

Budget Connect 2016

Highlights and impact of
Indian Union Budget



Building a better
working world

Budget Connect 2016

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Foreword

The Union Budget for 2016 comes at a time of unusual volatility in the international economic environment. Markets have begun to swing on fears that the global recovery may be faltering, while risks of extreme events are rising. Amidst this gloomy landscape, the Economic Survey for 2015-16 calls India “... a haven of stability and an outpost of opportunity”. Its macro-economy is stable, founded on the government’s commitment to fiscal consolidation and low inflation. Its economic growth is amongst the highest in the world, helped by a reorientation of government spending toward needed public infrastructure. These achievements are remarkable not least because they have been accomplished in the face of global headwinds and a second successive season of poor rainfall. The task now is to sustain them in an even more difficult global environment.

It was in the above economic backdrop that the FM presented the Union Budget 2016-17 in the Parliament today.

The Budget has a transformative agenda built on nine distinct pillars of agriculture welfare, rural sector, social sector, education, skills and job creation, infrastructure and investment, financial sector reforms, governance and ease of doing business, fiscal discipline and tax reforms.

Investment continues to be the underlying theme in this Budget. The Budget seeks to revive growth and investment and promote domestic manufacturing and ‘Make in India’. The proposal to provide a reduced tax rate for new manufacturing companies, extending the benefit of deduction for employment of new regular workmen and changes to the customs and excise duty rates on inputs can be expected to have a significant impact on this theme.

The Budget contains a number of tax proposals for providing relief to small taxpayers, measures to boost growth and employment generation, incentivizing domestic value addition, reducing litigation and providing certainty, and for simplification and rationalization of taxation.

With the adoption of the BEPS package in October 2015, OECD and G20 countries laid the foundations of a modern international tax framework under which profits would be taxed where economic activity and value creation occurs. It was widely expected that the Budget proposals would reflect

India's commitment to implementing BEPS. To this effect, the Budget seeks to implement a new three-tier approach for TP documentation, an equalization levy to address BEPS risks which stand exacerbated by the digital economy and a nexus based patent box regime. The regime may prove to be a catalyst to progress from "make in India" to "innovate in India".

The FM reiterated that GAAR would be implemented with effect from 1 April 2017. The proposal to defer implementation of POEM as a test for corporate residency should be welcomed.

The Budget's accelerated structural reforms at the Centre, accompanied by the dynamism of competitive federalism could all combine to maintain the fundamental promise that is India. The sweet spot created by a strong political mandate but, recalibrated to take account of a weaker external environment, is still beckoningly there.

29 February 2016

EY

At a glance

Income-tax

- ▶ Income-tax rates for individuals remain unchanged.
- ▶ Surcharge has been increased from 12% to 15% on income-tax for income exceeding INR 10 million for individual, HUF, AOP, BOI or artificial judicial person.
- ▶ No requirement to furnish PAN by non- resident individuals and foreign companies in respect of certain incomes, subject to prescribed conditions.
- ▶ Deduction under section 80GG of the Income-tax Act on account of rent paid by an individual increased from INR 2,000 per month to INR 5,000 per month.
- ▶ Exemption on funds withdrawn from RPF/SAF in respect of contributions made on or after 1 April 2016 restricted to 40% of such contributions.
- ▶ Exemption limit of employer's contribution to RPF on behalf of employee is equal to 12% of employee's salary or INR 150,000, whichever is less.
- ▶ Exemption limit of employer's contribution to an approved SAF increased from INR 100,000 to INR 150,000.
- ▶ Transfer of balance from RPF/SAF to NPS exempt from tax.
- ▶ Up to 40% of the amount withdrawn from NPS upon closure of account or opting out of the scheme is exempt from tax.
- ▶ Rates of corporate tax remain unchanged for both domestic and foreign companies except the following:
 - ▶ Corporate tax rate of 25% for domestic companies, if set-up and registered after 1 March 2016 and does not claim any tax incentives.
 - ▶ Corporate tax rate of 29% for domestic companies if total turnover or gross receipts in the financial year 2014-15 does not exceed INR 50 million.

- ▶ Rate of surcharge & cess remains unchanged for domestic and foreign companies.
- ▶ Dividend income from domestic companies received by resident Individuals, HUFs and Firms in excess of INR 1 million taxable at the rate of 10%.
- ▶ Exemption from DDT proposed for dividends received by Business Trust provided it holds 100% of SPV's share capital excluding the share capital required to be mandatorily held by Government or Government bodies or as per its directions.
- ▶ MAT provisions will not be applicable to foreign companies having no PE in India or having no registration requirement under any other law in India. This amendment is proposed to be made effective retrospectively from assessment year 2001-02.
- ▶ With effect from 1 April 2016, units in IFSC eligible to following tax benefits:
 - ▶ Deduction under section 80LA to continue without a sunset clause.
 - ▶ Companies not liable to DDT.
 - ▶ MAT rate reduced to 9%.
- ▶ Royalty income earned by an Indian resident from a patent developed and registered in India shall be taxable on a gross basis at the rate of 10%.
- ▶ Withholding tax at 25% applicable on payment in respect of investment in a securitization trust (if the payee is individual or HUF) and withholding tax at 30% applicable on payment of in respect of investment in a securitization trust (if payee is any other person).
- ▶ Withholding tax applicable on payment in respect of investment in a securitization trust (if payee is a non-resident), at the rate in force.
- ▶ Beneficial withholding tax rate for non-resident investor on income from investment funds regulated by SEBI.
- ▶ Incremental withholding tax for non-resident not having PAN has been removed subject to prescribed conditions.
- ▶ Increase in threshold limit of taxes to be withheld at source on various payments under section 192A, 194BB, 194C, 194LA, 194D, 194G and 194H.

- ▶ Revision in rates of taxes to be withheld on various payments under section 194DA, 194EE, 194D, 194G and 194H.
- ▶ Tax is collected at source at 1% by seller on sale of motor vehicle having value more than INR 1 million, on sale of goods or services more than INR 200,000 in cash; no tax is collected at source where withholding tax is deducted by payer.
- ▶ Introduction of new equalization levy of 6% to address challenges of the “digital economy” on the amount of consideration received by non-resident for any specified services.
- ▶ Benefit of initial additional depreciation extended to business of transmission of power.
- ▶ Investment allowance in respect of investment in new plant and machinery rationalized.
- ▶ Deduction of 100% of profits and gains derived from the business of developing and building affordable housing projects approved by competent authority.
- ▶ Deduction for expenditure incurred on spectrum fee paid for acquisition of airwaves by assessee over a period of right to use.
- ▶ Phasing out of various profit linked deductions, accelerated depreciation on assets and weighted deductions over a period of time.
- ▶ Additional levy of tax where the charitable institution ceases to exist or merges / converts into non-charitable organization.
- ▶ Three year tax holiday proposed for eligible start-ups.
- ▶ Exemption from long term capital gains available when proceeds are invested in the Government’s Start-up Fund of Funds.
- ▶ Provisions governing place of effective management of a company deferred by one year.
- ▶ Exemption available to a foreign company in respect of income arising from sale of crude oil (stored in a facility in India) to an Indian resident.
- ▶ Income arising to a foreign company which is subject to Equalisation Levy, exempt from tax.

- ▶ Sunset clause introduced under section 10AA for SEZ units that commence operations on or after 1 April 2020.
- ▶ Rule 8D amended to limit disallowance (of expenditure incurred for earning exempt income) to 1% of the average monthly value of investments yielding exempt income or the actual expenditure, whichever is lower.
- ▶ GAAR provisions to be effective from 1 April 2017.
- ▶ A person earning exempt income from sale of long term capital asset (shares and units etc.) required to furnish return of income within due date if the income without giving effect to such exemption exceeds the maximum amount which is chargeable to tax.
- ▶ For the purpose of carry forward of loss of specified business, a person would now be required to file a return of income within due date.
- ▶ Any person who has filed a belated return can also file a revised return.
- ▶ A return filed without payment of self-assessment tax along with interest shall not be treated as a defective return.
- ▶ The scope of adjustments while processing the return of income under section 143(1) widened to include certain other items. Further, processing of return before passing the assessment order has been made mandatory.
- ▶ Time limit for completion of assessment or reassessment has been reduced by 3 months.
- ▶ Time lines for passing appeal effect order has been provided.
- ▶ Interest on refund will be allowed on self-assessment tax. Further, additional interest to be granted at the rate of 3% in case of delay beyond prescribed time limit.
- ▶ The Finance Minister in its budget speech announced that the tax department is issuing instruction making it mandatory for the assessing officer to grant stay of demand once the assessee pays 15% of the disputed demand, while the appeal is pending before Commissioner of Income-tax (Appeals). In case of deviation, assessing officer has to get orders of his superiors. The assessee also has an option to approach the superior officer where the assessee does not agree

with conditions of stay order passed by the subordinate officer.

