of levy	1% per month or part of month

Penalty for failure to deduct or pay levy	Fails to deduct – equal to equalization levy Fails to deposit – ₹1000 per day till failure continues. However maximum penalty restricted to the amount of levy
Relief from double taxation	Payments subject to levy will be exempt from income tax in the hands of the recipient under section 10(50) of the Act. This clause will be effective from 1 June 2016

The said Chapter will take effect from the date to be notified by the Central Government.

Exemption in respect of income on account of storage of crude oil in a facility in India and sale of crude oil

Any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil from such facility to any person resident in India is exempt if such storage or sale is pursuant to notified agreements or arrangements entered with or approved by the Central Government.

Exemption in respect of certain activity related to Foreign Mining Companies in Specified Notified Zone

No income shall be deemed to accrue or arise in India from the activity of display of uncut and unassorted diamonds by foreign companies engaged in the business of mining of diamonds in a Specified Notified Zone (to be notified by the Government).

This amendment is proposed with retrospective effect from 1 April 2016.

Rupee Denominated Bond

RBI has recently permitted Indian corporates to issue rupee denominated bonds outside India (commonly known as Masala Bonds).

Any gain arising to a non-resident on account of appreciation of the Indian rupee against the foreign currency at the time of redemption is proposed to be exempt from capital gains tax in the hands of the non-resident investor. Correspondingly, such non-resident is not entitled to indexation benefits on redemption.

Amendment in conditions for Eligible Investment Fund availing specific exception from being considered business connection in India

Finance Act, 2015 had introduced specific regime to facilitate the location of fund managers of offshore funds to India.

Certain conditions for an offshore fund to qualify as an eligible investment fund are proposed to be modified as follows:

- Funds established or incorporated or registered in a country or a specified territory notified by the Central Government would also be covered.
- Condition of not carrying on or controlling and managing any business in India or from India to be restricted only in the context of business in India.

Residence rule based on PoEM

Finance Act, 2015 amended the provisions pertaining to residential status of a company so as to provide that a company would be resident in India in any previous year if it is an Indian company or its PoEM in that year is in India. The following changes are proposed with respect to PoEM:

- Considering the various issues relating to implementation of PoEM based residence rule and the representations made by stakeholders, it is proposed to defer the applicability of PoEM based residence test by 1 year.

- A transition mechanism is proposed for a company which is incorporated outside India and has not earlier been assessed to tax in India.
- Where the determination regarding foreign company to be resident in India has been made in the assessment proceedings relevant to any previous year, then, the aforesaid transition provisions shall also apply in respect of any other previous year, succeeding such previous year, if the foreign company is resident in India in that previous year and the previous year ends on or before the date on which such assessment proceeding is completed.

Exemption from requirement of furnishing PAN to certain non-residents

Under the existing provisions, failure by a non-resident to furnish a PAN triggers withholding tax at a higher rate of 20%.

In order to reduce compliance burden, it is proposed to provide that the above provisions shall not apply to a non-resident, subject to such conditions as may be prescribed.

The proposed amendment will be effective from 1 June 2016.

MAT on foreign companies

The provisions of MAT are proposed not to be applicable to a foreign company, if such foreign company is a resident of a country which:

- has a DTAA with India and such foreign company does not have a PE as defined in the relevant DTAA; or;
- does not have a DTAA with India and such foreign company is not required to seek registration under any law relating to companies.

This proposed amendment will be effective retrospectively from 1 April 2001 and shall accordingly apply in relation to the assessment year 2001-02 and subsequent years.

Tax incentives to IFSC

With a view to incentivize the growth of IFSCs in India, the following proposals are to be introduced:

- No STT where consideration is paid or payable in foreign currency.
- LTCG from transaction in foreign currency exempt even if STT is not paid.
- Dividend declared by a unit located in IFSC and deriving income solely in convertible foreign exchange, will not be subject to DDT if the dividend is declared out of its current income.
- Book profit of a company being a unit located in IFSC, deriving income solely in convertible foreign exchange will be subject to MAT at 9%.

Concessional tax rate for non-residents

Currently, the concessional tax rate of 10% (excluding surcharge and cess) applies to non-residents in respect of LTCG arising on transfer of unlisted securities.

With a view to provide clarity, it is proposed to provide that LTCG arising from the transfer of unlisted securities or shares of a company not being a company in which the public are substantially interested shall be chargeable to tax at the rate of 10%.

Mergers and Acquisition

Tax on distributed income to shareholder pursuant to buy back

Finance Act, 2013 had introduced a new concept i.e. taxation on distributed income to shareholders. As per the said provision, any income distributed by the company on buy-back of its own shares from the shareholders would be subject to BBT at the rate of 23.072%. Distributed income would mean the consideration on buyback of shares as reduced by amount which was received on issue of such shares.

Currently, section 115QA covers buy back undertaken by a company pursuant to section 77A of the Companies Act, 1956 (Section 68 of the Companies Act, 2013). An Indian company can undertake buy-back of its shares pursuant to other provisions of the Companies Act, 1956 (such as sections 391 to 394 of the Companies Act, 1956). To bring such buy-backs within the ambit of section 115QA it is proposed to provide that the provisions of the said section will be applicable to any buyback of unlisted share undertaken by the company in accordance with the provisions of Companies Act, 2013.

There was lack of clarity with respect to computation of distributable income in cases involving buy back of shares issued by company pursuant to amalgamation, demerger, etc. It is proposed that appropriate rules will be framed by the Government for determination of distributable income.

The proposed amendment will be effective from 1 June 2016.

Transfer of units in a consolidating 'plans' of mutual funds

Currently, the transfer of units held by a unit holder in a consolidating scheme of mutual fund is tax exempt provided the consolidation is of two or more schemes.

It is proposed that the above exemption be extended to consolidation of plans under the respective schemes.

Exemption on receipt of shares on demerger or amalgamation

Currently, fair market value of shares received by individual or HUF without any consideration or for an inadequate consideration is taxable under the head 'Income from Other Source.'

It is now proposed to provide that shares of a resulting company or amalgamated company received by an individual or HUF in lieu of transfer of his shares in the demerged company or amalgamating company will not be subject to tax.

Amendment in tax regime of Business Trust and AIFs

Exemption from DDT on distribution made by an SPV to Business Trust

Currently, DDT is payable by the domestic company, typically a SPV, on distribution of its income to business trust ('REIT and InvIT'). This resulted in making the business trust structure inefficient and impacting the rate of return for the investor.

It is now proposed to provide for tax pass-through status to the income distributed by SPV to the business trust. The salient features of the revised tax regime for the business trust are as under:

- DDT will not be payable on distribution made by the SPV to the business trust;
- Dividend received by the business trust and its investor will not be subject to tax in the hands of business trust or investors;
- The exemption from levy of DDT will be applicable if the following conditions are met:
    i) The business trust either holds 100% of the share capital of the SPV or holds all of the share capital other than that which is required to be held

by any other entity as part of any direction of any Government or specific requirement of any law to this effect or which is held by Government or Government bodies.

ii) The exemption from the levy of DDT will only be available in respect of dividends paid out of current income earned after the date when the business trust acquires the shareholding referred above in the SPV. (The dividends paid out of accumulated and current profits up to this date will be liable for levy of DDT as and when any dividend out of these profits is distributed by the company either to the business trust or any other shareholder.)

The proposed amendment will be effective from 1 June 2016.

Rationalization of TDS provisions relating to payments made by AIFs to its unit holders

Currently, the Act provides a tax pass-through status in respect of Category-I and II Alternative Investment Funds ('Investment Fund') registered with SEBI. Under the existing regime, the income of the Investment Fund (not being in the nature of business income) is exempt in the hands of Investment Fund but the same is taxable in the hands of the unit holder.

Income (other than business income) accrued or paid by the Investment Fund to a Unit Holder is subject to withholding tax at the rate of 10% irrespective of whether the unit holder is resident or non-resident. Presently, there is no provision under the Act which enables a non-resident unit holder to seek certificate of lower TDS or requiring Investment Funds to deduct tax at source at the applicable 'rates in force' (as applicable to respective unit holders). Suitable amendments are proposed to enable this.

It is proposed that in respect of payments made by the Investment Funds to its non-resident unit holders, Investment Fund will deduct income tax at the 'rates in force' thereby giving benefit of relevant DTAA which may be available to the respective non-resident unit holder.

Further, it is also proposed to allow respective unit holders to obtain a certificate for deduction of tax at lower rate.

The proposed amendment will be effective from 1 June 2016.

New Taxation Regime for Securitisation Trust and its Investors

Currently, 'Securitisation Trusts' defined under provisions relating to taxation of distributed income of Securitisation Trust are exempt from tax. They are, however, liable to pay additional tax at the rate of:

- 25% if the distribution is made to an individual or a HUF;
- 30% if the distribution is to others; and
- Nil if the distribution is made to an exempt entity.

Correspondingly, the income received by the investor is exempt from tax on such income.

The aforesaid scheme has been revised to provide as follows:

- The income of Securitisation Trust will continue to be exempt;
- Extend the benefit to Securitisation Trust being setup by a securitisation company or a reconstruction company in accordance with the SARFAESI Act;
- Any income from Securitisation Trust will be taxable in the hands of investor in

the same manner and to the same extent as it would have happened had the investor made the investment directly in the underlying assets, and not through the trust;

- TDS will be effected by the Securitisation Trust:
  – at the rate of 25% in case of payment to resident individual or HUF investors;
  – at the rate of 30% in case of other resident assesses;
  – at 'rates in force' in case of non-residents.
- The facility for the investors to obtain a certificate for lower TDS will now be available; and
- The trust shall provide break-up regarding nature and proportion of its income to the investors and also to the prescribed income tax authority.

