

India

Union Budget 2017-18

An Insight

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CONTENTS

I. POLICY ANNOUNCEMENT

II. FISCAL PROPOSAL

POLICY ANNOUNCEMENT

1. Infrastructure

- 1.1 A new Metro Rail Policy will be announced with focus on innovative models of implementation and financing, as well as standardization and indigenization of hardware and software. This will open up new job opportunities for our youth.
- 1.2 A new Metro Rail Act will be enacted by rationalizing the existing laws. This will facilitate greater private participation and investment in construction and operation.
- 1.3 Select airports in Tier 2 cities will be taken up for operation and maintenance under the Public Private Partnership ('PPP') model.
- 1.4 By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1.5 Million gram panchayats, under BharatNet. A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology.
- 1.5 Proposed to set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. This will take our strategic reserve capacity to 15.33 MMT.
- 1.6 Second phase of Solar Park development for additional 20,000 MW capacity has been proposed to be taken up.
- 1.7 It has been aimed at creating an eco-system to make India a global hub for electronics manufacturing by allocating money towards incentive schemes like Modified Special Incentive Package Scheme (M-SIPS) & EDF.
- 1.8 2,000 km of coastal connectivity roads have been identified for construction and development.
- 1.9 It is proposed to feed about 7,000 stations with solar power in the medium term.
- 1.10 Railways will provide for connectivity of transportation of perishable goods, especially agricultural product through partnership with logistics players.
- 1.11 In the next 3 years, the throughput in railway sector is proposed to be enhanced by 10%. (Throughput of a section is the quantum of traffic which can be transported over the section in a period of 24 hours; traffic can be passenger or goods).
- 1.12 Unmanned level crossings on Broad Gauge lines will be eliminated by 2020. Expert international assistance will be harnessed to improve safety preparedness and maintenance practices.
- 1.13 500 stations will be made differently abled friendly by providing lifts and escalators.
- 1.14 By 2019 all passengers coaches of railways to be fitted with bio-toilets.

2. Financial Sector

- 2.1 As More than 90% of the total foreign Direct Investment ('FDI') are now through the automatic route. It is decided to abolish the FIPB in 2017-18. The Finance Minister also suggested that parent ministry can deal with proposals falling in the restricted sector. A roadmap for the same will be announced in the next few months. In the meantime, further liberalization of FDI policy is under consideration and necessary announcements will be made in due course.
- 2.2 An expert committee will be constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market in the agricultural sector, for commodities trading. 'e-NAM' to be an integral part of the framework.
- 2.3 Bill relating to curtail the menace of illicit deposit schemes will be introduced. A bill relating to resolution of financial firms will be introduced.
- 2.4 Required mechanism for resolution of disputes in infrastructure sector related to construction contracts, PPP and public utility contracts would be instituted as part of the Arbitration and Conciliation Act 1996. An amendment bill will be introduced in this regard.
- 2.5 A Computer Emergency Response Team for safeguarding the integrity and stability of Financial Sector (CERT-Fin) will be established.

- 2.6 Listing and trading of Security Receipts issued by a securitization company or a reconstruction company under the SARFAESI Act will be permitted in SEBI registered stock exchanges. This will enhance capital flows into the securitization industry and will particularly be helpful to deal with bank NPAs.

3. Digital Economy

- 3.1 Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched shortly. This will be specifically beneficial for those who do not have debit cards, mobile wallets and mobile phones.
- 3.2 Banks have targeted to introduce additional 1 Million new Point of Sale (PoS) terminals by March 2017. They will be encouraged to introduce 20 Million Aadhar based PoS by September 2017.
- 3.3 A proposal to mandate all Government receipts through digital means beyond a prescribed limit, is under consideration.
- 3.4 It is proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems.

4. Real Estate Sector

- 4.1 Reduction in the holding period for computing long term capital gains from transfer of immovable property from 3 years to 2 years. Also, the base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property.
- 4.2 For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed.
- 4.3 For builders for whom constructed buildings are stock-in-trade, tax on notional rental income will only apply after one year of the end of the year in which completion certificate is received.
- 4.4 The 30 Sq. mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 Sq. mtr. will apply.