- ▶ Introduction of time limit for disposing applications made for reduction/waiver of interest/penalty/ immunity from penalty proceedings.
- ▶ No penalty levied on non-furnishing of information in relation to indirect transfer and non-furnishing of report in respect of international group in case there is a reasonable cause.
- ▶ Introduction of new section to levy penalty in case of “under-reported and misreported income”.
- ▶ Immunity from penalty and prosecution proceedings in certain cases.
- ▶ To reduce litigation, it is proposed that no appeal can be filed by the Assessing Officer against the directions issued by the Dispute Resolution Panel.
- ▶ New scheme proposed to allow disclosing of undisclosed income up to financial year 2015-16 by paying tax, surcharge and penalty at a combined rate of 45% of undisclosed income. Scheme does not cover assessee against which proceedings are pending under the Income-tax Act and other legislations. The scheme also provides immunity from prosecution.
- ▶ To reduce backlog of pending cases, a scheme is proposed which covers two scenarios of tax disputes,
 - ▶ First, where the tax dispute is related to normal ‘tax arrears’ where an appeal is pending before Commissioner of Income Tax (Appeals). Where tax in dispute is less than INR 1 million, no penalty will be levied and where tax in dispute exceeds INR 1 million or appeal is against penalty order, 25% of penalty to be paid along with tax and interest up to the date of assessment.
 - ▶ Second, where the tax dispute is for ‘specified tax’ i.e. where liability arose due to retrospective tax amendments. The declarant under the scheme shall get immunity from imposition of penalty and interest upon payment of tax.
 - ▶ The scheme also provides immunity from prosecution.

Customs duty

- ▶ Median rate of BCD retained at 10%.
- ▶ Effective peak rate of customs duty remains at 29.44%.
- ▶ Limitation period in cases not involving fraud, extended from one year to two years.
- ▶ Interest rate payable on delayed payment of customs duty reduced from 18% to 15%.
- ▶ New Baggage Rules 2016 introduced with simplification of procedures and ease of monetary limits.
- ▶ Indirect Tax Dispute Resolution Scheme 2016 introduced to bring down litigations pending at Commissioner (Appeal) level.

Excise duty

- ▶ Median excise duty retained at 12.50%.
- ▶ Interest rate on delayed payment of duty reduced from 18% to 15%.
- ▶ BED increased on branded readymade garments with MRP of INR 1,000 or above, articles of jewellery, charger, battery of mobiles, set-top box, etc.
- ▶ Monthly excise returns can be revised before end of the month in which the original was submitted by the due date.
- ▶ Exemption extended to media with recorded information technology software on which MRP is not required to be declared where service tax is leviable.
- ▶ Exemption introduced to ready mix concrete manufactured at the site of construction.
- ▶ Indirect Tax Dispute Resolution Scheme 2016 introduced to bring down litigations pending at Commissioner (Appeal) level.

Service tax

- ▶ Service tax rate of 14% and Swach Bharat Cess of 0.5% retained.
- ▶ Krishi Kalyan cess at the rate of 0.5% on the value of service proposed to be levied with effect from 1 June 2016.
- ▶ Restoration of certain exemptions for infrastructure sector which were withdrawn with effect from 1 March 2015, subject to specified conditions.
- ▶ Rationalization of abatement rates and conditions thereof for avilment of CENVAT credit.
- ▶ Taxability of services provided by Government or local authorities or governmental authorities expanded.
- ▶ Assignment by Government of the right to use the radio frequency spectrum and subsequent transfer proposed to be a declared service.
- ▶ POTR to apply in case of new levy on services.
- ▶ Interest rates rationalized from 18% - 30% to uniform 15% in general cases and 24% in cases non-payment of collected tax.
- ▶ Normal period of limitation for issuance of the show cause notice has been proposed to be extended from 18 months to 30 months.
- ▶ Power to arrest proposed to be restricted only in cases involving non-payment of collected tax greater than INR 20 Million.
- ▶ Annual return has been introduced.
- ▶ Indirect Tax Dispute Resolution Scheme 2016 introduced to bring down litigations pending at Commissioner (Appeal) level.

CENVAT Credit

- ▶ Amendment in the definition of 'Capital Goods' and 'Inputs' to expand the ambit of CENVAT credit.
- ▶ Formula for reversal of CENVAT credit redrafted with the objective of simplifying and rationalizing the same.
- ▶ Distribution of CENVAT credit to an outsourced manufacturing unit is now permitted.
- ▶ CENVAT credit of service tax paid on upfront charges for assignment of natural resources to be allowed over a period of right to use.
- ▶ Concept of common warehouse for inputs introduced on lines of first stage dealer.

CST

- ▶ Co-mingled and fungible gas transported through a common carrier pipeline or any other transportation medium which moves from one state to another shall be deemed to be movement of goods from one state to another.

GST

- ▶ Finance minister has re-iterated his committed for passage of GST Constitutional Amendment Bill.

Key performance indicators

Even in trying and uncertain circumstances, India's growth story has largely remained positive, and the country has registered a steady pace of economic growth in 2015-16. Additionally, other macroeconomic parameters like inflation, fiscal deficit and current account balance have exhibited distinct signs of improvement. Wholesale price inflation has been negative for more than a year and the consumer price inflation has declined significantly over the last year. However, weak growth in advanced and emerging economies has taken its toll on India's exports growth.

The macroeconomic situation in India has improved during the current year with a rise in the growth rate from 7.2% in 2014-15 to 7.6% in 2015-16.

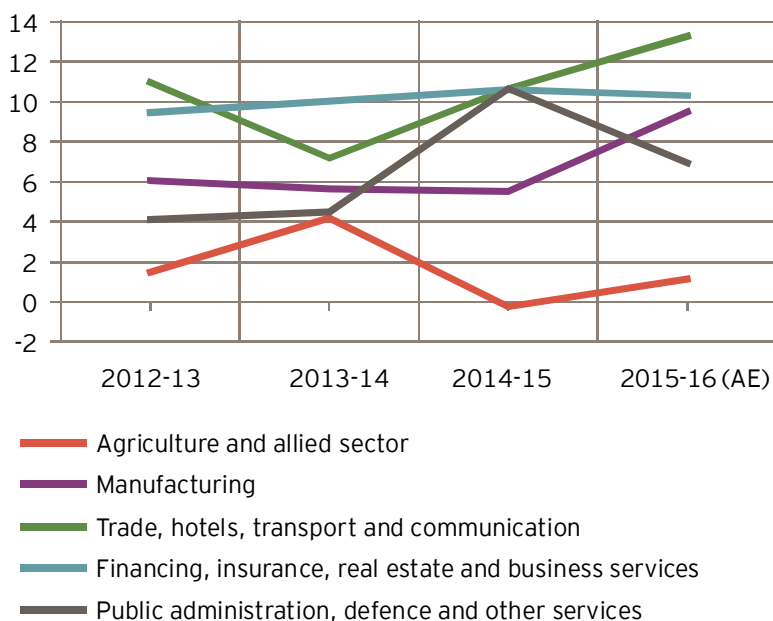
Agriculture and allied sector: The sector has experienced two consecutive years of low growth due to deficient monsoons.

Industrial, corporate and infrastructure performance: The industrial sector has continued to perform well in the wake of various reform measures undertaken by the government recently.

Services: The services sector has emerged as the most dynamic sector globally and remains the key driver of India's economic growth.

On account of slowdown in global growth, India's services exports witnessed subdued growth of 3.7% since second half of 2014-15, which decelerated further to 0.7% in the first half of 2015-16.

Growth in Gross Value Added (%)



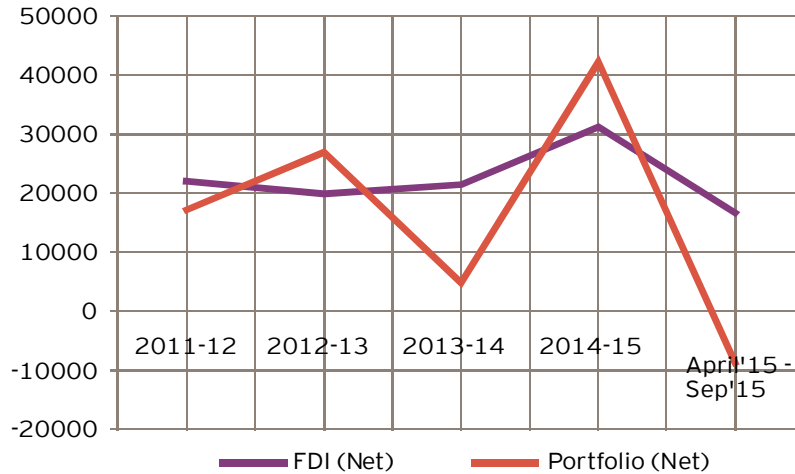
Given the fact that the government is committed to carrying the reform process forward, aided by the prevailing macroeconomic stability, it appears that conditions do exist for raising the economy's growth momentum beyond 8% in the next couple of years. Considering the uncertainties surrounding global growth and financial sector outlook, India's growth is unlikely to pick-up dramatically in 2016-17 from the levels achieved in 2015-16.

Some of the key economic indicators are summarized as follows:

- ▶ Headline wholesale price index (WPI) inflation has remained in the negative territory since November 2014 and was (-) 2.8% in 2015-16 (April-January) as compared to 2% in 2014-15.
- ▶ Foreign exchange reserves increased from USD 341.6 billion in 2014-2015 to USD 349.6 billion in 2015-16 (Jan 2016).
- ▶ The performance of Indian stock market has remained subdued due to volatility in global equity markets. The BSE index has declined by (-) 8.5% (up to 5 January 2016) over end-March 2015.
- ▶ During the current financial year (April-January 2015-16), India's exports declined y-o-y by (-) 17.6% as compared to a decline of (-) 1.3% in 2014-15. Imports have declined by (-) 15.5% in 2015-16 (April-January 2015-16).