Further, it is proposed that the current regime of distribution tax will cease to apply in case of distribution made by Securitisation Trust with effect from 1 June 2016.

The proposed amendment will be effective from 1 June 2016.

Condition for tax neutral conversion of a Company into LLP

Currently, the conversion of a private limited or unlisted public company into LLP is exempt from tax subject to certain conditions.

In order to qualify for tax neutrality, it is proposed to also include a condition that the value of the total assets in the books of accounts of the company in any of the three previous years preceding the year in which the conversion takes place should not exceed ₹5 crore rupees.

Parity between physical gold and Sovereign Gold Bond

The Government of India has introduced the Sovereign Gold Bond Scheme with the aim of reducing demand for physical gold so as to reduce the outflow of foreign exchange on account of import of gold.

In a view to provide parity in tax treatment between physical gold and Sovereign Gold Bond, it is proposed that deposit certificates issued under the Gold Monetisation Scheme will be regarded as capital asset. Further it is also proposed that redemption of Sovereign Gold Bond by an Individual shall not be treated as transfer and hence exempt from capital gains tax.

Additionally, it is proposed to provide indexation benefit on transfer of Sovereign Gold Bond to all assessee. (Who are otherwise subject to capital gains taxation).

Transfer pricing

In order to implement the international consensus on Action 13 of the OECD's BEPS project, the Finance Bill, 2016 proposes to introduce a specific reporting regime in respect of the Country-by-Country (CbC) report in the Act.

The core elements of the concept have been proposed by the Bill and the remaining provisions will be detailed in the Income Tax Rules.

CbC reporting requirement and related matters

Applicability

- The provisions will be effective 1 April 2017 and will apply from assessment year 2017-18.
- The reporting provisions shall apply to an international group (a group that operates in two or more jurisdictions) having consolidated revenues exceeding the prescribed threshold. The current OECD mandated threshold is € 750 million (approximately ₹5,395 crore, at current exchange rate).

- The threshold is required to be computed based on exchange rate as on the last day of previous year. For example, CbC reporting for the previous year 2016-17, shall apply only if the consolidated revenue of the international group in financial year 2015-16 exceeds ₹5,395 crore.

Reporting Requirements

- An Indian parent entity is required to furnish the CbC report in respect of the group by the due date of furnishing of return of income for the relevant financial year. Accordingly, an Indian parent company will need to furnish the first CbC report by 30 November 2017 for the assessment year 2017-18.
- Alternate reporting entity resident in India (entity other than parent entity, designated by an international group) is required to furnish the CbC report on behalf of such group in India by the due date of furnishing of return of income for the relevant financial year.
- An entity in India of an international group having an overseas resident parent is only required to provide the details of the country of residence of the parent -- form, manner and date to be prescribed.
- An Indian entity belonging to an international group with an overseas parent shall be required to furnish the CbC report to the prescribed authority if the parent entity of the group is resident:
  - in a country with which India does not have an arrangement for exchange of the CbC report; or
  - there is a systematic failure of the country in exchanging the said information with India even though there is an agreement and this fact has been intimated to the entity

The above filing requirement will not apply where the alternate reporting entity (designated by an international group) has furnished the CbC report with its tax authority by the prescribed due date, and the same can be obtained by Indian tax authorities under the agreement for exchange of information.

Format of CbC report

- CbC report is required to be furnished in prescribed format (which would be based on template provided in BEPS Action 13)
- Contents of report:
  - Aggregate information on revenue, profit/loss before income-tax, income-tax paid and income-tax accrued, stated capital, accumulated earnings, number of employees and tangible asset other than cash/cash equivalents – with regard to each country or territory in which the group operates;
  - Details of each constituent entity including the country/territory of incorporation and country of residence;
  - Nature and details of the main business activities of each constituent entity; and
  - Any other information that may be prescribed.

Master File

- The Memorandum to Finance Bill provides that the details for maintaining Master File data would be prescribed
  - Rules to prescribe the information and document as mandated under OECD BEPS Action 13
  - Such information and document would need to be furnished to the prescribed authority within the time period and manner as may be prescribed

Penalty

Penalty for Non-compliance

Sr. No	Particulars	Default	Penalty
1.	Non-furnishing of CbC report by Indian parent or the alternate reporting entity resident in India	Less than a month from due date	₹5,000 per day
		Beyond a month from due date	₹15,000 per day for period exceeding a month
		Continuing default beyond service of penalty order	₹50,000 per day from date of service of penalty order
2.	Non-submission of information	Before initial request date	₹5,000 per day
		Continuing default beyond service of penalty order	₹50,000 per day from date of service of penalty order
3.	Provision of inaccurate information in CbC report	Knowledge of inaccuracy at time of furnishing the report but fails to inform the prescribed authority	₹500,000
		Inaccuracy discovered after filing and fails to inform and furnish correct report within fifteen days of such discovery	
		Furnishing of inaccurate information or document in response to notice issued	
4.	Non-furnishing of prescribed information and document as required under Section 92D (4)	Failure to furnish the information and document with the prescribed authority	₹500,000

Extension of limitation period for Transfer Pricing audits

- The time limit for TP assessment is proposed to be extended beyond the limitation period to allow the TPO at least 60 days for passing the TP order after excluding the period for which:
  - The assessment proceedings before the TPO are stayed by any court; or
  - The information is sought from any other country under the exchange of information provisions
- The provision is applicable from 1 June 2016.

Time limit for completion of Transfer Pricing Assessment

- The existing provisions require tax assessment (where a reference is made to the TPO) to be completed within 36 months from the end of the assessment year.
- The above time limit for concluding the assessment has been reduced from 36 months to 33 months.

- The proposed amendment will require the TPO to pass the transfer pricing order by 31 October, as against 31 January currently.

Penalty for failure to report transactions covered under Chapter X

- In case of under-reporting of income as a consequence of failure to report international transactions/deemed international transactions or specified domestic transactions, a penalty of 200% of amount of tax payable will be applicable.

Other provisions

Introduction of Direct Tax Dispute Resolution Scheme, 2016

A scheme is proposed for reducing litigation and for enabling the Government to realize tax dues expeditiously. The salient features of the same are as follows:

Applicability	• The scheme applies to a "tax arrear" or "specified tax" which is under dispute • Tax arrear is any tax, interest or penalty in respect of which an appeal is pending before the Commissioner (Appeals) as on 29 February 2016 • Specified tax is the tax determined in consequence of a retrospective amendment for a period prior to the date of its enactment if such dispute is pending as on 29 February 2016
Amount payable	• For a tax arrear the declarant can settle the case by paying the disputed tax and interest upto the date of assessment. Where the disputed tax exceeds ₹10 lakh, 25% of the minimum penalty will also be payable • For a specified tax dispute the declarant will be required to pay the tax which is disputed
Procedure	• The declaration is to be filed with the designated authority • The authority will issue a certificate determining the amount payable within 60 days • Declarant is required to pay the sum within 30 days of such order • Amount paid will not be refundable under any circumstances
Conditions	• Appeals pending before Commissioner of Income Tax (Appeals) or Commissioner of Wealth Tax (Appeals) will be deemed to have been withdrawn where the declaration is in respect of tax arrear • Appeals pending before Commissioner of Income Tax (Appeals) or Commissioner of Wealth Tax (Appeals)/ Tribunal/High Court/Supreme Court or any writ petition before the High Court/Supreme Court or arbitration or mediation proceedings will be deemed to have been withdrawn where the declaration is in respect of specified tax • Waiver of right to pursue legal remedy that may be available in respect of the specified tax under any law or international agreement • Certain categories of persons are not eligible

Consequences	
	• Immunity from instituting any proceedings in respect of an offence under the Act or the Wealth Tax Act, or, • In case of settlement of tax arrear, immunity from: – Prosecution – Penalty in excess of 25% of tax • In case of settlement of specified tax, immunity from: – Prosecution – Penalty – Interest

The scheme is proposed to come into force from 1 June 2016.

Rationalization of penalty provisions

Currently, the Act provides for levy of penalty in the range of 100% to 300% of the tax payable in cases of concealment of particulars of income or furnishing inaccurate particulars of income, failure to furnish returns, comply with notices, etc.

In order to rationalize and bring objectivity, certainty and clarity in the penalty provisions it is proposed that section 271 will be applicable to any assessment till 31 March 2017. Further, it also proposed to insert a new section 270A with effect from 1 April 2017.

The key salient features of the same are as under:

1. Assessing Officer, Commissioner (Appeals) or the Principal Commissioner of Income Tax or Commissioner of Income Tax may levy penalty if a person has under reported income or misreported income. The cases of under reported income and misreported income are as under:

Under reported income	Misreported income
Income assessed > returned Income under section 143(1)(a)	Misrepresentation or suppression of facts
Income assessed > maximum amount not chargeable to tax where no return of income has been furnished	Non-recording of investments in the books of account
Income reassessed > income assessed/ reassessed immediately before reassessment	Claiming of expenditure not substantiated by evidence
Amount of deemed total income assessed/reassessed under the provisions of section 115JB or 115JC > deemed total income determined in the returned income under section 143(1)(a)	Recording of false entry in the books of account
Amount of deemed total income assessed under the provisions of section 115JB or 115JC > maximum amount not chargeable to tax where no return of income has been filed	Failure to record any receipt in the books of accounts having a bearing on total income
Income assessed or reassessed has the effect of reducing the loss or converting such loss into income	Failure to record any international transaction or deemed international transaction

2. In case of under reported income the penalty is 50% of the tax payable and in case misreported income the penalty is 200% of the tax payable

A numerical illustration of the same is as under:

Example 1: A firm liable to tax @ 30%:

Particulars Amount in ₹million

Particulars	Amount in ₹million
Returned Income	100
Total income determined under section 143(1)(a)	110
Total income assessed under section 143(3)	150
Total income reassessed under section 147	180