5. Agriculture

- 5.1 A model law on contract farming to be prepared and circulated among the States for adoption.
- 5.2 Dairy Processing and Infrastructure Development Fund to be set up in NABARD with a corpus of INR 20 Billion and will be increased to INR 80 Billion over 3 years.

- 5.3 Coverage of National Agricultural Market (e-NAM) to be expanded from 250 markets to 585 APMCs. Assistance up to INR 7.5 Million will be provided to every e-NAM.

6. Youth / Employment

- 6.1 To introduce a system of measuring annual learning outcomes in our schools.
- 6.2 Innovation Fund for Secondary Education proposed to encourage local innovation for ensuring universal access, gender parity and quality improvement to be introduced in 3479 educationally backward districts.
- 6.3 SWAYAM platform, leveraging IT, to be launched with at least 350 online courses. This would enable students to virtually attend courses taught by the best faculty.
- 6.4 National Testing Agency to be set-up as an autonomous and self-sustained premier testing organisation to conduct all entrance examinations for higher education institutions.
- 6.5 Pradhan Mantri Kaushal Kendras to be extended to more than 600 districts across the country. 100 India International Skills Centres will be established across the country.
- 6.6 Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to be launched at a cost of INR 40 Billion SANKALP will provide market relevant training to 35 Million youth.

6.7 Next phase of Skill Strengthening for Industrial Value Enhancement ('STRIVE') will also be launched in 2017-18 at a cost of INR 22 Billion.

6.8 A scheme for creating employment in the leather and footwear industries along the lines in Textiles Sector to be launched.

6.9 Incredible India 2.0 Campaign will be launched across the world to promote tourism and employment.

7.5 Government has prepared an action plan to eliminate Kala-Azar and Filariasis by 2017, Leprosy by 2018, Measles by 2020 and Tuberculosis by 2025 is also targeted.

7.6 For senior citizens, Aadhar based Smart Cards containing their health details will be introduced.

7.7 Mahila Shakti Kendra will be set up with an allocation of INR 5 Billion in 1.4 Million ICDS Anganwadi Centres. This will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition.

7.8 Under Maternity Benefit Scheme INR 6,000 each will be transferred directly to the bank accounts of pregnant women who undergo institutional delivery and vaccinate their children.

7.9 Affordable housing to be given infrastructure status.

7.10 National Housing Bank will refinance individual housing loans of about INR 200 Billion in 2017-18.

7. Poor and Underprivileged

7.1 To foster a conducive labour environment, legislative reforms will be undertaken to simplify, rationalize and amalgamate the existing labour laws into 4 Codes on (i) wages; (ii) industrial relations; (iii) social security and welfare; and (iv) safety and working conditions.

7.2 Propose to amend the Drugs and Cosmetics Rules to ensure availability of drugs at reasonable prices and promote use of generic medicines.

7.3 To create additional 5,000 Post Graduate seats per annum to ensure adequate availability of specialist doctors to strengthen Secondary and Tertiary levels of health care.

7.4 Two new All India Institutes of Medical Sciences to be set up in Jharkhand and Gujarat.

8. Public Service

8.1 A comprehensive web based interactive Pension Disbursement System for Defence Pensioners will be established. This system will receive pension proposals and make payments centrally.

8.2 It has been proposed to introduce a system of single registration and two tier system of examination for Government recruitment.

8.3 It has also been proposed to rationalize the number of tribunals and merge tribunals wherever appropriate.

FISCAL PROPOSALS

1. DIRECT TAXES

1.1 Tax rates

- 1.1.1 It is proposed to reduce the existing rate of tax for individuals with income of INR 2.5 lacs to INR 5 lacs to 5% from the current rate of 10%. The other tax payers also get tax benefit of INR 12,500. Education cess and surcharge remains unchanged. The tax rebate for low income earners is proposed to be reduced to INR 2500 from the present limit of INR 5000 and will be available only in the case of income up to INR 3.5 lakhs.
- 1.1.2 It is proposed that surcharge of 10% will be levied on individuals whose annual taxable income is between INR 50 lacs and INR 1 crore. The existing surcharge of 15% will continue on taxpayers earning more than INR 1 crore.
- 1.1.3 Income tax rate, surcharge and education cess in case of foreign companies remains unchanged.
- 1.1.4 In case of domestic companies having turnover less than INR 50 crores in financial year 2015-16, applicable tax rate shall be 25%.
- 1.1.5 Tax rate of 10% on receipt of dividend exceeding INR 10 lacs is proposed to be applicable for all residents except domestic company, certain funds, trusts, institutions etc.
- 1.1.6 Withholding tax @ 5% proposed to be applicable on rent payable by individual/ HUF to any resident, if the amount of rent exceeds INR 50,000 per month or a part thereof.