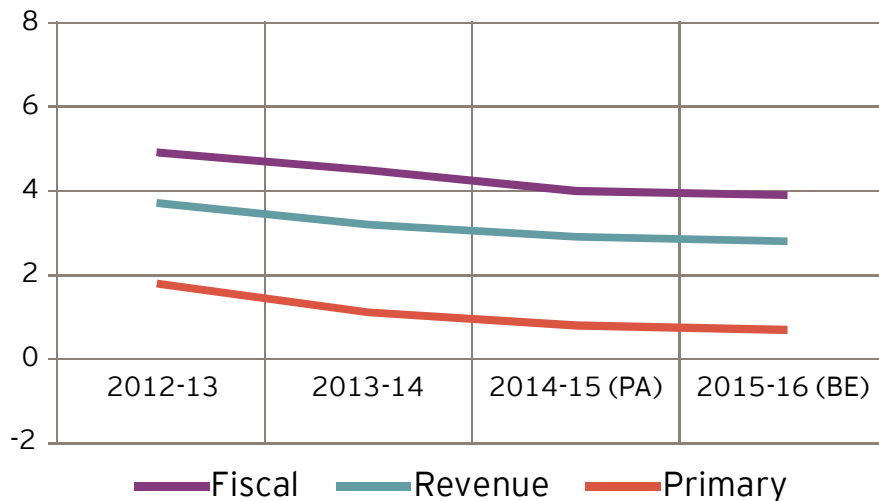
- ▶ Net Foreign Direct Investments have increased from USD 16,183 million in April-September 2014 to USD 16,652 million in April-September 2015. However, Foreign Portfolio Investments recorded a net outflow of USD 8,745 million in April-September 2015 compared to an inflow of USD 22,202 million during the same period in 2014.

Foreign investment flows by different categories



- ▶ Centre's Gross Fiscal Deficit was targeted at 3.9% of GDP for 2015-16(BE) lower than 4.0% of GDP achieved during 2014-15(PA).

Fiscal, revenue and primary deficit (% of GDP)



- ▶ Current account deficit has narrowed from USD 10.9 billion (2.2% of GDP) in April-September 2014 to USD 8.2 billion (1.6% of GDP) during the same period in 2015.
- ▶ In 2015-16 (April-December), resource mobilization through the public and right issues has surged rapidly as compared to the last financial year. During 2015-16 (April-December), 71 companies accessed the capital

market and raised INR 513,110 million, compared to INR 115,810 million raised through 61 issues during the corresponding period of 2014-15.

Challenges and outlook of the Economic Survey 2015-16

The key challenges and outlook of different sectors and key recommended policy initiatives as per the Economic Survey 2015-16 are outlined as follows:

- ▶ **Agriculture:** During the last three years, the growth in agricultural sector has been very volatile due to two consecutive drought years in 2013-14 and 2014-15 and issues related to expansion in irrigation and its efficiency.
- ▶ **Industry:** Many policy measures taken by the government for creating enabling environment for industrial growth have started showing its impact on increased FDI inflows and better performance of infrastructure sector. Industrial sector is expected to be the key driver of economic growth in the country aided by some key initiatives like Make in India, Ease of Doing Business, Start Up India, Digital India, and Smart Cities.
- ▶ **Services:** The services sector has remained the most dynamic sector in terms of contribution to national and state incomes, trade flows, FDI inflows and employment. However, the global slowdown has cast a shadow even on this promising sector. A targeted policy of removing bottlenecks in major and potential services can result in large dividends in the form of higher services growth and services exports.
- ▶ **Energy, infrastructure and communication:** 2015-16 has been a year where the government has reoriented its spending towards much needed public infrastructure with the objective of not only making up for the deficiency of private investment but also crowding it back in.
- ▶ **Finance:** Budget 2015-16 envisioned to achieve a delicate balance between supporting growth, accommodating resource transfer to states as recommended by the Fourteenth Finance Commission and ensuring fiscal consolidation. Despite a lower than expected nominal GDP growth, the fiscal deficit target of 3.9% of GDP for 2015-16 seems achievable given buoyant revenue receipts (on account of robust indirect tax collections), lower expenditure on subsidies and containment of revenue expenditure.

- ▶ **Taxes:** The budgeted growth of 15.8% in gross tax revenue for 2015-16 was anticipated to be driven by a strong growth in indirect taxes (19.5%) and direct taxes (13.1%). The overall gross tax revenue target is likely to be achieved mostly on account of measures taken by the government to enhance revenue by raising excise duty on petroleum products in the wake of falling crude prices.
- ▶ **FDI policy reforms:** The government is playing a proactive role in investment promotion through a liberal FDI policy. A number of sectors have been liberalized, including defence, construction, broadcasting, civil aviation, plantation, trading, private sector banking, satellite establishment and operation and credit information companies.
- ▶ **External trade:** While exports may continue to slow down for a while, continuance of low global commodity prices augurs well for sustaining low trade and current account deficits. CAD is likely to be in the range of 1%-1.5% of GDP in 2015-16.
- ▶ **Free Trade Agreements (FTA's):** Since the mid-2000s, India's FTA's have doubled to about 42 today which has led to increased imports and exports.
- ▶ **Inflation:** It is expected that CPI inflation will ease to between 4.5%-5% in 2016-17.
- ▶ **India's labour market:** There are several key developments taking place in India's labour markets. First, the increasing use of contract labour supplied by specialised staffing companies, which allows large firms to grow, raising aggregate productivity. Second, the dynamics of competitive federalism is at work, with states competing to attract employment-intensive, high-quality companies. The third trend involves labour-intensive manufacturing, like apparel firms, relocating to smaller cities creating "suitable" jobs for women.

The centre could complement these developments and boost formal sector job growth by expanding employees' choice regarding their employment benefits.
- ▶ **Renewable energy:** India has set itself an ambitious target of achieving 40% cumulative electric capacity from non-fossil fuel-based energy resources by 2030.

- ▶ **Banking Sector:** The performance of Scheduled Commercial Banks (SCB) during the current financial year remained subdued.
- ▶ **JAM Trinity Solution:** The Jan Dhan Yojana, Aadhaar, Mobile (JAM) trinity has tremendous potential as seen in its implementation for LPG subsidies. The main constraint on JAM's spread is the last-mile challenge of getting money from banks into people's hands, especially in rural areas. The government should improve financial inclusion by developing banking correspondent and mobile money networks, while in the interim consider models like BAPU–Biometrically Authenticated Physical Uptake. At present, the most promising target for JAM is fertiliser subsidies.

Note: All data and figures are as per the Economic Survey 2014-15

AE: Advance estimates

BE: Budget estimates

CAD: Current account deficit

PMI: Purchasing Managers' Index

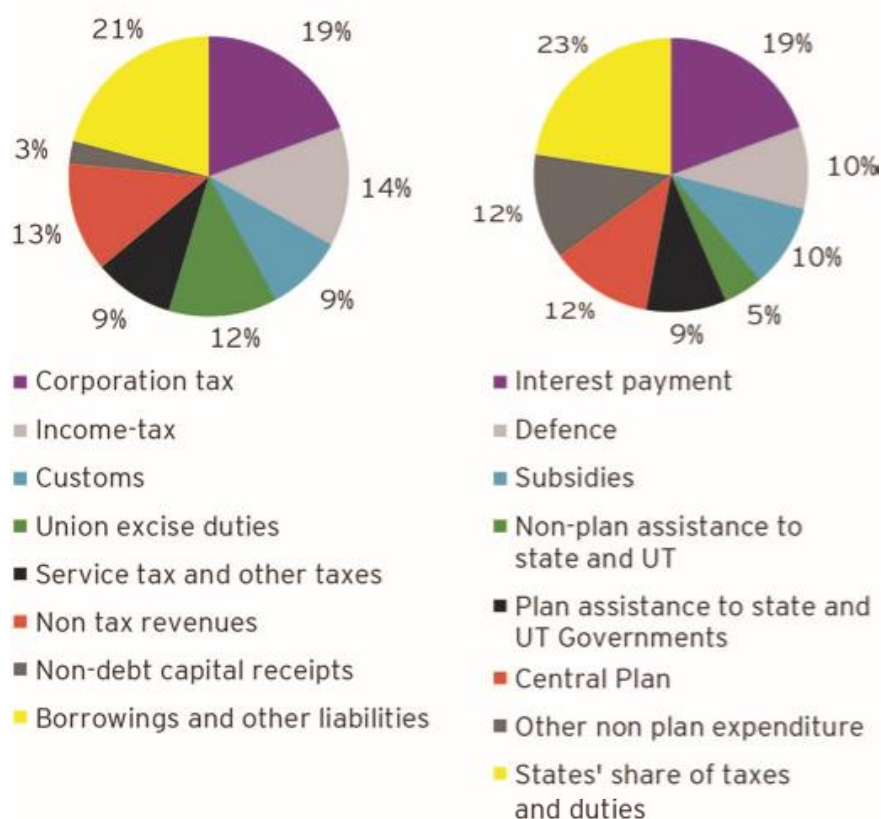
PA: Provisional actuals

P: Provisional

RE: Revised estimates

Budget financials

Where the rupee comes from Where the rupee goes to



- ▶ The annual financial statements of the Government for 2015-16 are set to reflect a fiscal deficit of 3.9% of GDP - same as the budget estimate. The target fiscal deficit for 2016-17 is 3.5%. Revenue deficit for 2016-17 is estimated at 2.3% as against the revised estimate of 2.5% for 2015-16.
- ▶ Net market borrowings (adjusted for repurchases/switches in 2016-17) of INR 4,418.29 billion have been budgeted to finance 82.8% of gross fiscal deficit. The net market borrowing projection shows a decrease of 6.1% over the previous year.
- ▶ As per the revised estimates, the interest outgo as a percentage of the revenue receipts has declined from 39.95% in 2014-15 to 36.69% in 2015-16. It is estimated to decline further to 35.78% in 2016-17.
- ▶ As per the Union Budget 2016-17:
 - ▶ Gross tax revenues estimated at INR 16,308.88 billion, representing an increase of approximately

11.7% over the revised estimates of INR 14,596.11 billion for 2015-16.