Considering that none of the additions or disallowances made in assessment or reassessment as above qualifies under sub-section (6) of section 270A, the penalty would be computed as under:

Particulars	Assessment under section 143(3)	Assessment under section 147
Under-reported income	(150-110) = 40	(180-150) = 30
Tax payable on under reported income	30% of 40 = 12	30% of 30 = 9
Penalty leviable*	50% of 12 = 6	50% of 9 = 4.5
Total income reassessed under section 147	180	

**Considering under reported income is not misreported income.*

Example 2: An individual below 60 years of age and no return of income has been furnished:

Particulars	Amount in ₹
Total income assessed under section 143(3)	10,00,000
Under reported income	10,00,000-2,50,000** = 7,50,000
Tax payable on under reported income	30% of 7,50,000 = 2,25,000
Penalty leviable*	50% of 2,25,000 = 1,12,500

**Considering under reported income is not misreported income*

*** Being the maximum amount not chargeable to tax*

Example 3: A company liable to tax @ 30%:

Particulars	Amount in ₹million
Returned total income/(loss)	(100)
Total income/(loss) determined under section 143(1)(a)	(90)
Total income/(loss) assessed under section 143(3)	(40)
Total income/(loss) reassessed under section 147	20

Considering that none of the additions or disallowances made in assessment or reassessment as above qualifies under sub-section (6) of section 270A, the penalty would be computed as under:

Particulars	Assessment under section 143(3)	Assessment under section 147
Under-reported income	[(40)-(90)] = 50	[20-(40)] = 60
Tax payable on under reported income	30% of 50 = 15	30% of 60 = 18
Penalty leviable*	50% of 15 = 7.5	50% of 18 = 9

*Considering under reported income is not misreported income.

3. The following cases will not be considered as under reported income:
    a) Assessee offers explanation and the income tax authority is satisfied that the information is bonafide and all the material facts have been disclosed;
    b) Under reported income is determined on the basis of an estimate of life, if the accounts are correct and complete but the method employed is such that the income cannot properly be deduced therefrom;
    c) Where the assessee has on his own estimated a lower amount of addition or disallowance and has included the same in the computation of income;
    d) Where proper documents were maintained and all international transaction were disclosed;
    e) Where the undisclosed income is on account of search and penalty is leviable under other provisions.

4. In cases where the under reported income arises out of determination of deemed total income in accordance with the provisions of section 115JB and section 115JC, the amount of total under reported income shall be determined as under:

(A – B)+(C – D)

A = the total income assessed as per the provisions other than provisions under section 115JB and 115JC

B = the total income that would have been chargeable had the total income assessed as per the general provisions been reduced by the amount of under reported income;

C = the total income assessed as per the provisions contained in section 115JB or section 115JC

D = total income that would have been chargeable had the total income chargeable under section 115JB or 115JC would be reduced by the amount of under reported income.

In cases where the under reported income on any issue is considered both under the provisions of section 115JB or section 115JC and under general provisions, such amount shall not be reduced from total income assessed while determining the amount under item D.

5.There are certain other consequential changes proposed in sections 119, 253, 271A, 271AA, 271AAB, 273A and 279 to provide reference to newly inserted section 270A.

Immunity from Penalty

It is proposed to provide immunity to assessee from imposition of penalty and initiation of penalty proceedings who makes an application to the Assessing Officer within one month from the end of the month in which the assessment or reassessment order is received. Such immunity will be granted provided the assessee pays tax and interest payable as per the assessment or reassessment order within the period specified and does not prefer an appeal against such order. Immunity is not available to cases of misreporting.

Other provisions

Particulars	Existing provisions	Proposed provisions
Penalty in case of undisclosed income (section 271AAB)	30% to 90% of the undisclosed income	60% of the undisclosed amount
Penalty to furnish report or for furnishing inaccurate report (section 271GB)	Not applicable	**Non-furnishing of report** • Default not more than a month-₹5,000 per day • Default more than one month – ₹15,000 per day for the period exceeding one month • Default continues even after service of order levying penalty – ₹50,000 per day from the date of service of order **Non-timely submission of information** • ₹5,000 per day • Default continues even after service of order levying penalty – ₹50,000 per day from the date of service of order **Inaccurate information** • ₹5,00,000

Penalty for failure to answer questions, sign statements, furnish information, return or statements, allow inspections, etc (section 272A) – ₹10,000 for each default	Failure or default to answer the questions raised by the Income tax authority, refusal to sign any statement legally required during the proceedings under the Act or failure to attend to give evidence or produce books or documents as required under section 131(1)	In addition to the existing provisions the following shall also be considered as an event of default failure to comply with notice issued for: • inquiry before assessment; or • scrutiny assessment or • direction for auditing the accounts
Power to reduce or waive penalty (section 273A) and power to grant immunity from penalty (section 273AA)	No timelines for passing an order as well as no opportunity of being heard given to the assessee	• The order needs to be passed within a period of 12 months from the month in which the application is received; • No order rejecting the application can be passed without giving an opportunity of being heard to the assessee

Increase in rate of STT for specific transactions

Rate of STT to be increased from 0.017% to 0.05% on sale of an option in securities where option is not exercised.

The proposed amendment will be effective from 1 June 2016.

TCS on sale of vehicles and goods or services

Currently, a seller is required to collect tax at source at specified rates at the time of sale of specified items exceeding prescribed limits.

It is proposed that TCS will also be applicable at 1% on the sale of motor vehicle exceeding ₹10 lakh, and on cash sale of goods (other than bullion and jewellery) or provision of services exceeding ₹2 lakh, if tax has not been deducted at source.

Certain classes of buyers as may be prescribed by the government are proposed to be exempted from TCS in relation to sale of any goods (other than bullion and jewellery) or services.

The proposed amendment is applicable from 1 June 2016.

Special provisions relating to tax on accreted income of certain trusts and institutions

Currently, exemption is available to trusts or institutions created for charitable purposes which have been granted registration under section 12AA.

In order to provide clarity on taxation of income of trusts or institutions under certain circumstances, it is now proposed to tax 'accreted income' at the maximum marginal rate if the trust or institution has:

- converted into any form which is not eligible for grant of registration;

- merged with an entity having different objects and which is not registered under section 12AA;
- failed upon dissolution to transfer all its assets to any other entity registered under section 12AA or to any university/educational institution/hospital/medical institution eligible for exemption under section 10(23C), within a period of 12 months after dissolution.

'Accreted income' means the excess of the aggregate fair market value of total assets over the total liability of such trust or institution as on the specified date. Specified date means the date of conversion/date of merger/date on which the period of 12 months ends in respect of dissolution depending on the scenario in which the trust/registration loses its benefit.

The trust or institution shall be deemed to have been converted into any form not eligible for registration under section 12AA if:

- the registration granted under section 12AA has been cancelled;
- the trust/institution has adopted or undertaken modification of objects/activities which are not in conformity with conditions of registration and it does not apply for fresh registration under section 12AA; or its application for fresh registration under section 12AA has been rejected.

Interest at the rate of 1% per month will be payable if tax is not discharged within the time limit prescribed.

The trustee/principal officer of the trust/institution may be treated as an 'assessee in default' for not discharging the tax liability. The entity to which the assets are transferred by the trust/institution may also be treated as an 'assessee in default' to the extent of assets received.

The amendment is proposed to have effect from 1 June 2016.

Taxation of Non-compete fees and exclusivity rights in case of Profession

Currently, the provisions relating to taxation of any sum, received or receivable, in cash or in kind, under a non-compete agreement do not cover non-compete fee received or receivable in relation to carrying out of a profession.

Non-compete fee received or receivable in relation to not carrying out any profession is proposed to be taxed as profits and gains of business or profession except where the same is chargeable to tax under the head "Capital gains."

The 'cost of acquisition' and 'cost of improvement' for computing "Capital gains" arising out of transfer of right to carry on any profession will be considered as 'nil'. However, in case of acquisition of such a right from a previous owner, the cost of acquisition will mean the purchase price.

Amended timelines for assessment, reassessment and re-computation

Proceedings	Existing Time Lines	Proposed Time Lines
Section 143(3)/144	2 years from end of assessment year	21 months from end of assessment year
Section 147	1 year from end of financial year in which notice under section 148 is served	9 months from end of financial year in which notice under section 148 is served

Fresh assessment in pursuance of order u/s 254/263/264	1 year from the end of financial year in which order under section 254 is received or order under section 263/264 is passed by the prescribed authority	9 months from the end of financial year in which order under section 254 is received or order under section 263/264 is passed by the prescribed authority
Effect to 'appellate order' or '263/264 order' or 'order of settlement commission' wholly or partly without fresh assessment or reassessment*	No timelines at present	3 months from the end of the month in which order is received or passed by the relevant authority
** If proposed timelines cannot be met by the Assessing Officer for reason beyond control, Assessing Officer may apply, in writing, to Principal Commissioner of Income Tax or Commisioner of Income Tax to allow additional time of 6 months. For cases pending as on 1 June 2016, time limit to be extended to 31 March 2017.*		
Effect to 'appellate order' or '263/264 order' or 'order of any court' requiring assessment, reassessment or recomputation#	No timelines at present	12 months from the end of the month in which order is received by the relevant authority
[#] For cases pending as on I June 2016, proposed time limit to be 31 March 2017 or 12 months from the end of the month in which such order is received, whichever is later		
Applicable to all aforesaid orders to be passed on or after 1 June 2016		
Similar changes have been made to time limits for assessment in search cases.		

Set off of losses against deemed undisclosed income

Currently, income relating to cash credits, unexplained investments, unexplained money, unexplained expenditure, amount borrowed or repaid in hundi, etc. are taxable at the rate of 30%. No deduction is allowable in respect of any expenditure or allowances in relation to the above income.