1.2 Measures for Stimulating Growth

- 1.2.1 Section 194LC of the Income-tax Act, 1961 ('the Act') deals with concessional withholding tax rate on interest @ 5% in respect of ECB/ rupee loans taken under a loan agreement made before 31.03.2017. The said period has been proposed to be extended to 1st July 2020.
- 1.2.2 Minimum Alternate Tax ('MAT') credit is proposed to be carried forward up to a period of 15 years instead of 10 years.
- 1.2.3 Tax holiday period in case of eligible start up mentioned in section 80IAC of the Act has been proposed to be extended to 3 consecutive assessment years out of 7 initial years (earlier it was 3 consecutive assessment years out of 5 initial years).
- 1.2.4 Eligible start-ups mentioned in section 80IAC of the Act can carry forward and set off losses in case of change in shareholding, if, all the shareholders holding shares carrying voting power on last day of the year in which loss was incurred continue to hold those shares in the relevant previous year.

1.3 Promoting Digital Economy

- 1.3.1 In order to provide for a cashless transparent economy, it is proposed that, no deduction shall be allowed in respect of cash donations made in excess of INR 2,000 unless it is paid by any mode other than cash.
- 1.3.2 It is proposed to reduce the existing threshold of cash payment specified in section 40A(3)

of the Act from INR 20,000 to INR 10,000. Further, any capital payment exceeding INR 10,000 made for acquisition of an asset shall not be eligible for depreciation.

1.3.3 The presumptive profit rate specified in section 44AD of the Act in respect of small unorganized business shall continue to be 6% in respect of non-cash transactions.

1.3.4 Section 269ST is proposed to be inserted in the Act which proposes to restrict a person from receiving an amount of INR 3 lacs or more in cash in aggregate from another person in a day, in respect of a single transaction or in respect of transactions relating to one event or occasion. Any non-compliance with this would attract penalty of a sum equal to the amount of such receipt.

1.3.5 Political parties barred from receiving cash donation of an amount exceeding INR 2,000. Political parties also required to file return of income under section 139(4B) of the Act on or before the due date to avail tax exemption.

1.4 **Ease Of Doing Business**

1.4.1 It is proposed to limit the scope of domestic transfer pricing provisions to entities enjoying specific profit linked deductions only.

1.4.2 Tax audit threshold in case of business entities opting for presumptive income scheme under section 44AD of the Act shall be increased from INR 1 crore to INR 2 crore.

1.4.3 The turnover/ income threshold for maintenance of books in case of individuals and HUF shall be increased from INR 10 lacs

to INR 25 lacs and from INR 1.2 lacs to INR 2.5 lacs respectively.

1.4.4 In case of payment to call center, it is proposed to reduce the withholding tax rate to 2%.

1.4.5 It is proposed that conversion of preference shares into equity shares shall not be regarded as transfer under the Act for the purpose of levy of capital gains tax.

1.4.6 The transfer of shares of an Indian company by demerged foreign company to a foreign company is not regarded as transfer. It is proposed that the cost of acquisition of shares of such Indian company shall be the same in the hands of the resulting foreign company, as in the hands of the demerged foreign company.

1.4.7 Carbon credits are incentives given to industries for reduction of emission of various Green House gases which entitles them to credit in the form of a Certified Emission Reduction (CER) certificate. CER is tradable and can be transferred to any entity in need of carbon credits. Income on transfer of carbon credits is proposed to be taxed at a gross rate of 10% without providing any deductions.

1.4.8 It is proposed that the time limit for concluding assessment proceedings shall be reduced to 18 months for assessment year 2018-19 and 12 months for assessment year 2019-20 onwards.