- ▶ Non-tax revenue is estimated at INR 3,229.21 billion, representing an increase of 24.9% over revised estimates of INR 2,585.76 billion for 2015-16.
- ▶ Capital receipts are estimated at INR 5,878.5 billion against revised estimate of INR 6,013.9 billion for 2015-16, showing a decrease of (-) 2.3%.
- ▶ Plan expenditure is estimated at INR 5,500.1 billion in 2016-17, representing an increase of approximately 15.3% over the revised estimates of INR 4,771.97 billion for 2015-16. As a proportion of the total expenditure, plan expenditure is estimated to increase to 27.81% (from 26.73% in 2015-16). Non-plan expenditure is estimated to increase to INR 14,280.3 billion (growth of 9.16% over RE 2015-16) representing 72.19% of total expenditure in 2016-17.

Budget proposals

This section summarizes significant proposals and direct and indirect taxes and policy initiatives announced in the Union Budget 2016. Most direct tax proposals in the Finance Bill are effective from the financial year commencing on 1 April 2016, unless otherwise specified. Indirect tax proposals are effective, as specified, in the relevant amendments. Further, policy initiatives are expected to be implemented by the Government through the legislative announcements over the ensuing months.

The Finance Bill is discussed in the Parliament before enactment, and is subject to amendment resulting from these discussions.

Direct tax

Income-tax

Rates of tax

Personal tax rates

- ▶ Income-tax rates for individuals remain unchanged.
- ▶ Surcharge has been increased from 12% to 15% on income-tax for income exceeding INR 10 million.
- ▶ Rebate applicable for a resident individual having total income less than INR 500,000 has been increased from INR 2,000 to INR 5,000 (Section 87A).
- ▶ Currently, dividend income is exempt in the hands of the shareholder on which dividend distribution tax is paid by the company. Now, any income earned by an individual, Hindu Undivided Family or a firm who is resident in India, by way of dividend declared, distributed or paid by a domestic company in excess of INR 1 million shall be chargeable to tax at the rate of 10% on gross basis.

House property income

Deduction of interest on housing loan

- ▶ Currently, deduction of interest on housing loan of INR 200,000 is available where the house property is treated as a self-occupied and it has been acquired or constructed with capital borrowed on or after the 1 April 1999 and such acquisition or construction is completed within three years from the end of the financial year in which capital was borrowed. The condition of three years is now amended to five years.

Taxability of recovery of unrealised/arrears of rent

- ▶ Amount of arrears of rent received or the amount of unrealised rent realised subsequently by an assessee shall be charged to income-tax in the financial year in which such rent is received or realised, whether the assessee is the owner of the property or not in that financial year.
- ▶ A sum equal to 30% of the arrears of rent or the unrealized rent shall be allowed as a deduction.

Deductions

Deduction under section 80GG of the Income-tax Act on account of rent paid by an individual increased

- ▶ The maximum limit of deduction under section 80GG of the Income-tax Act in respect of rent paid by an individual if he is not paid house rent allowance by his employer has been increased from INR 2,000 per month to INR 5,000 per month.

Additional deduction of housing loan interest

- ▶ The existing provisions of Section 80EE of the Income-tax Act has been amended to incentivize first-home buyers availing home loans by providing additional deduction in respect of interest on loan taken for residential house property from any financial institution up to INR 50,000. The deduction shall be available for the financial year 2016-17 and subsequent years. The said deduction shall be allowed subject to the following conditions:
- ▶ The loan is sanctioned by the financial institution during the period from 1 April 2016 to 31 March 2017.

- ▶ The amount of loan sanctioned for acquisition of the residential house property does not exceed INR 3.5 million.
- ▶ The value of residential house property does not exceed INR 5 million.
- ▶ The assessee does not own any residential house property on the date of sanction of loan.
- ▶ The said deduction cannot be claimed under any other provision of the Income-tax Act.

National Pension System

- ▶ Currently, amount withdrawn from NPS on closure of account or opting out is taxable.
- ▶ Now, such amount withdrawn to the extent of 40% will be exempt from tax.
- ▶ Further, the entire amount received by the nominee on death of the assessee will be exempt from tax.

Provident Fund and Superannuation Fund

- ▶ Currently, the accumulated balance withdrawn by an employee from RPF/SAF is exempt from tax subject to certain conditions. Now, withdrawal of accumulated balance from RPF/SAF attributable to contributions made on or after 1 April 2016 by an employee would be exempt in the hands of the employee up to 40% of such accumulated balance.
- ▶ Further, any fund transferred from RPF/SAF to NPS will be exempt from tax.
- ▶ Currently, contribution made by the employer to RPF up to 12% of employee's salary is exempt in the hands of the employee. Now, contribution made by the employer to RPF in excess of 12% of employee's salary or in excess of INR 150,000, whichever is less would be liable to tax in the hands of the employee.
- ▶ Currently, contribution made by the employer to SAF in excess of INR 100,000 is taxable in the hands of the employee. Now, the exemption limit has been increased from INR 100,000 to INR 150,000.

Corporate tax rates

- ▶ Rates of corporate tax remain unchanged for both domestic & foreign companies except:
 - ▶ Corporate tax rate of 29% for domestic companies if total turnover or gross receipts in the financial year 2014-15 does not exceed INR 50 million
 - ▶ Corporate tax rate of 25% for domestic companies, if set-up and registered after 1 March 2016 and does not claim any tax incentives
- ▶ Education cess will continue to be levied at the rate of 3% on the amount of tax computed, inclusive of surcharge, in all cases.
- ▶ The corporate tax rates (including surcharge and education cess) have been summarized below:

Description	Rate (%)
A) Domestic company	
Regular tax by companies having turnover > INR 50 million	34.608 [®]
Regular tax by companies having turnover <= INR 50 million	33.454 [®]
Regular tax by newly set up manufacturing company (optional)	28.84 [®]
MAT (Regular)	21.34 [*]
MAT (In case of IFSC)	10.382 [*]
DDT	20.358 ^{**}
Buy Back Tax	23.072
B) Foreign company	
Regular tax	43.26 [#]

- ▶ MAT is chargeable at 18.5% of book profits (plus applicable surcharge and cess). However, reduced MAT at the rate 9% for company being a unit of international

financial services centre located in a SEZ deriving income in foreign exchange

@ 33.063%/ 31.96%/ 27.55% where the total income is more than INR 10 million and up to INR 100 million.

@ 30.9%/ 29.87%/ 25.75% where the total income is equal to or less than INR 10 million.

* 20.389%/ 9.92% where the total income is more than INR 10 million and up to INR 100 million.

* 19.055%/ 9.27% where the total income is equal to or less than INR 10 million.

*No MAT on foreign companies having no PE in India or having no registration requirement under any other law in India

**No DDT while distributing income to REITs or Business trust registered with SEBI by SPV

**No DDT on the companies being unit located in international financial services Centre in a SEZ

42.024% where the total income is more than INR 10 million and up to INR 100 million

41.2% where the total income is equal to or less than INR 10 million

Determination of residential status in case of companies

- ▶ The concept of deeming a foreign company to be a resident in India if its place of effective management in that year is in India was introduced in the Budget 2015 with effect from 1 April 2016. To provide clarity with respect to implementation of place of effective management based rule of residence for a foreign company that has not been assessed to tax in India as well a transitional mechanism for such companies, it is proposed to defer the effective date of implementing this provision to 1 April 2017.

Fund managers' presence in India not to constitute business connection of offshore funds

- ▶ To facilitate location of fund managers of off-shore funds in India, section 9A was introduced in Finance Act 2015. The section provides any fund management activity carried out in India through an 'eligible fund manager'

acting on behalf of an 'eligible investment fund' should not constitute business connection in India of the said fund and such fund shall also not be regarded as a resident in India.

- ▶ With a view to rationalizing the regime and to address the concerns of the industry, it is now proposed to modify the conditions for qualifying as an 'eligible investment fund' to include not only those entities that are tax resident in a country with which India has a DTAA but also those established or incorporated or registered in a country or specified territory notified by the Central Government. Further, it is proposed that the earlier condition of the fund not carrying on or controlling or managing, directly or indirectly, any business in India or from India, is now restricted only to any business in India.

This amendment will be effective from 1 April 2017.

International Finance Services Centre

- ▶ With a view to promoting international financial services centres in India, the following tax benefits will be extended to units operating in such centres deriving income solely in foreign currency:
 - ▶ Where applicable, MAT to be levied at the rate of 9% (instead of 18.5%).
 - ▶ No DDT to be levied on the amount declared, distributed or paid, by way of dividends out of its current income.
- ▶ Additionally, following benefits to be extended to transactions executed on a recognised stock exchange located in such centres where the consideration is in foreign currency:
 - ▶ Long-term capital gains arising from transfer of equity shares or units of equity oriented fund or unit of a business trust to be exempt from tax.
 - ▶ No STT or CTT shall be liable on such transactions (effective 1 June 2016).
- ▶ All of the above amendments (except where specifically mentioned) will be effective from 1 April 2017.