It is now proposed to provide that no set off of any loss will be allowable in respect of such income.

Carry forward of losses of specified businesses

It is proposed that in order to carry forward losses of the specified businesses referred under section 35AD of the Act, the return of income to be filed within the prescribed due date.

Rationalisation of section 50C where date of agreement for transfer is different than date of registration of immovable property

The full value of consideration in case of transfer of an immovable property for computing capital gains is proposed to be the stamp duty value on the date of the agreement, where the date of the agreement fixing the amount of consideration for the transfer of immovable property and the date of registration are not the same. This benefit will be available only if the amount of consideration or part thereof has been received on or before the date of the agreement for transfer by way of an account payee cheque or bank draft or via electronic clearing system through a bank account.

Legislative framework to enable and expand the scope of electronic processing of information

- Processing of information in possession

  Currently, the prescribed income tax authority has the power to call for information or documents to verify information in his possession.

  It is proposed to empower the authority to process such information or document and make available the outcome of such processing to the Assessing Officer.

It is also proposed that based on such information received, if it is noticed by the Assessing Officer that the income of the assessee exceeds the maximum amount not chargeable to tax or that the assessee has understated his income or has claimed excessive loss, deduction, allowance or relief in the return, the income will be deemed to have escaped assessment and the Assessing Officer may reopen such assessments.

- Processing of return of income

  The provisions of summary assessment under section 143(1) are proposed to be expanded to cover the following adjustments within its ambit:

  i) loss or quantum based deductions claimed may be disallowed if the return of income is filed beyond the due date under section 139(1);
  ii) expenditure indicated in tax audit report but not disallowed in return of income may be disallowed;
  iii) income appearing in Form 26AS or Form 16/16A and not included in the return of income may be added.

  However, before making any such adjustment the assessee will be issued a notice in writing or in electronic mode. The response of the assessee will be considered before making any adjustment and in case no response is received within 30 days such adjustment will be made.

  Currently, section 143(1D) provides that the processing of the return of income is not necessary where a notice for scrutiny assessment has been issued. It is now proposed to be provided that the return will have to be processed before issuance of an assessment order.

- Issue of notices and other documents in electronic form

  Currently, where a notice or other document is required to be issued by any income-tax authority, such notice or other document is required to be signed by that authority in manuscript.

  In order to provide adequate legal framework for paperless assessment, it is proposed that notices and documents required to be issued by any income tax authority shall be issued either in paper form or in electronic form, in accordance with such procedure as may be prescribed.

  The proposed amendment will be effective from 1 June 2016.

Changes in provisions relating to filing of the return of income

An individual, HUF or an AOP/BOI will be required to file a return of income, if its income, including exempt LTCG, exceeds maximum amount not chargeable to tax.

The time line for a belated tax return is proposed to be reduced from 1 year from the end of the assessment year to the end of relevant assessment year or before the completion of assessment, whichever is earlier. A provision for revising a belated tax return is proposed.

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

The existing provisions of the Act inter-alia provide that tax shall not be withheld if the recipient furnishes the payer a self-declaration in the prescribed form declaring that the estimated income will be nil. Currently, such provisions are not applicable for receipt of rental income.

Accordingly, it is proposed to extend the benefit of nil withholding on rental income on submission of appropriate and prescribed self-declaration forms.

Rationalisation of instalments and due date of payment of advance tax

To rationalize the schedule for advance tax payment, it is proposed to amend the advance tax payment schedule for assessees (other than companies) to bring it in line with the existing advance tax payment schedule applicable for a company. Currently, the advance tax payment schedule for a company is as under:

Instalment	Due date of instalment	Amount of instalment payable
1	On or before 15 June	Not less than 15% of such advance tax.
2	On or before 15 September	Not less than 45% of such advance tax, as reduced by the amount, if any, paid in the earlier instalment.
3	On or before 15 December	Not less than 75% of such advance tax, as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.
4	On or before 15 March	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

It is proposed that an eligible assessee in respect of eligible business under section 44AD opting for computation of profits or gains of business on presumptive basis, will be required to pay advance tax of the whole amount in one instalment on or before 15 March of the financial year.

Consequential changes are being made for levy of interest for deferment in payment of advance tax (i.e. section 234C)

The proposed amendment will be effective from 1 June 2016.

Interest on refund

Currently, an assessee is entitled to interest on refund arising out of excess payment of advance tax, tax deducted or collected at source, etc. The period for which the interest is paid on excess payment of tax begins from 1 April of the assessment year and ends on the date on which refund is granted. The following proposals are to be introduced in relation to grant of interest earned on refunds due to tax payers.

- In cases where the return is filed after the due date, the period for grant of interest on refund will be considered from the date of filing of return to the date of grant of refund.
- Interest on refund of self-assessment tax will be calculated for the period from the date of payment of tax or filing of return, whichever is later, to the date on which the refund is granted.

- Where refunds arising out of appeal effect orders are delayed beyond the prescribed time limit, the tax payer will be entitled to receive an additional interest on such refund calculated at the rate of 3% p.a., from the date following the date of expiry of the time allowed to give appeal effect to the date on which the refund is granted.

This amendment will be applicable from 1 June 2016.

Time limit for making an appeal to CIT (A) in certain cases

Currently, an appeal can be made to the CIT (A) within 30 days of the receipt of the notice of demand relating to an assessment order.

It is proposed to provide that in a case where the assessee makes an application seeking immunity from penalty and prosecution, then, the period from the date on which such application is made to the date on which the order rejecting the application is served on the assessee will be excluded for calculation of the aforesaid 30 days period.

Minimisation of Tax Litigation

In line with the Government's intention to minimize tax litigation, the following measures are proposed to be introduced:

- An assessee can file an appeal against an order passed under section 270A with respect to levy of penalty for under-reporting and misreporting of income. The proposed amendment will be effective from 1 April 2017.
- The revenue authorities would not be able to appeal against the order of the Dispute Resolution Panel to the Income Tax Appellate Tribunal. The proposed amendment will be effective from 1 June 2016.

Time limit for rectification of orders of Appellate Tribunal

Currently, the Income Tax Appellate Tribunal may rectify any mistake apparent from the record in its order at any time within 4 years from the date of the order.

It is now proposed to reduce the period of 4 years from the date of the order to 6 months from the end of the month in which the order was passed.

This amendment will be applicable from 1 June 2016.

Change in monetary limit of cases of single member bench of Appellate Tribunal

Currently, a single member bench of the Income Tax Appellate Tribunal may dispose of any case of an assessee whose total income as computed by the Assessing Officer does not exceed ₹15 lakh.

It is proposed to increase the above monetary limit to ₹50 lakh.

The proposed amendment will be applicable from 1 June 2016.

Waiver of interest payable

For streamlining applications filed for waiver of interest, the following changes are proposed:

- An order accepting or rejecting the application for waiver of interest shall be passed by the concerned Revenue Authorities within a period of 12 months from the end of the month in which such application is received.
- No order shall be passed without giving the assessee an opportunity of being heard.
- In respect of the applications pending as on 1 June 2016, the order shall be passed on or before 31 May 2017.

The proposed amendments will be effective from 1 June 2016.

Rationalisation of exemption of subsidy or grant or cash assistance from Central Government

Subsidy or grant by the Central Government provided for the purpose of the corpus of a trust or institution established by the Central Government or a State Government is proposed to be exempt.

Provision for bank guarantee in case of provisional attachment

Currently, the Assessing Officer has the powers, subject to certain approvals, to provisionally attach any property of the assesse during the pendency of assessment proceedings.

Based on the recommendations of the Income Tax Simplification Committee (Easwar Committee), a rationalized procedure has been proposed. The key features of the same are as follows:

- The Assessing Officer shall revoke provisional attachment of property in case where the assesse furnishes a bank guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.
- The Assessing Officer may make a reference to the Valuation Officer to help him determine the fair value of the property.
- The Assessing Officer may invoke the bank guarantee, wholly or partly, where the assessee fails to pay the demand as specified in the notice of demand.
- The bank guarantee could be released by the Assessing Officer if he believes it is not required anymore to protect the interests of the revenue.

The proposed amendments will be effective from 1 June 2016.

Indirect Taxes

Customs Duty

Import Duty

Rate Changes

- Peak rate of BCD maintained at 10%
- Education cess and secondary and higher education cess continue to be levied on Customs duty

Change in effective rate of duty

The following changes shall be effective from 1 March 2016:

- Exemption from BCD on following products has been withdrawn:
  - Magnetic - Heads (all types)
  - Ceramic/magnetic cartridges and stylus
  - Antennas
  - EHT cables
  - Level meters/level indicators/tuning indicators/peak level meters/battery meter/ VC meters/tape counters
  - Tone arms
  - Electron guns
  - Plans, drawings and designs
  - Solar tempered glass or solar tempered (anti-reflective coated) glass for use in manufacture of solar cells/panels/modules
  - Preform of silica for manufacture of telecommunication grade optical fibre or optical fibre cables
  - Aluminum tubes, pipes or pipe fittings
  - E-readers
  - Soft switches and VoIP equipment namely VoIP phones, media gateways, gateway controllers and session border controllers
  - Optical transport equipment; combination of one or more of packet optical transport product/switch, optical transport network products, and IP Radios
  - Carrier ethernet switch, packet transport node products, multiprotocol label switching-transport profile products
  - Multiple input / multiple output and long term evolution products
- The following goods have been exempted from BCD:
  - Capacitor grades polypropylene granules or resins for the manufacture of capacitor grade plastic film
  - Wood in chips or particles, used in manufacture of the following namely:
    a) paper and paperboard
    b) newsprint