1.4.9 It is proposed that the time limit for concluding re-assessment proceedings in respect of re-assessment notice served after

01.04.2019 shall be 12 months from the end of the financial year in which notice is served.

1.4.10 In case of search operations, an Assessing Officer is proposed to be empowered to re-open previous 10 assessment years if income which escaped assessment exceeds INR 50 lacs in any 1 year or in aggregate in the relevant 4 assessment years (falling beyond the sixth year).

1.4.11 The time limit for revision of tax return has been proposed to be reduced to 12 months from completion of financial year, i.e., till the end of the relevant assessment year.

1.4.12 It is proposed that any income arising to a foreign company on sale of leftover stock of crude oil after the expiry of the agreement entered into with the Central Government shall be exempted.

1.4.13 Under the new proposal, the transfer of rupee denominated bonds held by a non-resident to another non-resident shall be exempted from capital gains tax.

1.5 Curbing Black Money/ Anti-Abuse Measures

1.5.1 It is proposed that income arising from transfer of long term capital assets (equity shares or equity oriented fund) acquired after 01.10.2004 shall be chargeable to long term capital gains if Securities Transaction Tax ('STT') has not been paid on purchase of the same.

1.5.2 It is proposed that, where consideration for transfer of unlisted shares of a company is less

than Fair Market Value ('FMV'), the FMV shall be deemed to be full value of consideration in order to compute capital gains.

1.5.3 It is proposed that receipt of money or property by a person without consideration or for inadequate consideration in excess of INR 50,000 shall be chargeable to tax in the hands of the recipient.

1.5.4 It is proposed to restrict deduction of interest expenses paid to a foreign associated enterprise to 30% of earnings before interest, taxes, depreciation etc.

1.5.5 It is proposed that when there is an increase of income or reduction in losses of a company as a result of primary adjustment (suo motu addition by assessee in return of income, addition made by the assessing officer and accepted by assessee, addition determined by advance pricing arrangement, safe harbor rules or as a result of mutual agreement procedure) to transfer price exceeding INR 10 million, the excess money available with the foreign associated enterprise, if not repatriated in time shall be treated as advance made to such foreign associated enterprise and interest on such advance shall be computed as income of the Indian company.

1.5.6 In order to ensure that the income is utilized for charitable purposes by charitable institutions and trusts, it is proposed that any donation made by a trust with a specific direction that the same shall form part of the corpus of the recipient trust or institution shall

not be treated as application of income in the hands of donor trust.

- 1.5.7 It is proposed that a fresh registration would be required to be obtained by a charitable trust or institution within a period of 30 days which has already been granted registration under the Act in case of change in objectives which do not conform to the conditions of the registration.
- 1.5.8 It is proposed that charitable trust/ entities are mandatorily required to furnish return of income on or before the due date.
- 1.5.9 It has been proposed that if a return is furnished after due date but on or before 31st day of December of the assessment year, a fee of INR 5,000 shall be payable by the defaulter. A fee of INR 10,000 shall be payable if return filed beyond 31st day of December of the relevant assessment year. However, in cases where the total income does not exceed INR 5 lacs, the amount of fee shall not exceed INR 1,000.
- 1.5.10 In order to ensure due diligence while issuing/ making certification, it is proposed that if an accountant or merchant banker or registered valuer furnishes incorrect information in a report or certificate, a sum of INR 10,000 shall be payable by him as penalty.

1.6 Affordable Housing And Real Estate Sector

- 1.6.1 In order to promote investment in housing and real estate sector, it is proposed that an immovable property shall be deemed as long term capital asset, if the same is held for a

period of more than 24 months (earlier this period was 36 months).