Business income

Taxation of non-compete fee

- ▶ Currently, non-compete fee received/ receivable by an assessee for not carrying out any activity in relation to any business is taxed as 'business income'. However, non-compete fee received/ receivable in relation to any profession is not covered.
- ▶ Now, the non-compete received/ receivable by an assessee in relation to any profession will also be taxed as business income.
- ▶ Further, the receipts for transfer of right to carry on any profession, which are chargeable to tax as capital gains will not be taxed as business income and in computing such capital gains, the cost of acquisition and cost of improvement will be taken as Nil.

Concessional taxation regime for income from Patents for residents

- ▶ To provide an additional incentive for companies to retain and commercialize existing patents and to develop new innovative patented products, a concessional tax rate of 10% (plus applicable surcharge and cess) on royalty income of an eligible assessee from patents developed and registered in India is introduced. Further, no MAT will be applicable on such income.
- ▶ Eligible assessee is *inter-alia*, defined as the person resident in India who is true and first inventor of the invention and whose name is entered on patent register as the patentee under Patents Act, 1970.

Extension of initial additional depreciation for assessee engaged in business of transmission of power

- ▶ Presently, initial additional depreciation of 20% is allowed on cost of new plant or machinery acquired and installed by assessee engaged in the business of generation and distribution of power, over and above the general depreciation allowance.
- ▶ Now, in order to rationalize the incentives for power sector, the benefit of initial additional depreciation is extended to the assessee engaged in the business of transmission of power from assessment year 2017-18.

Rationalization of scope of investment allowance for investments in new plant or machinery

- ▶ Presently, investment allowance at the rate of 15% is allowed to a company on any new plant or machinery acquired and installed during the period from 1 April 2014 to 31 March 2017 for an amount exceeding INR 250 million.
- ▶ The allowance is subject to the condition that acquisition and installation of the plant or machinery is to be done in the same previous year.
- ▶ The dual condition of acquisition and installation in the same previous year is causing hardship to the assessee and is relaxed.
- ▶ Now, investment allowance will be allowed even if new plant or machinery is acquired and installed in different previous years provided installation happens before 31 March 2017. In such case, the investment allowance will be allowed in the year of installation.
- ▶ The amendment will be applicable retrospectively from assessment year 2016-17.

Amount paid to Railways allowable on actual payment basis

- ▶ Any expenditure in respect of amount payable to Indian Railways for use of railway assets will now be allowable on actual payment basis.

Deductions

Deduction for developing and building affordable housing projects

Profits and gains derived by an undertaking from the business of developing and building affordable housing projects will be eligible for 100% deduction under the head 'income from business and profession from assessment year 2017-18. It will be subject to certain conditions which *inter alia*, include:-

- ▶ Housing project is approved by the competent authority between 1 June 2016 and 31 March 2019.
- ▶ The project is completed within a period of three years from the date of approval.

- ▶ The built-up area for commercial establishments do not exceed 3% of the aggregate built-up area.
- ▶ The project is on a plot of land measuring not less than 1,000 square meters in case of metro cities and 2,000 square meters in case of other cities.
- ▶ The size of the residential unit is not more than 30 square meters in case of metro cities and 60 square meters for other cities.
- ▶ However, such undertakings will be subject to MAT.

Incentive for employment generation

- ▶ Presently, an assessee engaged in manufacture of goods in a factory is allowed deduction of 30% of additional wages paid to new regular workmen for three years.
- ▶ Deduction is now made available to all assessees engaged in business and subject to tax audit.
- ▶ Deduction will be allowed in respect of cost incurred on any employee whose total emoluments are less than or equal to INR 25,000 per month. It will not cover employees, for whom the entire contribution under Employees' Pension Scheme and Miscellaneous Provisions Act, 1952, is paid by the Government.
- ▶ For the availing the deduction, the employees in employment of the assessee for minimum 240 days will be considered.
- ▶ Also, the condition of 10% increase in number of employees will be removed and thus, any increase in the number of employees will be eligible for deduction.

Deduction for expenditure incurred for acquiring right to use spectrum for telecommunication services

- ▶ Deduction will be allowed in respect of spectrum fees paid for auction of airwaves.
- ▶ Any expenditure incurred, being in nature of capital expenditure, on acquisition of any right to use spectrum for telecommunication services will be allowed as a deduction in equal instalments over the period the rights remain in force.
- ▶ In case of transfer of the spectrum, where the proceeds of transfer is less than expenditure remaining unallowed, such difference will be allowed as a deduction in the year

of transfer. However, where the proceeds for transfer exceeds the expenditure remaining unallowed, such excess will be taxed as business income in the year of transfer.

Phasing out of deductions

Profit linked deduction for SEZ units

- ▶ Profit linked deduction is available for units set up in an SEZ on profit and gains derived from export of articles or things or services from 1 April 2006 onwards.
- ▶ No deduction will be available to such units commencing manufacture or production of article or thing or providing services on or after 1 April 2021.

Profit linked deduction for infrastructure facility, SEZ development and production of mineral oil and natural gas

- ▶ Profit linked deduction is allowed for specified period on following eligible businesses carried on by industrial undertakings or enterprises:
 - ▶ Development, operation and maintenance of an infrastructure facility
 - ▶ Development of special economic zone
 - ▶ Production of mineral oil and natural gas
- ▶ A terminal date of 31 March 2017, for commencing the specified activity is inserted. Accordingly, no deduction will be allowed to eligible businesses which commence its activities on or after 1 April 2017.

Deduction for expenditure incurred on eligible projects or schemes

- ▶ Currently, deduction is allowed for expenditure incurred by way of payment to a public sector company or a local authority or to an approved association or institution etc. on eligible social development project or scheme.
- ▶ Now, no deduction will be allowed on expenditure incurred for eligible project or scheme on or after 1 April 2017.

Deduction for expenditure on skill development project

- ▶ Currently, weighted deduction of 150% is allowed on any expenditure incurred (not being expenditure in the nature of cost of any land or building) on any notified skill development project by a company.
- ▶ The weighted deduction of 150% will be reduced to 100% from 1 April 2020.

Phase out of accelerated depreciation

- ▶ Currently, accelerated depreciation ranging mostly between 80- 100% is available for certain block of assets such as, renewable energy devices, air pollution control equipment, energy saving devices. Now, the highest rate of depreciation will be restricted to 40% for such block of assets from 1 April 2017.
- ▶ Further, such rate will be applicable to old as well as new assets falling in relevant block of assets.

Changes in weighted deduction

Expenditure on scientific research under section 35(1)(ii)

- ▶ Weighted deduction for any sum paid to an approved scientific research association which has the object of undertaking scientific research and also of amount paid to approved university, college or other institution to be used for scientific research will be reduced from 175% to 150% from 1 April 2017 to 31 March 2020 and 100% from 1 April 2020.

Expenditure on scientific research under section 35(1)(ia)

- ▶ Weighted deduction for any sum paid as contribution to an approved scientific research company will now be reduced from 125% to 100% from 1 April 2017.

Expenditure on scientific research under section 35(1)(iii)

- ▶ Weighted deduction from business income for any sum contributed to an approved research association or university or college or other institution to be used for research in social science or statistical research as contribution to an approved scientific research company will now be reduced from 125% to 100% from 1 April 2017.

Expenditure on scientific research under section 35(2AA)

- ▶ Weighted deduction for any sum paid to a National Laboratory or a university or an Indian Institute of Technology or a specified person for the purpose of approved scientific research programme will now be reduced from 200% to 150% from 1 April 2017 to 31 March 2020 and 100% from 1 April 2020.

Expenditure on in-house research and development facility

- ▶ Presently, weighted deduction of 200% is allowed for companies engaged in the business of biotechnology or manufacturing or production of an article or thing, for expenditure (not being capital in nature) incurred on scientific research carried out in an approved in-house research and development facility.
- ▶ Now, the deduction will be reduced from 200% to 150% from 1 April 2017 to 31 March 2020 and to 100% from 1 April 2020.

Deduction in respect of specified business

- ▶ Weighted deduction on the capital expenditure (other than expenditure on land, goodwill and financial assets) incurred in case of a cold chain facility, warehousing facility for storage of agricultural produce, an affordable housing project, production of fertilizer and hospital will now be reduced from 150% to 100% from 1 April 2017.

Deduction of expenditure on notified agricultural extension project

- ▶ Weighted deduction of the expenditure incurred on notified agricultural extension project will now be reduced 150% to 100% from 1 April 2017.

Levy of tax where the charitable institution ceases to exist or converts into non-charitable organization

- ▶ A new chapter is introduced for levy of additional income tax on charitable trust or institution on:
 - ▶ Its conversion into non-charitable form; or
 - ▶ Its merger with any non-charitable form; or
 - ▶ Transfer of its assets on dissolution to a non-charitable organisation.

- ▶ The accreted income of such trust or institution will be taxable at maximum marginal rate in the event any of the above is undertaken.
- ▶ Accreted income is defined to mean the amount by which the aggregate fair market value of the total assets of the trust exceeds its total liability on a specified date. The method of valuation to be prescribed.
- ▶ Further, any assets and liabilities which are transferred to another charitable organisation within specified time will be excluded while calculating accreted income.

This chapter will take effect from 1 June 2016.

Deduction for NBFCs in relation to provision for bad and doubtful debts

- ▶ Currently, banks, public financial institutions, state financial corporations and state industrial investment corporations are allowed a specific deduction in respect of provision for bad and doubtful debts.
- ▶ Since NBFCs are also engaged in financial lending to different sectors of society, a deduction of 5% of the total income to be extended to NBFCs, with respect to bad and doubtful debts.