– Specified fabrics covered under chapter headings 50, 52, 54, 55 or any other chapter upto value equivalent to 1% of FOB value of exports in the preceding financial year, for manufacture of textile garments for exports, subject to specified conditions
– Machinery electrical equipment and parts thereof for use in:
  a) fabrication of semiconductor wafer and LCD
  b) assembly, testing, marking and packaging of semiconductor chips
– Electrolysers, membranes and their parts required by caustic soda/potash unit based on membrane cell technology
– Disposable sterilized dialyzer and micro barrier of artificial kidney
– Tools and tool kits for maintenance, repair, and overhauling of aircraft and parts thereof falling under heading 8802 by the units engaged in such activities with conditions for claiming such exemption simplified
– Import of non-registered foreign aircraft (such as helicopters and aeroplanes) excluding space craft and suborbital spacecraft launch vehicles for maintenance repair and overhaul subject to prescribed conditions
– Braille paper for any use (as against earlier exemption specifically for production of braille books)

• BCD increased on the following goods:

Description of Goods	Upto 29 February 2016	From 1 March 2016
Cashew nuts in shell	Nil	5%
Natural rubber latex made balloons	10%	20%
Industrial solar water heaters	7.5%	10%
Golf cars	10%	60%

Description of Goods	Upto 29 February 2016	From 1 March 2016
Imitation jewellery	10%	15%
Unwrought aluminum, aluminum powder, flakes, bars, rods, profiles and wire	5%	7.5%

Description of Goods	Upto 29 February 2016	From 1 March 2016
Foil of aluminum with thickness not exceeding 0.2 mm	5%	7.5%
Plates, sheets and strips of aluminum with thickness exceeding 0.2 mm	5%	7.5%
Zinc alloys	5%	7.5%
Steam or other vapour generating boilers (other than central heating hot water boilers, super-heated water boilers	7.5%	10%
Steam turbines and other vapour turbines (other than turbines for marine propulsion)	7.5%	10%
Hydraulic turbines, water wheels and regulators therefor	7.5%	10%
Turbo jets, turbo propellers and parts thereof	7.5%	10%
Other engines and motors not specifically covered under Chapter 8412	7.5%	10%
Wind turbine or engine	7.5%	10%
Spring operated motors	7.5%	10%
Lightning arrestors, voltage limiters ad surge suppressors	7.5%	10%
Auxiliary plant for use with boilers of heading 8402 or 8403; condensers for steam or other vapour power units	7.5%	10%

Description of Goods	Upto 29 February 2016	From 1 March 2016
Denatured ethyl alcohol (ethanol) for use in manufacture of excisable goods	5%	2.5%
Silica sands	5%	2.5%
Lignite, whether or not agglomerated, excluding jet	10%	2.5%
Peat, (including peat litter), whether or not agglomerated	10%	2.5%
Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10%	5%
Tar distilled from coal, from lignite or from peat and other mineral tars	10%	5%
Pitch and pitch coke	10%	5%
Aluminum oxide for use in manufacture of washcoat for catalytic converters	7.5%	5%
Acyclic and cyclic hydrocarbons (except para-xylene and styrene)	5%	2.5%
Magnet resin and neodymium magnet (before magnetization) for use in the manufacture of brushless direct current motors	7.5%	2.5%

Description of Goods	Upto 29 February 2016	From 1 March 2016
Super absorbent polymer used for manufacture of sanitary towels, tampons, napkins, diapers, etc.	7.5%	5%
Pulp of wood for manufacture of sanitary towels, tampons, napkins, diapers, etc.	5%	2.5%
Specified fibres of nylon	7.5%	2.5%
Specified fibres, filaments/yarns other than nylon	5%	2.5%
Brass scrap	5%	2.5%
Refrigerated containers	10%	5%
Coke and semicoke of coal, of lignite or of peat, whether or not agglomerated	10%	5%

- Increase in CVD on following goods:

Description of Goods	Upto 29 February 2016	From 1 March 2016
Gold dore bar, having gold content not exceeding 95%	8%	8.75%
Silver dore bar, having silver content not exceeding 95%	7%	7.75%

- The following goods have been exempted from CVD:
  - Import of non-registered foreign aircraft (such as helicopters and aeroplanes) excluding space craft and suborbital spacecraft launch vehicles for maintenance repair and overhaul subject to prescribed conditions
- Exemption from SAD withdrawn on import of populated printed circuit boards, charger or adapter, battery, wired headsets and speakers of mobile handsets including cellular phones (effective from 1 March 2016)
- Following goods attract concessional/enjoy exemption from SAD subject to compliance with procedures set out in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable goods) Rules, 1996:

Description of Goods	From 1 March 2016
O-xylene for use in manufacture of phthalic anhydride	2%
Machinery, electrical equipments, other instruments and their parts [except populated printed circuit boards] for use in fabrication of semi-conductor wafer and liquid crystal display	NIL
Machinery, electrical equipments, other instruments and their parts [except populated printed circuit boards] for use in assembly, testing, marking and packaging of semi-conductor chips	NIL
Populated printed circuit boards for use in manufacture of tablet computers and mobile handsets including cellular phones	2%

Miscellaneous Changes

Following changes shall be effective from 1 March 2016:

- Specified entries under the Customs Tariff Act governing exemption from BCD and CVD for imports made for petroleum exploration have been merged, notifying single list of goods which can be imported and unified list of conditions to be complied with.

- CVD exemption on specified goods required for construction of roads is withdrawn.
- BCD and CVD exemption withdrawn on chargers or adapters, battery, wired headsets and speakers for use in relation to manufacture of mobile handsets. However, inputs or parts (including sub-parts for use in manufacture of parts) for manufacture of aforesaid items are exempted from BCD and CVD.
- BCD on coal, briquettes, ovoids and similar solid fuels manufactured from coal continues to be levied at the rate of 2.5%.
- Under existing exemption for magnetron used for manufacture of domestic micro-wave ovens, the capacity has been increased from 1KW to 1.5KW.
- Conditions for claiming customs duty exemption for import of goods for repairs of ocean going vessel by a ship repair unit simplified.
- Parts, components and accessories (including sub-parts for the manufacture of aforesaid parts) for use in manufacture of routers, broadband odems, set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder/ network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets] are exempted from BCD and CVD.
- BCD on raw material and parts for use in the manufacture of E-readers prescribed at 5%.
- BCD on oils and other products of distillation of high temperature coal tar falling under chapter heading 2707 rationalized at 2.5%.
- Import of media with recorded Information technology software eligible for exemption from customs duty subject to filing declaration that service tax is duly paid thereon.
- Duty free allowance for bonafide gifts imported by post or air freight increased from ₹10,000 to ₹20,000.
- Specified inputs and capital goods imported for use in manufacture of sub-miniature fuses, micro fuses, resettable fuses and thermal fuses exempted from levy of BCD.
- Concessional rate of 5% BCD extended to cold chain including pre-cooling unit, pack houses, sorting and grading lines ripening chambers being prescribed under project import regulations.
- Power generation project based on municipal and urban waste can enjoy customs duty concessions on furnishing of valid agreement between producer of power with urban local body for processing of municipal solid waste for not less than 10 years from the date of commissioning of project.
- The benefit of standard exchange scheme extended for import of air craft parts for repair or overhaul and for export of repaired or overhauled parts of aircraft under said scheme.

The following change is effective from 1 April 2016:

- Exemption of customs duty on government imports of specified goods withdrawn.

Export Duty (effective from 1 March 2016)

- Change in the export duty on specified goods as under:

Description of Goods	From	To
Iron ore lumps (below 58% Fe content)	30%	NIL
Iron ore fines (below 58% Fe content)	10%	Nil
Bauxite (natural), not calcined	20%	15%

Description of Goods	From	To
Bauxite (natural), calcined	20%	15%
Chromium ores and concentrates, all sorts	-	NIL

Changes in Customs Act, 1962

Following changes will be effective from the date of enactment of the Finance Bill, 2016:

- New class of warehouse ('Special warehouse') has been introduced to enable storage of specific dutiable goods under physical control of the department and Principal Commissioner or Commissioner are empowered to license such special warehouse.
- Definition of 'warehousing station' omitted and consequentially Board's power to declare certain places as 'warehousing station' also omitted.
- In cases not involving fraud, suppression of facts, willful mis-statements, etc., the period of limitation for issuance of show cause notice increased from 1 year to 2 years.
- Certain class of importers and exporters will be allowed to make deferred payment of customs duty/charges for clearance of goods for home consumption and exportation respectively and the due date/manner of making such deferred payment will be specified by rules as may be prescribed.
- Board to frame regulations for allowing transit of certain goods and conveyance without payment of duty.
- Principal Commissioner or Commissioner are empowered :
  - to license public warehouse / private warehouse subject to conditions as may be prescribed,
  - cancel the license in case of any contraventions of provisions by the licensee after giving reasonable opportunity,
  - suspend the operation of warehouse.
- No goods will be allowed to be deposited in the warehouse during the period of suspension of warehouse operation. Further, in case of cancellation of a license, the warehoused goods should be removed for home consumption / export within seven days from the date of the order of cancelation of license.
- Provisions related to warehousing bond has been amended whereby
  - Importer to execute a bond equal to thrice the amount of duty assessed (as against twice the duty amount earlier),
  - Importer to additionally furnish such security as may be prescribed.

Provision related to period for warehousing goods amended as under:

Particulars	Time limit for warehousing goods
In case capital goods intended for use in 100% EOU/EHTP/STP or any warehouse where manufacturing operations are permitted	Till the clearance of such goods from the warehouse (as against 5 year period which was earlier prescribed only for 100% EOU unit).
In case goods other than capital goods intended for use in 100% EOU/EHTP/STP or any warehouse where manufacturing operations are permitted	Till their consumption or clearance from warehouse (as against 3 year period which was earlier prescribed only for 100% EOU unit).
Any other goods	Till the expiry of year from the date of order passed by proper officer. Principal Commissioners and Commissioners empowered to extend such warehousing period upto another one year.

