



Deloitte.

BUDGET 2016

Understanding the Business Impact

Impact on Consumer Business

February 2016

www.deloitte.com/in

The India Union Budget 2016 was tabled in Parliament today. The Finance Minister, in his budget speech described the agenda to 'Transform India', based on nine distinctive pillars. The first of the pillars is 'Agriculture and farmer's welfare' and there have been substantial announcements made with regard to establishing a robust system for advancement of agriculture. These announcements touch upon several niche areas to give a platform to the farmers to progress on the growth trajectory. This reinforces the fact that agriculture is the backbone of the Indian economy.

Besides Agriculture, other proposals impacting the consumers have been announced. The points listed below summarise those proposals which effect the consumer business industry.

- Government has allocated an amount of Rs. 35,894 crores for the agricultural sector
- Government aims to double the income of the farmers in five years
- Given that irrigation is currently only catering to 46% of the agricultural land, announcements have been made with the specific intention of increasing the irrigation facilities so as to expand the coverage of land
- Creation of a dedicated long term irrigation fund in NABARD with an initial corpus of Rs. 20,000 crores
- 100% FDI allowed in the marketing of food products produced and manufactured in India
- Model Shops and Establishment bill to be shared with states to ensure that retail shops also have option to open all 7 days a week
- A unified agriculture platform with NABARD to be dedicated to the nation
- 3 year tax holiday proposed for start-ups if incorporated between 2016-2019 (although MAT would apply)
- Limited tax compliance window from Jun 1 - Sep 30 for declaring

undisclosed income at 45% including 7.5% surcharge and 7.5% penalties. 7.5% surcharge on undisclosed income (to be known as Krishi Kalyan surcharge) to be used for agricultural sector

- To address the issue of taxability of transactions in new digital economy, a new chapter has been introduced titled "Equalisation Levy", to provide for an equalization levy at the rate of 6% of the amount of consideration for specified services (exceeding Rs.1,00,000) received or receivable by non-resident exceeding in certain cases. The obligation to deduct and deposit the "Equalisation Levy" is casted on the payer in order to claim the tax deduction for the expenditure
- In order to encourage indigenous research and development activities and to make India a global R&D hub, the Government has proposed a concessional tax regime to tax royalty income of eligible assessee in respect of patents developed and registered in India at the rate of 10%
- As regards Gold Monetisation Scheme, 2015, the deposit certificates are proposed to be excluded from the capital gains taxation and the interest thereon is also proposed to be exempted from tax
- Tax incentives for employment generation, earlier available only to manufacturing companies have now been extended to all the sectors with rationalization in conditions
- Krishi Kalyan Cess @ 0.5% proposed to be levied w.e.f. 01.06.2016 on all taxable services to finance and promote initiatives to improve agriculture
- Infrastructure cess (non-creditable) of 1% levied on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs
- Excise duty on tobacco and tobacco products other than beedi increased by about 10% to 15%
- Excise duty on waters including mineral waters, aerated waters etc. increased by 3%

- Excise duty on branded readymade garments of retail sale price of Rs.1000 or more increased to 2% without CENVAT credit or 12.5% with CENVAT credit
- Basic Customs Duty on imitation jewellery increased from 10% to 15%
- Manufacture of articles of jewellery with certain exclusions to become taxable @ 1% excise duty (without CENVAT credit) and 12.5% excise duty (with CENVAT credit) with a higher threshold exemption of Rs.6 crores and eligibility limit of Rs.12 crores
- Exemption to the services of transport of passengers, by ropeway, cable car or aerial tramway to be withdrawn with effect from 01.04.2016
- Tax is proposed to be levied on service of transportation of passengers by air conditioned stage carriage with the abatement of 60% (effective rate of service tax 5.6%) without CENVAT credit w.e.f. 01.06.2016
- Service tax on service of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority (PFRDA) is proposed to be exempted with effect from 01.04.2016. Earlier the effective rate of service tax on this service was 3.5%
- Service tax on services provided by Employees' Provident Fund Organization (EPFO) to employees proposed to be exempted with effect from 01.04.2016



Contact

For further information, contact us at:

inconsumerbusiness@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms. This material is prepared by Deloitte Touche Tohmatsu India LLP (DTTILLP).

This material (including any information contained in it) is intended to provide general information on a particular subject(s) and is not an exhaustive treatment of such subject(s) or a substitute to obtaining professional services or advice. This material may contain information sourced from publicly available information or other third party sources. DTTILLP does not independently verify any such sources and is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such sources. None of DTTILLP, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering any kind of investment, legal or other professional advice or services. You should seek specific advice of the relevant professional(s) for these kind of services. This material or information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person or entity by reason of access to, use of or reliance on, this material. By using this material or any information contained in it, the user accepts this entire notice and terms of use.

©2016 Deloitte Touche Tohmatsu India LLP. Member of Deloitte Touche Tohmatsu Limited

Deloitte Touche Tohmatsu India Private Limited (U74140MH199 5PTC093339), a private company limited by shares, was converted into Deloitte Touche Tohmatsu India LLP, a limited liability partnership (LLP Identification No. AAE-8458) with effect from October 1, 2015