- 1.6.2 It has been proposed that in order to avail 100% deduction in respect of profits and gains derived from developing and building housing projects the size of the residential unit shall be measured taking into account the carpet area and not the built up area. Further, the restriction of 30 sq. mtr. on the size of residential unit shall not apply to places located within a distance of 25 kms from the municipal limits of Chennai, Delhi, Kolkata and Mumbai. Also, the time limit for completion of project for claiming the said deduction shall be increased to 5 years from the existing 3 years.
- 1.6.3 The base year for computation of capital gains in respect of all capital assets has been proposed to be shifted to 2001 instead of 1981 at present.
- 1.6.4 It has been proposed that capital gains up to INR 50 lacs arising from transfer of long term capital asset shall be exempt if the assessee invests the whole or any part of the capital gains in any bond redeemable after three years which has been notified by the Central Government. Currently, only investment in bond issued by National Highways Authority of India or Rural Electrification Corporation Limited is eligible for exemption.
- 1.6.5 It is proposed that where any house property or building is held as stock-in-trade and any part or whole is not let during the previous year, the annual value of the property till one year from the end of financial year in which

the certificate of completion of construction of property is obtained shall be taken as nil.

1.6.6 For Joint Development Agreement signed for development of property, in case of individual and HUF, the liability to pay capital gain tax will arise in the year in which completion certificate is issued by the competent authority. In such year, tax shall be levied on stamp duty value of the property share.

1.7 Rationalization Measures

1.7.1 Certain changes have been proposed in MAT computation mechanism in case of companies preparing books of accounts as per newly introduced Indian Accounting standards.

1.7.2 The effective date of application of concessional rate of tax @ 10% on long term capital gains arising from transfer of unlisted securities held by non-residents shall be 1st April 2013.

1.7.3 It is proposed to clarify that deduction available under the Act in respect of profits and gains from the unit operating in Special Economic Zone (SEZ) shall be allowed only from the total income of the taxpayer and not the undertaking (deduction in no case shall exceed total income). This shall take effect from 1st April 2018.

1.7.4 It is proposed to provide that undefined terms in DTAA, if defined in the Act, shall partake the same meaning as defined in the Act.

1.7.5 In order to strengthen PAN quoting mechanism in the TCS regime it is proposed that any person paying any sum or amount on

which tax is collectable, he shall furnish his PAN to the person responsible for collecting such tax.

1.7.6 It is proposed that setting off losses under the head 'income from house property' against any other head of income shall be restricted to INR 2 lacs for any assessment year. However, the unabsorbed loss shall be allowed to be carried forward to subsequent years.

1.7.7 It is proposed that where an authority based on information it possess, has 'reason to believe or reason to suspect' that certain income has escaped assessment, can carry out search and seizure operation without disclosing such reasons.

1.7.8 In order to protect the interest of revenue and safeguard recovery it is proposed that, the authorized officer can provisionally attach any property during the course of a search or seizure or within a period of sixty days from which the last search was carried out. Prior approval of Principal Director General/ Director General/ Director has to be taken and attachment shall seize after six months.

1.7.9 Power of inquiry can be exercised by the Joint Director, the Deputy Director and the Assistant Director without seeking prior approval of higher authorities with effect from 1st April 2017.

1.7.10 From 1st April 2017 onwards, the income tax authorities are empowered to conduct survey proceedings at any place at which any activity for charitable purpose is carried on.

1.7.11 It is proposed that CBDT shall make a scheme for centralize issuance of notice, calling for

information and documents for the purpose of verification of information available with the assessing officer.

1.7.12 The provisions of section 197(c) of the Finance Act, 2016 providing powers to tax officers to scrutinize any assessment year (even assessment years falling beyond a period of 6 years) have been proposed to be omitted.

1.7.13 It is proposed that exemption shall be provided to partial withdrawal by an employee subscriber from National Pension Scheme ('NPS') to the extent that it does not exceed 25% of the total amount of contribution made by him as per the conditions specified in the Pension Fund Regulatory Act.

2. CUSTOMS

2.1 Median rate of Basic Custom Duty ('BCD') has been retained at 10%.

2.2 The concept of beneficial owner has been introduced under Clause (3A) of Custom law to widen the ambit of definitions of importer and exporter.

2.3 "Custom Station" term has been amended which now includes Foreign Post office and International Courier Terminal under clause 13 of the Customs Act 1962.

2.4 Beneficial Owner has now been included in the existing definition of exporter in clause (20) of the Customs Act 1962.

2.5 Definition of importer in clause (26) includes the beneficial owner.

2.6 Any excess duty paid by importer in specified cases will be kept outside the ambit of unjust enrichment for the purpose of claiming refund.