Particulars	Time limit for warehousing goods
	Interest payable after expiry of 90 days from the date of order till the date of payment of duty. Board may, for public interest, provide relaxations with respect to such interest payable.

- Existing provisions relating to physical control over warehoused goods omitted.
- Payment of rent and warehousing charges omitted in case of clearance of warehoused goods for home consumption / exportation.
- Owner's right to deal with warehoused goods rationalized with no permission required, however, right in relation to separate damaged or deteriorated goods and to take out sample goods without entry for home consumption/ without payment of duty taken away.
- Principal Commissioner/Commissioner as against earlier Assistant Commissioner/Deputy Commissioner, empowered to license manufacturing operations in warehouse and henceforth no fees payable to customs for supervision of manufacturing facility in bonded warehouse.
- Warehousing bond shall be cancelled even in case of transfer of ownership of warehoused goods.
- New provision inserted so as to provide for custody of warehoused goods and responsibilities including the liabilities of warehouse keepers.

Changes in Customs Tariff Act, 1975

- Power of Central Government to impose transitional product specific safeguard duty on imports from People's Republic of China is being omitted to be effective from the date of enactment of the Finance Bill, 2016.
- The Fourth Schedule to the Finance Bill 2016 amends the First Schedule to the Customs Tariff Act to incorporate changes in Harmonized system of nomenclature (HSN) to be effective from 1 January 2017.

Miscellaneous Changes

The following changes will be effective from 1 April 2016.

- Key features of Baggage Rules 2016 introduced are as under:
  - Specified passengers arriving from countries other than Nepal, Bhutan or Myanmar allowed clearance of goods free of duty (except for certain specified goods) upto the value of ₹50,000,
  - Specified passengers arriving from Nepal, Bhutan or Myanmar allowed clearance of goods free of duty (except for certain specified goods) upto the value of ₹15,000 by air and Nil by land,
  - Gentleman passenger (residing abroad for more than one year) on return to India allowed clearance of jewellery upto a weight of twenty grams with a value cap of ₹50,000 and for lady passenger upto a weight of forty grams with a value cap of ₹1,00,000,
  - Provisions with respect to transfer of residence also amended subject to prescribed conditions.
- The Customs Baggage Declaration Regulations, 2013 amended to prescribe filing of Customs declaration only for those passengers who have anything to declare or carry dutiable or prohibited goods.
- The existing Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 are being substituted with the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016.
- Interest rates on delayed payment of Customs duty is reduced from 18% to 15%.
- The Government has introduced the Indirect tax Dispute Resolution Scheme, 2016, effective from 1 June 2016 with salient features inter-alia as under:
  - An appeal pending before the Commissioner of Customs (Appeals) in respect of an impugned order as on 1 March 2016 will qualify for declaration to be filed on or before 31 December 2016.
  - Declarant to pay tax along with interest and penalty equal to 25 percent of the penalty imposed in the impugned order within 15 days from the date of acknowledgement of declaration and the designated officer will pass an order of discharge of dues.

– The order so passed would be treated as conclusive, shall not be deemed to be an order on merit and such order cannot be reopened before any authority or Court.

Central Excise Duty

- Excise duty rate remains unchanged at 12.5%

Changes in the Central Excise Tariff Act, 1985

- Changes in the Harmonized System of Nomenclature (HSN) in certain Chapters will be incorporated in the First and Second Schedules, effective from 01 January 2017

Full exemption

Following goods have been fully exempted from payment of Central Excise Duty (subject to conditions), effective from 1 March 2016:

- Mixture of fertilizers by co-operative societies registered under the Fertilizer Control Order, 1985 for supply to the members of such co-operative societies.
- Ready mix concrete manufactured at the site of construction for use in construction work at such site.
- Capital goods, spares thereof, raw material, parts, material handling equipment and consumables for repair of ocean going vessels by a ship repair unit.
- Disposable sterilized dialyzer or micro barrier of artificial kidney.
- Solar lamp.
- Tools and tool kits for maintenance, repair, and overhauling of aircraft.

Withdrawal of exemption

Following changes will be effective from 1 March 2016:

- Exemption to new unit or expansion of unit for production of gold and silver from gold dore, silver dore or any other raw material is being withdrawn.
- Readymade garments and made up articles of textiles bearing a brand name or sold under brand name and having retail sale price of ₹1000 and above; manufacturer will have the option to pay excise duty of 2% (without CENVAT credit) or 12.5% (with CENVAT credit). Tariff value is being revised from 30% of RSP to 60% of the RSP.
- Articles of jewellery (excluding silver jewellery, other than studded with diamonds or other precious stones) will attract excise duty of 1% (without CENVAT credit) or 12.5% (with CENVAT credit). Further, the articles of jewellery shall be subjected to excise duty based on transaction value. Manufacturer has an option to avail threshold exemption up to ₹6 crores in a year, with an eligibility limit of ₹12 crores in the preceding financial year.
- Exemption on charger or adapter battery, wired headsets and speaker of mobile handsets including cellular phone.
- Specified goods for manufacturer of rotor blades and intermediates, parts and sub parts of rotor blades, for wind operated electricity generators.

Decrease in rates

Rates of following changed from 12.5% to 6%, effective from 1 March 2016:

- Micronutrients.
- Parts of railway or tramway locomotive or rolling stock, track & fixtures and refrigerator containers.
- Rubber sheets and resin rubber sheets.

- Specified parts required for manufacture of centrifugal pump.
- Carbon pultrusions for manufacture of rotor blades and intermediates, parts and sub parts of rotor blades, for wind operated electricity generators.

Description of the goods	Till 29 February 2016	With effect from 1 March 2016
Aviation Turbine fuel (other than supply to Schedule commuter airline from regional connectivity scheme)	8%	14%
Polyester staple fiber and filament yarn	6% (with CENVAT credit)	12.5% (with CENVAT credit)
Gold bars	9%	9.5%
Silver	8%	8.5%
Aerated water, lemonade, other waters containing added sugar, sweetening matter or flavored	18%	21%
Disposable aluminum foil container	6% (with CENVAT credit)	12.5% (with CENVAT credit)

Increase in rates

Retail Sale Price (RSP) based assessment

Following changes will be effective from 1 March 2016:

- Mechanism for valuation of following products has been shifted from transaction value based to RSP based:
  - Aluminum foil with an abatement of 25%.
  - Wrist wearable devices (commonly known as smart watches) covered under Central Excise Tariff Heading 8517 62 with an abatement of 35%,
  - Organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap with an abatement of 30%.
  - Accessories of motor vehicle.
- Abatement prescribed for RSP based valuation of all footwear falling under Chapter 64 of Central Excise Tariff has been changed from 35% to 30%.

Clean Environment Cess

- Clean Energy cess is being renamed as Clean Environment cess
- Effective rate of Clean Environment cess levied on coal, lignite and peat has been increased to ₹400 per tonne

Infrastructure Cess

- Infrastructure cess is applicable on the following motor vehicles

Description	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 will be exempt from infrastructure cess	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%
Other higher engine capacity motor vehicles and SUVs and bigger sedans	4%

- No credit of infrastructure cess will be available, and credit of no other duty can be utilized for payment of infrastructure cess

Oil Industries Development Cess

Oil Industry (Development) Act, 1974 is amended to levy cess at the rate of 20% ad valorem instead of at present rate of ₹4500 per tonne, on domestically produced crude oil.

Other Changes

Following changes will be effective from 1 March 2016:

- Mutual exclusiveness of levy of excise duty and Service Tax on Information Technology Software in respect of software recorded on media 'Not for retail sale' ensured by exempting from excise duty only that portion of the transaction value on which Service Tax is paid.
- In case of power generation project based on municipal and urban waste, it is being prescribed to have valid agreement between importer/producer of power with urban local body for processing of municipal solid waste for not less than ten years from the date of commissioning of project as an alternative to the condition of production of valid power purchase agreement between the producer of power and purchaser.
- Concessional excise duty on battery pack/battery charger/and other specified goods for use in manufacture of electrically operated vehicles and hybrid motor vehicles extended without any time limit from 31 March 2016.

Changes in the Central Excise Act, 1944

The following changes will be effective from 1 April 2016.

- Interest rate for delayed payment of excise duty has been reduced from 18% to 15% per annum.

The following changes will be effective from date enactment of Finance Bill.

- The time-limit for issuance of notice for recovery of duties without involving fraud, suppression of facts, willful mis-statement, etc. has been increased from one year to two years

Changes in the Central Excise Rules, 2002

The following changes will be effective from 1 March 2016.

- In case of provisional assessment, earlier the assessee was required to pay interest from the first day of the month succeeding the month in which such amount was determined till the date of payment. Now, the assessee will be liable to pay interest at the notified rate from the period starting with the first day after the due date till the date of actual payment.
- The requirement for self-attestation by the manufacturer on the duplicate copy of invoice meant for transporter to be used for transport of goods is done away with.
- On conclusion of proceedings against the person liable to pay duty, interest and penalty, any proceedings in respect of penalty against other persons, if any, shall be deemed to be concluded.
- The claim of rebate of duty paid on all excisable goods under Rule 18 is required to be lodged before the expiry of the period specified in section 11B of Central Excise Act, 1944.
- Amendments have been made in the procedure for filing a claim of rebate of the excise duty paid on goods used in the manufacture or processing of export goods

- which inter alia include filing a chartered engineer's certificate specifying the ratio of input and output norms in respect of goods manufactured or processed, and bar is introduced on availment of CENVAT credit by the manufacturer or processor.
- Single registration can be granted by Commissioner of Central Excise if two or more premises of the same factory are located within a close area in the jurisdiction of a Range Superintendent and having interlinked manufacturing process and the units are not operating under any of the area based exemption notifications. Previously, the single premise registration was granted by Principal Commissioner or Commissioner of Central Excise if two or more premises of a factory were separated by road, railway line or canal.
- Manufacturer of articles of jewellery can opt for centralized registration of factory or office, where centralized billing or accounting is done and where the accounts/records showing receipts of raw materials and finished excisable goods manufactured or received back from job workers are kept.
- Manufacturer of articles of jewellery shall be exempted from physical verification of authorized officer for issuance of excise registration.
- Manufacturer of articles of jewellery having aggregate value of clearances of all excisable goods for home consumption in the preceding financial year of less than ₹12 crore shall be required to make payment of excise duty on quarterly basis.