This amendment will be effective from 1 April 2017.

STT

- ▶ The rate of STT on sale of an option in securities (where an option is not exercised) to be increased from 0.017% to 0.05% of the option premium.
- ▶ Further, it is proposed to exempt transactions effected by any person on behalf of New Pension System Trust from STT.
- ▶ These amendments will be effective from 1 June 2016.

Sovereign Gold Bond Scheme, 2015

- ▶ Gains on redemption arising to an individual from a Sovereign Gold Bond issued under the Sovereign Gold Bond Scheme, 2015 to be exempt from tax.
- ▶ Indexation benefits shall be available on long-term capital gains arising on transfer of Sovereign Gold Bond issued under the aforesaid Scheme to all assessee.

- ▶ These amendments will be effective from 1 April 2017.

Gold Monetization Scheme, 2015

- ▶ The definition of 'capital assets' has been amended to exclude deposit certificates issued under Gold Monetization Scheme, 2015. Accordingly, any gains arising on transfer of such deposit certificates to be exempt from tax.
- ▶ Interest from deposit certificates issued under Gold Monetization Scheme, 2015 to be exempt from tax.
- ▶ These amendments will take effect retrospectively from 1 April 2016.

MAT

Applicability of MAT on foreign company:

- ▶ Provision of MAT not to apply to a foreign company if-
 - ▶ It is a resident of a country with which India has a DTAA and does not have a PE in India; or
 - ▶ It is a resident of a country with which India does not have a DTAA and the foreign company is not required to register under any law applicable to companies.

Amendment to be applied retrospectively from assessment year 2001-02

Withholding tax

- ▶ New section 194LBC inserted for tax to be withheld for income payable to an investor in relation to investment in securitization trust at the rate of:
 - ▶ 25%, if the investor is an individual or a Hindu undivided family;
 - ▶ 30%, if the investor is any other resident person;
 - ▶ rates in force, if the investor is a non-resident.
- ▶ Amendment in section 206AA so as to provide that the provisions shall not apply to non-residents in respect to any other payments, other than interest on bonds, subject to such conditions as may be prescribed.

- The existing threshold limit for the deduction of tax at source shall be amended as under:

Present Section	Heads	Existing Threshold Limit	Proposed Threshold Limit
194BB	Winnings from Horse Race	5,000	10,000
194C	Payments to Contractors	Aggregate annual limit of 75,000	Aggregate annual limit of 100,000
194LA	Payment of Compensation on acquisitions of certain immovable property	2,00,000	2,50,000
194D	Insurance Commission	20,000	15,000
194G	Commission of sale of lottery tickets	1,000	15,000
194H	Commission or brokerage	5,000	15,000

- The existing threshold limit for the deduction of tax at source have been proposed to be amended as under:

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

The following provisions have been omitted:

Present Section	Heads
194K	Income in respect of Units
194L	Payment for acquisition of Capital Asset

These amendments will take effect from 1 June, 2016.

- ▶ Currently, tax is to be withheld at the rate of 10% under section 192A of the Income- tax Act by the trustees of Employee's Provident Fund Scheme, 1952 or any other person authorized to make the payment of accumulated balance due to the employee which is includible in his total income, at the time of payment accumulated balance if the said balance of a RPF is greater than or equal INR 30,000.
- ▶ Now, the limit is increased from INR 30,000 to INR 50,000. This amendment will be effective from 1 June 2016.

Tax collected at source

- ▶ Amendment in section 206C to include the following transactions:
 - ▶ The Seller shall collect tax at source at the rate 1% from purchaser on sale of motor vehicle of value exceeding INR 1 million.
 - ▶ TCS should also be collected in case of sale of goods in cash (other than bullion and jewelry) and in case of services of value exceeding INR 200,000 provided no tax has been withheld at source by buyer.

Equalization levy

- ▶ The equalization levy to be 6% of amount received by a non-resident for specified services provided to a resident in India or a non-resident having a permanent establishment in India
- ▶ "Specified services" to cover online advertisements, provision for digital advertising space or any other facility or service for the purpose of online advertisements or any other notified services.
- ▶ Equalisation levy to be deducted by the payer from the amount paid/ payable to the non-resident service provider; except where the aggregate consideration for the specified service is less than INR 100,000

- ▶ Separate provisions prescribed to deal with furnishing of statements by service recipients and verification/ assessment of such statements

Rationalization of tax deduction at source provisions relating to payments by AIFs to investors

- ▶ Presently, Category-I and II AIFs are required to deduct tax at source at the rate of 10% at the time of credit or payment of any income (other than business income) to investors.
- ▶ It is proposed to amend the provisions of section 194LBB of the Income-tax Act to provide for the following rates for deduction of tax at source -
 - ▶ 10% where the payee is resident;
 - ▶ Rates in force (rate under the Income-tax Act or rate under the applicable DTAA, whichever is beneficial), where the payee is a non-resident or a foreign company.
- ▶ The facility for the investors to obtain certificate for deduction of tax at a lower/ NIL rate would be available.

These amendments will be effective from 1 June 2016.

New taxation regime for securitization trusts and its investors

- ▶ Presently, income distributed by securitization trusts to its investors is subject to an additional levy of tax to be paid by the securitization trust on the distribution of income.
- ▶ Further, the current tax regime applicable to securitization trust does not apply to trusts set up under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
- ▶ In order to rationalize the tax regime for securitization trusts and its investors, it is proposed to amend the provisions and include a new special regime as under:
 - ▶ The new regime shall apply to securitization trust being an SPV defined under SEBI (Public Offer and Listing of Securitized Debt Instrument) Regulations, 2008 or as defined in the guidelines on securitization of standard assets issued by RBI or being setup by a securitization company or a reconstruction company

in accordance with the SARFAESI Act or in pursuance of any guidelines or directions issued for the said purposes by the RBI

- ▶ The income of securitization trust shall continue to be exempt but would be taxable in the hands of investors in same manner as if it were the income accruing or arising to or received by such investor had the investments by the securitization trust been made directly by the investor
- ▶ The securitization trust shall deduct tax at source at the following rates -
 - ▶ 25% in case of payment to individuals and HUFs,
 - ▶ 30% in case of others;
 - ▶ Rates in force (rate under the Income-tax Act or rate under the applicable DTAA, whichever is beneficial), in case of payments to non-resident investors
- ▶ The facility for the investors to obtain certificate for deduction of tax at a lower/ NIL rate would be available.

These amendments will be effective from 1 June 2016.

Exempt Income

- ▶ Exemption shall be available to a foreign company in respect of income arising from sale of crude oil stored in a facility in India, where such sale is made to an Indian resident.
- ▶ No income shall be deemed to accrue or arise in India to a foreign company from activities limited to display of uncut and un-assorted diamond in any Special Zone notified by the Central Government. This amendment will take effect retrospectively from 1 April 2016.
- ▶ Rule 8D (prescribing the formula for disallowance of expenditure incurred in relation to earning an exempt income) shall be amended to limit the disallowance to 1% of the average monthly value of investments yielding exempt income or the actual expenditure, whichever is lower.

Retrospective amendment dispute resolution

- ▶ The Direct Tax Dispute Resolution Scheme, 2016 shall be introduced with effect from 1 June 2016 to cover disputes arising from retrospective amendments to the Income Tax (including indirect transfer provisions) and Wealth Tax legislations. The salient features of the proposed Direct Tax Dispute Resolution Scheme are as follows:
 - ▶ The Direct Tax Dispute Resolution Scheme shall cover tax, interest and penalty.
 - ▶ The tax payers intending to opt for Direct Tax Dispute Resolution Scheme shall be required to pay only disputed tax at the applicable rate. Interest and penalty shall be waived in such cases.
 - ▶ A declaration shall be required to be furnished by the tax payer opting under the Direct Tax Dispute Resolution Scheme to the designated authority in the prescribed form.
 - ▶ In addition, such tax payer shall be required to withdraw any appeal or writ petition filed against such dispute before any appellate authority. Further, any proceeding for arbitration, conciliation or mediation initiated by such tax payer would need to be withdrawn.
 - ▶ The designated authority shall issue a certificate determining the amount payable by the tax payer within 60 days of receipt of declaration from such tax payer and the tax payer shall be required to pay such tax within 30 days of the date of receipt of such certificate.
 - ▶ Exceeds the amount of INR 100 million; and
 - ▶ Represents at least 50% of the value of all assets owned by the company.

GAAR

- ▶ GAAR provisions shall be implemented from 1 April 2017.

Capital gains

Rupee Denominated Bonds

- ▶ The RBI has recently permitted Indian corporates to issue RDBs outside India as a measure to enable them to raise funds from outside India.
- ▶ It is proposed to provide that gains, arising in case of appreciation of rupee between date of issue and redemption of RDBs shall be exempt from capital gains tax.

This amendment will be effective from 1 April 2016.

Clarification on concessional rate of capital gains tax

- ▶ Presently, there is an ambiguity regarding applicability of concessional rate of 10% on sale of shares of a private company by a non-resident.
- ▶ To clarify the position, it is proposed to amend provisions so as to provide that long-term capital gains arising from transfer of a capital asset, being shares of a private company, shall be chargeable to tax at rate of 10%.

This amendment will be effective from 1 April 2016.

Rationalization of provisions for determination of full value of consideration on transfer of immovable property

- ▶ Existing provision (section 50C) does not provide any relief where seller has entered into an agreement to sell the property much before actual date of transfer of immovable property and sale consideration is fixed in such agreement.
- ▶ Accordingly, it is proposed to amend provisions to provide that where date of agreement fixing the amount of consideration for transfer of immovable property and the date of registration are not same, stamp duty value on date of agreement may be taken for purposes of computing full value of consideration.