2.7 It has been proposed that there shall be an increase in the application fee for seeking advance ruling from INR 2500 to INR 10,000.

2.8 Any person in charge conveyance entering India or departing from India is supposed to passenger crew information in the specified format, manner and time, non-compliance of which can lead to penalty of up to INR 50,000.

2.9 Under the new proposal a bill of entry for home consumption is to be filed for home consumption or warehousing by the end of the next day from the date on which the vessel, aircraft or vehicle carrying the goods arrives at custom stations. In case of delay, adverse actions can be taken by the authority.

2.10 The period for payment of import duty has in case of self-assessment shall be on the date of presentation of bill of entry and in case of assessment, re-assessment and provisional assessment shall be within one day from the date on which the bill of entry is returned to the importer by proper officer for the payment of duty.

2.11 The facility to store imported goods in public warehouse pending clearance has been extended to goods imported for warehousing before their removal and not private warehouses.

2.12 The Settlement Commission has been empowered under the new proposal to rectify any error apparent on the face of record within three months from the date of the passing of the order.

2.13 It is proposed that there shall be withdrawal of exemption from three categories of non-actionable subsidies from the scope of anti-subsidy investigation.

2.14 Amendment in the First Schedule of the Customs Tariff Act 1975

Amendments affecting rates of BCD [Clause 109(a) of the Finance Bill, 2017]	Rate of Duty	
	From	To
Cashew nut, roasted, salted or roasted and salted	30%	45%
RO membrane element for household type filters	7.5%	10%

2.15 Amendment in the second schedule to the customs tariff act, 1975 [clause 110 of the finance bill, 2017]

Amendments affecting rates of Export duty	Rate of duty	
	From	To
Ores and concentrates		
Other aluminum ores and concentrates	NIL	30%

2.16 Other proposals involving changes in BCD, CVD, SAD and Export duty rates

Commodity	BCD/ Excise/ CV duty/ SAD/ Export Duty	
	From	To
Ores and Concentrates		
Other aluminum ores, including laterite	Export Duty - Nil	Export Duty – 15%
Mineral fuels and Mineral oils		
Liquefied Natural Gas	BCD-5%	BCD-2.5%
Chemicals & Petrochemicals		
o-Xylene	BCD-2.5%	BCD-NIL
Medium Quality Terephthalic Acid (MTA) & Qualified Terephthalic Acid (QTA)	BCD-7.5%	BCD-5%
2-Ethyl Anthraquinone [29146990] for use in manufacture of hydrogen peroxide, subject to actual user condition	BCD-7.5%	BCD-2.5%
Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors, subject to actual user condition	BCD-7.5%	BCD-5%
Vinyl Polyethylene Glycol (VPEG) for use in manufacture of Poly Carboxylate Ether, subject to actual user condition	BCD- 10%	BCD-7.5%
Textiles		
Nylon mono filament yarn for use in monofilament long line system for Tuna fishing, subject to certain specified conditions	BCD-7.5%	BCD-5%
Finished Leather, Footwear and Other Leather Products		

Vegetable tanning extracts, namely Wattle extract and Myrobalan fruit extract	BCD-7.5%	BCD-2.5%
Limit of duty free import of eligible items for manufacture of leather footwear or synthetic footwear or other leather products for use in the manufacture of said goods for export	3% of FOB value of said goods exported during the preceding financial year	5% of FOB value of said goods exported during the preceding financial year
Metals		
Co-polymer coated MS tapes / stainless steel tapes for manufacture of telecommunication grade optical fibres or optical fibre cables, subject to actual user condition	BCD – Nil	BCD – 10%
Nickel	BCD-2.5%	BCD-NIL
MgO coated cold rolled steel coils [7225 19 90] for use in manufacture of CRGO steel, subject to actual user condition	BCD-10%	BCD-5%
Hot Rolled Coils [7208], when imported for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306, subject to actual user condition	BCD-12.5%	BCD-10%
Capital Goods		
Ball screws, linear motion guides and CNC systems for use in manufacture of all CNC machine tools, subject to actual user condition	Ball screws and liner motion guides BCD-7.5% CNC systems BCD- 10%	BCD-2.5%