The following changes will be effective from 1 April 2016.

- Central excise assessee will be required to file 13 returns i.e. 12 'Monthly returns' and 1 'Annual return' as against 27 returns filed earlier.
- 100% EOU may also be required to file Annual return.

The following changes will be effective from the date to be notified by the Central Government.

- Facility of filing revised Central Excise returns including returns filed by 100% EOU has been introduced. An assessee who files original returns within due date may submit a revised return by the end of the calendar month in which the original return is filed. The relevant date for the purpose of recovery of Central Excise duty, if any, under section 11A of the Act shall be the date of submission of such revised return.
- The Annual Return filed within the due date may also be revised within one month from the date of submission of the said Annual Return.

Service Tax

The following change will be effective from 1 June 2016:

- Krishi Kalyan cess will be payable @ 0.5% of the value of taxable services.

Changes in Negative list

The following change will be effective from the date on which the Finance Bill, 2016 receives the assent of the President:

- Services provided by educational institutions are omitted and inserted in the mega-exemption notification.

The following entries will be deleted with effect from 1 June 2016:

- Services of transportation of passengers, with or without accompanied belongings, provided by a stage carriage.
- Services of transportation of goods by an aircraft or a vessel from a place outside India up to the customs station of clearance.

Changes in Declared Services

The following change will be effective from the date on which the Finance Bill, 2016 receives the assent of the President:

- Right to use radio-frequency spectrum and subsequent transfers will be taxable as a declared service.

Changes in exemption

The following changes will be effective from 1 March 2016:

- Exemption granted to:
  - Low cost housing projects approved by competent authority under specified schemes
  - Services provided by Indian Institute of Management by way of specified educational programmes
- Exemption relating to services of construction, erection, installation, etc. of non-commercial civil structures, structures used for educational, clinical, art or cultural establishments or residential complex for employees, provided to government, local authority or a governmental authority, which was withdrawn last year, is restored. This exemption is for contracts entered into prior to 1 March 2015 and on which appropriate stamp duty has been paid prior to such date. This exemption shall not be available on or after 1 April 2020.
- Exemption relating to services of construction, erection, installation, etc. of original works pertaining to an airport or port, which was withdrawn last year, is restored. This exemption is for contracts entered into prior to 1 March 2015 and on which appropriate stamp duty has been paid prior to such date. This exemption shall not be available on or after 1 April 2020.
- Withdrawal of exemption on construction, erection, etc. of original works relating to monorail or metro for contracts entered into on or after 1 March 2016. This will not apply to projects entered into prior to 1 March 2016 on which appropriate stamp duty has been paid.
- Service tax on services of Information Technology Software on a medium bearing RSP is exempted, provided central excise duty is paid on RSP under applicable Central Excise provisions.

The following changes will be effective from 1 April 2016:

- Exemption withdrawn on:
  - Services provided by senior advocates to an advocate or partnership firm of advocates
  - Services provided by a person represented on an arbitral tribunal to an arbitral tribunal
  - Transport of passenger service by ropeway, cable car or aerial tramway
- Exemption will be extended to the following:
  - Life insurance services provided by way of annuity under the National Pension System
  - Specified services provided by SEBI
  - Services provided by EPFO to its employees
  - Services provided by BIRAC approved biotech incubators to the incubatees
  - Services provided by National Centre for Cold Chain Development
  - Services provided by IRDA of India
  - General insurance services under the ’Niramaya’ Health Insurance scheme implemented by National Trust
  - Skill or vocational training provided by Deen Dayal Upadhyay Grameen Kaushalya Yojana training partners

– Services of Assessing Bodies empaneled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship

The following changes will be effective from the date on which the Finance Bill, 2016 receives the assent of the President:

- Exemption to services provided by educational institutions, which earlier existed under the negative list of services.
- No service tax is leviable or collectible for specified services for the period 1 July 2012 to 29 January 2014 provided to an authority or any other body set up by Act of Parliament or State Legislature or established by Government. In respect of the service tax which has been collected, refund application shall be made within 6 months from the date on which the Finance Bill, 2016 receives the assent of the President.
- No service tax is leviable or collectible for the period 1 April 2015 to 29 February 2016 in respect of services of construction, erection, installation, etc. for non-commercial civil structures, structures used for educational, clinical, art or cultural establishments or residential complex for employees, provided to government, local authority or a governmental authority under a contract entered prior to 1 March 2015 on which appropriate stamp duty was paid. For service tax which has been collected, refund application shall be made within 6 months from the date on which the Finance Bill, 2016 receives the assent of the President.
- No service tax is leviable or collectible for the period 1 April 2015 to 29 February 2016 in respect of services of construction, erection, installation, etc. of original works pertaining to an airport or port under a contract entered into prior to 1 March 2015 on which appropriate stamp duty was paid. For service tax which has been collected, refund application shall be made within 6 months from the date on which the Finance Bill, 2016 receives the assent of the President.

The following services will be exempted with effect from 1 June 2016:

- Transportation of passengers by a stage carriage other than air conditioned stage carriage.
- Transportation of goods by an aircraft from a place outside India upto the customs station of clearance in India.

Changes in abatement

The following changes will be effective from 1 April 2016:

The abated value at which service tax will be payable on renting of motor vehicle will be computed as fair market value of goods (including fuel) and services supplied

Rationalization of Abatements	Existing	Proposed
Transport of goods by rail	4.2% without credit	4.2% with credit on input services allowed
Transport of goods in containers by rail by any person other than Indian Railways	4.2% without credit	5.6% with credit on input services allowed
Transport of passengers by rail	4.2% without credit	4.2% with credit on input services allowed
Transportation of used household goods by GTA	4.2%	5.6%
Services of a foreman to a chit fund	14%	9.8% with credit restrictions

Rationalization of Abatements	Existing	Proposed
Transport of goods by vessel	4.2% without credit	4.2% with credit on input services allowed
Services by a tour operator	3.5% or 5.6% of amount charged	4.2% of amount charged
Construction of complex, building, civil structure, or a part thereof	3.5% or 4.2% depending on the area of unit or the consideration charged	4.2% irrespective of the area or consideration
Renting of motor vehicle	5.6%	5.6% on gross amount charged, including the cost of fuel where supplied by service receiver

by the recipient of services.

The following change will be effective from 1 June 2016:

Changes in Reverse Charge Mechanism:

Rationalization of Abatements	Existing	Proposed
Stage carriage	Non-taxable	5.6% without credit

The following change will be effective from 1 April 2016:

- Mutual fund agents/ distributors to a mutual fund or asset management company are proposed to be taxed under normal charge from 1 April 2016 with a view to enable such agents/ distributors to avail the exemption of ₹10 lakhs per year

Other legislative changes

The following changes will be effective from 1 April 2016:

- Definition of support services omitted.
- Benefit of quarterly payment of service tax extended to OPC and HUF.
- Benefit of payment of tax on receipts extended to OPC.
- Composite scheme introduced for service tax liability on single premium annuity.
- Annual returns needs to be filed by assessees beyond a prescribed threshold limit. The said return can be revised with one month from the date of filing original return.

The following changes will be effective from the date on which the Finance Bill, 2016 receives the assent of the President:

- Amendment in provisions empowering the Government to prescribe for the point of taxation such as in case of new levy on services.
- Time limit to issue a show cause notice in cases not involving fraud, collusion, etc. is increased from 18 months to 30 months.
- Interest rate on delayed payment of service tax is reduced to 15% p.a.
- Interest rate in cases where tax is collected but not deposited will be 24% p.a.
- Interest rate on service tax collected in excess reduced from 18% p.a. to 15% p.a.
- Penalty proceedings against director, manager, etc. will be deemed to be closed

- in case where the demand and penalty proceedings have been closed against the company.
- Monetary limit for launching prosecution increased from ₹50 lakhs to ₹2 crores of service tax evaded
- Power to arrest is restricted only to cases where the tax payer has collected but not deposited the tax exceeding ₹2 crores
- Indirect Tax Dispute Resolution Scheme, 2016 is proposed for service tax assessees
- Refund of service tax on services used beyond the factory or any other place or premises of production, for export of goods will be allowed retrospectively from 1 July 2012. Exporters whose claims were rejected earlier can now reapply for the refund within one month from the date on which the Finance Bill, 2016 receives the assent of the President

Amendments in the CENVAT Credit Rules, 2004

The following changes will be effective from 1 March 2016.

- CENVAT credit will not be allowed to be utilized for payment of Infrastructure cess leviable under sub-clause (1) of clause 159 of the Finance Bill, 2016.
- Service by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India is being excluded from the definition of "exempted service".
- CENVAT credit need not be reversed on inputs and input services used by shipping lines for providing service of transportation of goods by a vessel from customs station in India to a place outside India.
- Manufacturer of articles of jewellery having aggregate value of clearances of all excisable goods for home consumption in the preceding financial year of less than Rs. 12 crore shall be allowed to take credit of whole amount of duty paid on capital goods in the same financial year.
- In case of service provider, the refund claim under Rule 5 of CENVAT Rules can be filed before expiry of one year from the date of
  - receipt of payment in convertible foreign exchange, where provision of service had been completed prior to receipt of such payment; or
  - issue of invoice, where payment for the service had been received in advance prior to the date of issue of the invoice

The following changes will be effective from 1 April 2016.