This amendment will be effective from 1 April 2016.

Reduction in period of holding of shares in unlisted companies to qualify as a long term capital asset

- ▶ Finance Act 2014 increased period of holding from one to three years for shares of unlisted companies to qualify as long term capital asset.

- ▶ It is now proposed to reduce holding period from three to two years to get benefit of long term capital gain regime in case of unlisted companies.
- ▶ However, no corresponding amendment has been proposed in the Finance Bill, which seeks to bring the same in force.

Consolidation of 'plans' within a 'scheme' of mutual fund

- ▶ Currently, units acquired on merger or consolidation of two or more schemes of mutual funds in accordance with the SEBI MF Regulations are not treated as a transfer and are exempt from tax.
- ▶ To further clarify the taxation aspect in relation to the guidelines issued by SEBI for consolidation of mutual fund plans within a scheme, any transfer of units held by a unit holder in the consolidating plan of a mutual fund scheme, in consideration of the units allotted in the consolidated plan of that scheme will be exempt from tax.
- ▶ This amendment will be effective from 1 April 2017.

Return of income

Mandatory filing of return of income by specified person

- ▶ The person earning exempt income from sale of long term capital asset will be required to furnish his return of income within due date if the income without giving effect to such exemption exceeds the maximum amount which is chargeable to tax.
- ▶ The return of income is required to be filed for the purpose of carry forward of loss of specified business like cold storage, warehousing, hotels etc for claiming deduction under section 35AD of the Income-tax Act.
- ▶ Effective from 1 April 2017.

Filing of belated return and revised return of income

- ▶ A person who has not furnished his return within due date, may furnish his return at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.
- ▶ Now where a person has filed a return of income within due date or where a belated return is filed and the person

discovers any omission or any wrong statement, then he may furnish a revised return at any time before the expiry of one year from the end of the relevant assessment year or before the completion of assessment, whichever is earlier.

- ▶ Effective from 1 April 2017.

Defective Return

- ▶ The conditions with respect to the defective return will be omitted and a return filed even without payment of self-assessment tax along with interest will be treated as a valid return; consequence of non-payment of tax and interest will follow.
- ▶ This amendment will be effective from 1 April 2017.

Processing of return of income

- ▶ The scope of adjustments while processing the return is widen to include certain other items such as disallowance of set-off of loss/deduction in case return is not filed within due date, disallowance of expenditure mentioned in audit report but not disallowed while preparing the computation, discrepancy in income reported in return vis-a-vis income appearing in Form 26AS; after providing opportunity to the assessee.
- ▶ Processing of the tax return is made mandatory before completion of the assessment if the notice for assessment has been issued.
- ▶ Effective from 1 April 2017.

Assessment procedures

Increase in scope of "deemed" cases of income escaping assessment

- ▶ Now Assessing officer has power to re-open cases on the basis of information or documents received from the prescribed income-tax authority after processing, where it is noticed that either a return of income has not been filed or where return has been filed, such income has been understated or excess loss/deduction/allowance has been claimed.

Effective from 1 June 2016.

Revised time limit for completion of assessment, reassessment and re-computation

- ▶ Time limit for completion of assessment, reassessment and re-computation has been revised.

Authentication of notices and other documents to ensure the automation of various processes and paperless assessment

- ▶ Now the notices and documents required to be issued by income-tax authority will be signed and issued in paper form or communicated in electronic form in accordance with such procedure as may be prescribed.

Effective from 1 June 2016.

Refunds

Interest on Refunds

- ▶ In order to ensure the filing of return within due date, now the payment of interest on refund arising out of tax deducted at source, tax collected at source and advance tax in case of belated return from date of filing of return till date of grant of refund instead of 1 April of relevant assessment year.
- ▶ Now assessee is entitled to interest on any refund arising due to self-assessment tax paid from date of payment of tax or filing of return, whichever is later.
- ▶ The additional interest at the rate of 3% will be granted to the assessee in case where refund arising out of the order of Commissioner (Appeals)/ Tribunal/ High Court/ Supreme Court or revision order passed by CIT is not granted to the assessee within three months from the end of the month from receipt of order or further extended time by six months after approval from Principal Commissioner of Commissioner of income tax.

Penalty and Prosecution

Penalty for under-reporting and misreporting of income

- ▶ Penalty for concealment or furnishing inaccurate particulars of income is levied under section 271(1)(c) has been replaced by a new section 270A to levy penalty in case of "under-reported and misreported" income.

- ▶ Specified cases of misreporting/ under-reporting of income have been prescribed
- ▶ The amount to be considered as under-reported income is now prescribed.
- ▶ The income will not be considered as under-reported income in certain specified cases.
- ▶ Penalty will be 50% of the amount of tax payable on under-reported income. However, in case of misreporting of income by the assessee, the penalty will be 200% on such misreported income.
- ▶ Tax payable in case of company, firm or local authority, will be calculated as if the under-reported income is the total income. In any other case the tax payable will be thirty per cent of the under-reported income.
- ▶ No addition or disallowance of an amount will form the basis for imposition of penalty, if such addition or disallowance has formed the basis of imposition of penalty in the case of the person for the same or any other assessment year.

Effective from 1 April 2017.

Immunity from penalty and prosecution in certain cases

- ▶ It is proposed that an assessee may make an application to the Assessing Officer for grant of immunity from imposition of penalty and initiation of prosecution proceedings, if assessee fulfils the following conditions :
 - ▶ Tax and interest payable as per the order of assessment or reassessment, as the case may be, has been paid within the period specified in such notice of demand and
 - ▶ No appeal against the order has been filed.
- ▶ The Assessing Officer shall after expiry of the period of filing the appeal, grant immunity from imposition of penalty and initiation of prosecution proceedings, if penalty proceedings are not initiated on account of misreporting of income.

The above amendment will take effect from 1 April 2017.

Penalty where search has been initiated (271AAB)

- ▶ It is proposed that the rate of penalty is leviable at a flat rate of 60% of undisclosed income.

This amendment will be effective from 1 April 2017.

Penalty for failure to answer questions, sign statements, furnish information, returns or statements, allow inspections, etc

- ▶ It is proposed to prescribe penalty of INR 10,000 for specified default or failure to comply with below:
 - ▶ notice issued under sub-section (1) of section 142 or;
 - ▶ notice issued under sub-section (2) of section 143 or;
 - ▶ directions issued under sub-section (2A) of section 142.

These amendments will be effective 1 April 2017.

Time limit for disposing applications made by assessee for reduction/waiver of interest/penalty and immunity from penalty proceedings

- ▶ Presently, no time limit has been provided for passing of orders to reduce or waive or grant immunity for the amount of interest or penalty.
- ▶ It is now proposed that an order accepting or rejecting the application of an assessee shall be passed within a period of 12 months from end of the month in which such application is received.

These amendments will take effect from 1st June 2016. It is further proposed that in respect of the applications pending as on 1 June 2016, the order under said sections shall be passed on or before 31 May 2017.

Levy of penalty for failure to furnish report or for furnishing inaccurate report in respect of international group

- ▶ The proposed new section provides that if any reporting entity, fails to furnish a report in respect of international group referred therein, income-tax authority may direct such entity to pay prescribed penalty
- ▶ It is also provided that a penalty of INR 0.5 million shall be levied where a reporting entity provides inaccurate information in the report of international group in certain cases.

These amendments will take effect from 1 April 2017

Penalty not imposed in certain cases

- ▶ It is proposed that no penalty shall be imposed in case of non-furnishing of information in relation to indirect transfer or furnishing of report in respect of international group provided there is a reasonable cause.

This amendment will be effective from 1 April 2017.

Appeals

Reduced litigation before Income Tax Appellate Tribunal

- ▶ To minimise litigation, it is proposed that no appeal can be filed by the Assessing Officer against the directions issued by the Dispute Resolution Panel.

These amendments will be effective from 1 June 2016.

Income Declaration Scheme

- ▶ Finance Bill 2016 has proposed a scheme to declare undisclosed income of any financial year up to 2015-16.
- ▶ Tax proposed to be charged is 30% plus surcharge of 7.5% and a penalty of 7.5% of undisclosed income totalling to 45%.
- ▶ The following cases shall not be eligible for the scheme:
 - ▶ Where notice for scrutiny assessment/ reassessment/ assessment in relation search or seizure is already issued;
 - ▶ Where a search or survey has been conducted and time limit for issuance of notice for scrutiny assessment has not expired;
 - ▶ Where any information has been received under Exchange of Information under various DTAA in respect of such undisclosed income;
 - ▶ Person who has been detained under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;
 - ▶ Persons who are covered under Indian Penal Code, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Unlawful Activities (Prevention) Act, 1967, the Prevention of Corruption Act, 1988;
 - ▶ Persons notified under Special Court Act, 1992;

- ▶ In relation to any undisclosed income chargeable to tax under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015;
- ▶ Further, it has been proposed that no wealth tax will be levied on specified transactions declared under this scheme. Also, it is proposed that no scrutiny and enquiry shall be undertaken in respect of such declaration.
- ▶ Immunity from prosecution and Benami Transactions (Prohibition) Act, 1988 is proposed for such declarations subject to certain conditions.
- ▶ No refund can be availed in case any payment of taxes has been made under this scheme.
- ▶ This scheme will be effective from 1 June 2016.