Electronics/Hardware		
Tariff item	Old	New
Populated Printed Circuit Boards (PCBs) for the manufacture of mobile phones, subject to actual user condition	SAD – NIL	SAD – 2%
Renewable Energy		
Tariff item	Old	New
Solar tempered glass for use in the manufacture of solar cells/panels/modules subject to actual user condition	BCD – 5%	BCD – Nil
Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition	CVD – 12.5%	CVD – 6%
Resin and catalyst for manufacture of cast components for Wind Operated Energy Generators [WOGEG], subject to actual user condition	BCD – 7.5% CVD – 12.5% SAD – 4%	BCD – 5% CVD – Nil SAD – Nil
All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes, subject to certain specified conditions	BCD – 10% / 7.5% CVD – 12.5%	BCD – 5% CVD – 6%
All items of machinery required for balance of	BCD –	BCD – 5%

systems operating on biogas/ bio-methane/ by-product hydrogen, subject to certain specified conditions	10% / 7.5% CVD – 12.5%	CVD – 6%
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Miscellaneous		
Tariff item	Old	New
Membrane Sheet and Tricot / Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	CVD – 12.5%	CVD – 6%
All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable BCD, CVD	BCD – 5% CVD – 6%
All inputs for use in the manufacture of LED Driver and MCPCB for LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable BCD	5%
De-minimis customs duties exemption limit for goods imported through parcels, packets and letters	Duty payable not exceeding INR100 per consign- ment	CIF value not exceed- ing INR1000 per consign- ment

Miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner	Applicable BCD, CVD SAD	BCD – Nil CVD – Nil SAD – Nil
Parts and components for manufacture of miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner, subject to actual user condition	Applicable BCD, CVD SAD	BCD – Nil CVD – Nil SAD – Nil
Silver medallion, silver coins having silver content not below 99.9%, semi manufactured form of silver and articles of silver	CVD – Nil	CVD – 12.5%

3. **EXCISE**

- 3.1 There has been no change in the current standard rate of 12.5%.
- 3.2 A centralized registration has been proposed in order to provide jewelry manufacturers (articles of jewelry other than articles of silver jewelry but inclusive of articles of studded silver jewelry with precious stone) in which they will have to maintain a centralized billing/ accounting system. This system shall show records/ accounts of receipt of raw materials

and finished excisable goods manufactured or received from job workers.

3.3 Change in the rate of duty - Sectoral impact

3.3.1 Tobacco and Tobacco Products

Tariff item	Old	New
Cigar and cheroots	12.5% or INR 3375 per thousand, whichever is higher	12.5% or INR 4006 per thousand, whichever is higher
Cigarillos	12.5% or INR 3375 per thousand, whichever is higher	12.5% or INR 4006 per thousand, whichever is higher
Cigarettes of tobacco substitutes	INR 3755 per thousand	INR 4006 per thousand
Cigarillos of tobacco substitutes	12.5% or INR 3375 per thousand, whichever is higher	12.5% or INR 4006 per thousand, whichever is higher
Others of tobacco substitutes	12.5% or INR 3375 per thousand, whichever is higher	12.5% or INR 4006 per thousand, whichever is higher
Unmanufactured tobacco	4.2%	8.3%

3.3.2 Pan Masala

Tariff item	Old	New
Pan Masala	6%	9%
Paper rolled biris – handmade	INR 21 per thousand	INR 28 per thousand
Paper rolled biris – machine made	INR 21 per thousand	INR 78 per thousand

3.3.3 Renewable Energy

Tariff item	Old	New
Solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar Photovoltaic module and panel for water pumping and other applications, subject to actual user condition	NIL	6%
Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition	12.5%	6%
Resin and catalyst for manufacture of cast components for Wind Operated Energy	12.5%	NIL

Generators [WOEG], subject to actual user condition		
All items of machinery required for fuel cell based power generating systems to be set up in the country or for demonstration purposes	12.5%	6%
All items of machinery required for balance of systems operating on biogas/bio-methane/by-product hydrogen	12.5%	6%