- Wagons of sub heading 8606 92 of the Central Excise Tariff and equipment/ appliance used in an office located within a factory are being included in the definition of capital goods so as to allow CENVAT credit on the same.
- CENVAT credit on inputs and capital goods used for pumping of water, for captive use in the factory, is being allowed even where such capital goods are installed outside the factory.
- All capital goods having value up to Rs. 10,000 per piece are being included in the definition of inputs. This would allow an assessee to take entire credit on such capital goods in the same year in which they are received.
- In addition to credit on jigs, fixtures, moulds & dies, manufacturer of final products will be allowed to take CENVAT credit on tools of Chapter 82 of the Central Excise Tariff, when intended to be used in the premises of job-worker or another manufacturer who manufactures the goods as per specification of manufacturer of final products. It is also being provided that a manufacturer can send these

goods directly to such other manufacturer or job-worker without bringing the same to his premises.

- The permission given by an Assistant Commissioner or Deputy Commissioner to a manufacturer of the final products for sending inputs or partially processed inputs outside his factory to a job-worker and clearance there from on payment of duty will be valid for 3 financial years as against validity for 1 financial year.
- CENVAT credit of service tax paid on amount charged by Government for assignment of natural resources such as radio-frequency spectrum, mines, etc. will be spread over a period for which rights have been assigned. In case of further assignment, balance CENVAT credit not exceeding service tax payable on such assignment will be allowed in the same financial year. Further, service tax paid on user charges payable on monthly or annual basis in respect of assignment will be allowed in the same financial year.
- CENVAT credit provisions for reversal of credit in respect of inputs and input services used in manufacture of exempted goods or provision of exempted services are simplified and rationalized with following objectives:
  - Credit on inputs and input services used exclusively for manufacture of exempted goods or for provision of exempted services shall not be available. Non-excisable goods and activity which is not service as defined under Section 65B (44) of Finance Act, 1994 will be considered as exempted goods and exempted service respectively.
  - Full credit on inputs and input services used exclusively in final products or output services shall be available.
  - Common credit attributable towards exempted goods and exempted services shall be computed and reversed as specified.
- Banks and other financial institutions providing services by way of extending deposits, loans or advance will in addition to the option of determining the credit eligible on the taxable and exempt services in the manner provided, shall also have the option of payment every month 50% of the credit availed on inputs and input services.
- No CENVAT credit shall be allowed on capital goods used exclusively in the manufacture of exempted goods or in providing exempted services for a period of 2 years from the date of commencement of the commercial production or provision of services, as the case may be, other than the final products or output services which are exempt from the whole of the duty of excise leviable thereon under any notification where exemption is granted based upon the value or quantity of clearances made or services provided in a financial year.
- In addition to its own manufacturing units, Input Service Distributor can also distribute credit on input service to an outsourced manufacturing unit.
- Facility has been introduced to enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units.
- Invoice issued by a service provider for clearance of inputs or capital goods will be a valid document for availing CENVAT credit.
- The existing provision for recovery of CENVAT credit wrongly taken or erroneously refunded which prescribed a FIFO based procedure for determining utilization of credit has been omitted. The same will be determined by examining whether during the period under consideration, the minimum balance of credit in the account of the assessee was equal to or more than the disputed amount of credit.

Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016

The existing Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2001 are being substituted with the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016, so as to simplify the rules, including allowing duty exemptions to importer/manufacturer based on self-declaration instead of obtaining permissions from the Central Excise authorities.

Central Sales Tax Act, 1956

Amendment with effect from date to be notified.

- An Explanation has been added under Section 3 of Central Sales Tax Act to provide that where the gas sold or purchased and transported through a common carrier pipeline or any other common transport distribution system becomes co-mingled and fungible with other gas in the pipeline or system and such gas is introduced into the pipeline or system in one State and is taken out from the pipeline in another State, such sale or purchase of gas shall be deemed to be a movement of goods from one State to another.

Amendment aligned with Allahabad High Court decision of Reliance Industries Limited vs State of UP (2012-VIL-66-ALH)

Goods and Services Tax

- Hon'ble Finance Minister emphasized that Government shall endeavour to continue with the ongoing reform programme to ensure the passage of Constitution Amendment to enable implementation of Goods and Services Tax.

Glossary

BCD - Basic customs duty

CVD – Countervailing duty

SAD – Special additional duty

EOU – Export oriented unit

EHTP – Electronic hardware technology park

STP – Software technology park

Voip - Voice over Internet Protocol

BIRAC: Biotechnology Industry Research Assistance Council

EPFO: Employees' Provident Fund Organisation

GTA: Goods Transport Agency

HUF: Hindu Undivided Family

IRDA: Insurance Regulatory and Development Authority

OPC: One Person Company

RSP: Retail Sales Price

SEBI: Securities and Exchange Board of India

Policy Proposals

Agriculture

- Government to reorient its interventions in the farm and non-farm sectors to double the income of the farmers by 2022.
- Implementation of 89 irrigation projects under AIBP to be fast tracked.
- A dedicated Long Term Irrigation Fund to be created in NABARD with an initial corpus of ₹20,000 crore
- Organic Value Chain Development in North East Region for creating domestic and export market for organic produce
- Unified Agricultural Marketing Scheme envisaging a common e-market platform to be deployed in selected 585 regulated wholesale markets
- Four new projects to be taken up for making dairying more remunerative for the farmers

Rural Sector

- Digital Literacy Mission Scheme for rural India to be launched to cover around ₹6 crore additional households within the next 3 years
- Rashtriya Gram Swaraj Abhiyan to be launched, for which ₹655 crore is being set apart in 2016-17

Social Sector including Healthcare:

- Scheme to provide LPG connection in the name of women members of poor households
- New health protection scheme to provide for health cover to poor and economically weak families
- Proposition to start National Dialysis Service Programme to provide dialysis services in all district hospitals
- Stand-up India Scheme to promote entrepreneurship among Scheduled Caste/ Scheduled Tribe and women

Education, Skills and Job Creation

- An enabling regulatory architecture to be provided to ten public and ten private institutions to emerge as world-class Teaching and Research Institutions.
- Setting up of Higher Education Financing Agency, a not-for-profit organization, to raise funds for financing improvement in infrastructure in the top institutions
- Establishment of Digital Depository for School Leaving Certificates, college degrees, academic awards and mark sheets on the pattern of a Securities Depository
- 1500 Multi Skill Training Institutes to be set up across the country

Infrastructure and Investment

- Total outlay on roads and railways will be ₹218,000 crore in Financial Year 2016-17
- Government to enact necessary amendments in the Motor Vehicles Act and open up the road transport sector in the passenger segment
- Guidelines for renegotiation of Public Private Partnership Concession Agreements to be issued keeping in view the long-term nature of such contracts and potential uncertainties of the real economy without compromising transparency
- New credit rating system for infrastructure projects giving emphasis to various in-built credit enhancement structures to be developed

Financial Sector

- A comprehensive Code on Resolution of Financial Firms to be introduced as a bill in the Parliament during financial year 2016-17. This Code will provide a specialized resolution mechanism to deal with bankruptcy situations in banks, insurance companies and financial sector entities
- The RBI Act, 1934 is being amended to provide statutory basis for a Monetary Policy Framework and a Monetary Policy Committee through Finance Bill, 2016.
- A Financial Data Management Centre under the aegis of the Financial Stability Development Council to be set up to facilitate integrated data aggregation and analysis in the financial sector
- SEBI Act, 1992 to be amended to provide for more members and benches of the Securities Appellate Tribunal
- General insurance companies owned by the Government to be listed in the stock exchanges to ensure high levels of transparency and accountability

Governance and Ease of Doing Business

- Bill to amend Companies Act, 2013 to be introduced to remove the difficulties and impediments to ease of doing business
- "Ek Bharat Shreshtha Bharat" programme to be launched to link States and Districts in an annual programme that connects people through exchanges in areas of language, trade, culture, travel and tourism

Direct Taxes

- Reiteration for commitment to implement General Anti Avoidance Rule from 1 April 2017
- Plan to use technology in taxation department in a big way to make life simpler for a law abiding citizen, and also for data mining to track tax evaders.
- Income tax department to fully expand the pilot initiative of 'e-Sahyog' with a view to reduce compliance cost, especially for small taxpayers

Glossary

Act	The Income Tax Act, 1961
AIBP	Accelerated Irrigation Benefits Programme
AIF	Alternate Investment Fund
AOP	Association of Persons
BBT	Buy Back Tax
BEPS	Base Erosion and Profit Shifting
BOI	Body of Individuals
CAD	Current Account Deficit
Cbc	Country-by-Country
CIT(A)	Commissioner of Income-tax (Appeals)
DDT	Dividend Distribution Tax
DTAA	Double Taxation Avoidance Agreement
FDI	Foriegn Direct Investment
GAAR	General Anti Avoidance Rules
GDP	Gross Domestic Product
GST	Goods and Services Tax
HUF	Hindu Undivided Family
IFSC	International Financial Services Centre
InvIT	Infrastructure Investment Trusts
LLP	Limited Liability Partnership
LPG	Liquified Petroleum Gas
LTCG	Long Term Capital Gains
MAT	Minimum Alternate Tax
NABARD	National Bank for Rural and Agricultural Development
OECD	Organisation for Economic Cooperation and Development
PAN	Permanent Account Number
PE	Permanent Establishment
PoEM	Place of Effective Management
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
SARFAESI Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SEBI Act	The Securities and Exchange Board of India, 1992
SEZ	Special Economic Zone
SPV	Special Purpose Vehicle
STT	Securities Transaction Tax
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TP	Transfer Pricing
TPO	Transfer Pricing Officer

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