3.3.4 Miscellaneous

Membrane Sheet and Tricot/Spacer for use in manufacture of RO membrane element for household type filters, subject to actual user condition	12.5%	6%
All parts for manufacture of LED lights or fixtures, including LED lamps, subject to actual user condition	Applicable duty	6%
Miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finder Print Reader / Scanner or iris Scanner	Applicable duty	NIL
Parts and components for manufacture of miniaturized POS card reader for m-POS (not including mobile phones,		

or tablet computers), micro ATM as per standards version 1.5.1, Finder Print Reader / Scanner or iris Scanner, subject to actual user condition	Applicable duty	NIL
a) Waste and scarp of precious metals or metals clad with precious metals arising in course of manufacture of goods failing in Chapter 71 b) Strips, wires, sheets, plates and foils of silver c) Articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire d) Silver coin of purity 99.9% and above, bearing a brand name when manufactured from silver on which appropriate duty of customs or excise has been paid	NIL	NIL, subject to the condition that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods
Motor vehicles for transport of more than 13 persons	27%	12.5%

3.4 Under the new proposal changes have been made in the Central Excise Rules, 2002 which stipulates the time limit of three months, extendable up to 6 months has been introduced for granting remission of duty. Also time limit of three months has been introduced for approval of requests regarding transfer of

CENVAT credit in case of sale, merger, shifting, etc. of the factory.

3.5 Change in rate of Additional Excise duty

3.5.1 Tobacco and Tobacco Products

Tariff item	Old	New
Non-filter Cigarettes of length not exceeding 65mm	INR 215 per thousand	INR 311 per thousand
Non-filter Cigarettes of length not exceeding 65mm but not exceeding 70 mm	INR 370 per thousand	INR 541 per thousand
Filter Cigarettes of length exceeding 65 mm	INR 215 per thousand	INR 311 per thousand
Filter Cigarettes of length not exceeding 65mm but not exceeding 70 mm	INR 260 per thousand	INR 386 per thousand
Filter Cigarettes of length not exceeding 70mm but not exceeding 75 mm	INR 370 per thousand	INR 541 per thousand
Other cigarettes	INR 560 per thousand	INR 811 per thousand
Chewing tobacco (including filter Khaini)	10%	12%
Jarda scented tobacco	10%	12%
Pan Masala containing Tobacco (Gutkha)	10%	12%

4. SERVICE TAX

4.1 It has been proposed that services of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption shall be omitted from the negative list and be incorporated in the general exemption notification (notification No. 25/2012 service tax dated 20th June 2012).

4.2 It has been proposed that services provided by the Army, Navy and Air Force Insurance Fund shall be exempted from service tax to members of the Army, Navy and Air Force under the group insurance schemes of Central Government shall be made effective from 10th September 2004 onwards, though under the current regime it is taxed.

4.3 Service tax exemption on one time upfront amount (called as premium, salami, cost, price, development charges or by whatever name) payable for grant of long-term lease of industrial plots (30 years or more) by State Government industrial development corporations/ undertakings to industrial.

4.4 **Legislative changes regarding Authority for Advance Ruling (AAR)**

4.4.1 With the objective of improving the efficiency and efficacy of AAR, under this administrative reform, AAR is proposed to be the combined forum for income tax, central excise duty, custom duty and service tax.

4.4.2 The fee for application of advance ruling has been increased from INR 2,500 to INR 10,000.

- 4.4.3 The time limit for pronouncing ruling by AAR has been increased from 90 days to 6 months from the date or receipt of application.
- 4.4.4 Under the new proposal, the scope of exemption for services provided by Indian Institutes of Management by way of 2 year full-time post graduate programs has been widened. Earlier only residential programs were exempted and now all 2 year full time post graduate programs have been exempted.
- 4.4.5 Exemption from payment of service tax is being provided in respect of the amount of Viability Gap Funding (VGF) payable to the selected airline operator for the services of transport of passengers embarking from or terminating in a Regional Connectivity Scheme (RCS) airport, for a period of one year from the date of commencement of operations of the airport.
- 4.4.6 Under the new proposal, banks and financial institutions including non-banking financial companies engaged in providing services by way of extending deposits, loans or advances, shall not include these services in the value of service provided by them.