The Direct Tax Dispute Resolution Scheme, 2016

- ▶ Finance Bill 2016 has proposed a scheme to reduce backlog of pending cases before the Commissioner of Income Tax (Appeals) or the Commissioner of Wealth Tax (Appeals) as on 29 February 2016.
- ▶ The scheme covers two scenarios of tax disputes,
 - ▶ First, where the tax dispute is related to normal 'tax arrears' where an appeal is pending before the Commissioner of Income Tax (Appeals).
 - ▶ Second, where the tax dispute is for 'specified tax' i.e. where liability arose due to retrospective tax amendments.
- ▶ The features of the proposed scheme in the first scenario mentioned above are listed below:
 - ▶ The pending appeal could be against an assessment order or a penalty order;
 - ▶ The declarant under the scheme is required to pay tax at the applicable rate plus interest upto the date of assessment;
 - ▶ Where the tax in dispute is less than rupees INR 1 million, no penalty will be levied;
 - ▶ Where the tax in dispute exceeds INR 1 million or appeal is against penalty order, 25% of minimum

penalty shall be required to be paid alongwith interest.

- ▶ Consequent to such declaration, the appeal pending before the Commissioner of Income Tax (Appeals) or the Commissioner of Wealth-tax (Appeals) shall be deemed to be withdrawn.
- ▶ The declarant under this scheme will get immunity from prosecution or penalty proceedings for any offence under the Income-tax Act.
- ▶ The features of proposed scheme in the second scenario (specified tax) mentioned above are listed below:
 - ▶ The declarant has to withdraw any writ petition or any appeal if filed and submit the proof of the same.
 - ▶ The declarant under this scheme will be required to furnish an undertaking in the specified manner so as to waive the right to seek or pursue any remedy under any law, by statute or under an agreement, whether for protection of investment or otherwise;
 - ▶ The declarant under the scheme shall get immunity from imposition of penalty;
 - ▶ The declarant under the scheme shall get waiver of interest;
- ▶ In case the declarant violates any condition of the scheme, it shall be presumed as if the declaration was never made.
- ▶ The declarant under this scheme shall get immunity from institution of prosecution proceedings.
- ▶ The following cases shall not be eligible for the scheme:
 - ▶ Where prosecution has been initiated before 29 February 2016;
 - ▶ Where a search or survey has been conducted and declaration is in respect of tax arrears;
 - ▶ Where there is undisclosed foreign income and assets.
 - ▶ Where any information has been received under Exchange of Information under various Double Taxation Avoidance Agreements in respect of such undisclosed income;

- ▶ Persons who are covered under Indian Penal Code, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Unlawful Activities (Prevention) Act, 1967, the Prevention of Corruption Act, 1988, Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;
- ▶ Persons notified under Special Court Act, 1992.
- ▶ Further, it is proposed that no matter will be reopened against the order passed as mentioned above.

Carry forward and set off of losses

Carry forward and set off of loss from specified business

- ▶ Loss from specified business (section 35AD defines specified business) will not be allowed to be carried forward and set-off if the income tax return is not filed within the prescribed due date.

The amendment will take effect retrospectively from 1 April 2015.

Special provisions relating to Start-ups

Three year tax holiday to eligible start-ups

- ▶ Deduction of 100% of profits and gains for eligible start-ups has been proposed for a period of three consecutive years.
- ▶ The consecutive three year period may be chosen out of a five year block beginning with the year of incorporation.
- ▶ Benefit of the tax holiday would not be available where the start-up is formed by reorganization of an existing business.
- ▶ The benefit would be available to start-ups set up between 1 April 2016 and 31 March 2019.
- ▶ The following additional conditions would need to be met by the start-up
 - ▶ The business of the start-up involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property and is certified as such by the Inter-Ministerial Board of Certification, as notified by the Government.

- ▶ Annual turnover does not exceed INR 250 million in any of the financial years between 2016-17 and 2020-21.

Exemption from long term capital gains on investment in Start-up Fund of Funds

- ▶ Exemption from long term capital gains has been proposed in case proceeds from sale of shares of eligible start-ups are invested in units of a fund notified in this regard. This notified fund would be the Fund of Funds proposed to be set up under the Start-up India Action Plan, for which the Government intends to raise INR 25,000 million annually.
- ▶ Such investment is subject to a total cap of INR 5 million in the year of transfer and the subsequent year.
- ▶ Investment in the fund needs to be made within 6 months of the date of transfer and the same amount should stay invested for a period of three years.
- ▶ Proportionate exemption would be available where investment in the fund is less than the amount of capital gains.

Exemption from long term capital gains on investment in Start-up Fund of Funds

- ▶ Presently, exemption from long term capital gains on sale of residential property is available to an individual/ HUF under Section 54GB, when proceeds are invested in shares of an SME in which the assessee has more than 50% share capital or voting rights and the SME further utilizes such proceeds within 1 year for purchase of new assets.
- ▶ This has now been extended to investment in shares of eligible start-ups (i.e. technology driven start-ups so certified by the Inter-Ministerial Board of Certification).
- ▶ Computers or computer software would also be qualifying new assets in case of eligible start-ups.
- ▶ This provision would be applicable for transfers of residential property made up till 31 March 2019.

Corporate re-organizations

Buyback tax

- ▶ Provisions extended to cover buyback under any provision of corporate laws
 - ▶ Existing buyback tax provisions provide for levy of additional Income-tax at the rate 20% of distributed income on account of buy back of unlisted shares by a company.
 - ▶ Buyback has been defined as purchase by a company of its own shares in accordance with provisions of section 77A of Companies Act, 1956.
 - ▶ It is proposed to amend the provision to provide that buy-back tax shall apply to any buyback of unlisted shares undertaken by the company in accordance with provisions of law relating to the Companies and not necessarily restricted to section 77A of Companies Act, 1956.
- ▶ Interpretation of “Distributed Income”
 - ▶ Existing provision defines “distributed income” to mean consideration paid by the company on buyback of shares as reduced by the amount which was received by the company for issue of such shares.
 - ▶ There are various circumstances where shares may have been issued by the company in tranches, for different considerations, at different points of time; or may have been issued in lieu of existing shares of another company under tax neutral corporate reorganization.
 - ▶ It is proposed to provide that for the purpose of computing “distributed income”, amount received by the company should be determined in prescribed manner. Rules would be framed to provide the manner of determination of amount in various circumstances.

These amendments will take effect from 1 June 2016.

Rationalization of taxation for individual shareholders on receipt of shares as a consequence of demerger or amalgamation

- ▶ With a view to bring uniformity in tax treatment with company and firm, it is proposed to amend provisions to provide that any shares, received by an individual or HUF pursuant to tax neutral merger or demerger of a company, shall not be taxable as income from other sources.

This amendment will be effective from 1 April 2016

Provisions relating to Transfer Pricing

Country-By-Country Reporting, Master File and Local File

- ▶ It is indicated that three tiered documentation approach as prescribed in BEPS Action 13 will replace / add to the current documentation requirements. Detailed rules to be prescribed later for requirements and templates in this regard.
 - ▶ A CbC report containing information relating to global allocation of income and taxes paid together with certain indicators of the location of significant economic activities.
 - ▶ A Master file containing standardized information relevant for all MNEs group members
 - ▶ A local file referring specifically to material transactions of the local taxpayer
- ▶ CbC reporting will be applicable to :
 - ▶ The Indian parent of the international group or Indian designate entity of the foreign parent to furnish the report on or before the due date of furnishing the return of income.
 - ▶ In the case of foreign parent, who has to furnish CbC report in another country, then any constituent entity in India will furnish to the prescribed authority on or before the prescribed date, information regarding the country or territory of residence of the parent of the international group to which it belongs.
 - ▶ The reporting provisions shall apply for financial year 2016-17 if consolidated revenue of an international group in the prior year i.e., financial year 2015-16 exceeds INR equivalent to 750 million Euros (approximately INR 53,950 million).

- ▶ Constituent Indian entity will also be obligated to furnish CbC report if the country of the parent entity does not have an arrangement for exchange of CbC report with India. To clarify, Constituent Indian entity will not be required to furnish CbC report on its own, if such report can be obtained under the agreement of exchange by Indian tax authorities.
- ▶ In case of more than one constituent entity in India, group may designate one entity to comply with reporting requirements and communicate to the same to the prescribed authorities.

Exemption from DDT on dividend paid by a SPV to business trust i.e. REITs or InvITs

- ▶ In order to rationalize the taxation regime for business trusts and its investors, it has been proposed to provide an exemption from levy of DDT.
- ▶ The salient features of the proposed exemption are as under:
 - ▶ Exemption from levy of DDT in respect of dividend declared, distributed or paid by SPV to the business trust;
 - ▶ Such dividend received by business trust and investors shall not be taxable in their hands;
 - ▶ The exemption from levy of DDT would only be in the cases where the business trust either holds 100% share capital of such SPV or holds all the share capital of SPV except which is required to be held by 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;
 - ▶ The exemption of DDT shall be only in respect of dividends paid out of current income after the date when business trust acquires the desired shareholding in SPV. The dividends paid out of the accumulated or current profits up to this date as mentioned above shall be liable for DDT;
 - ▶ Accordingly, amendments have been proposed in provisions of section 115-O and section 10(23FC) of the Income-tax Act;

This amendment will be effective from 1st June, 2016.

Indirect tax

Customs duty

Policy changes

- ▶ Median rate of BCD retained at 10%.
- ▶ Effective peak rate of customs duty remains at 29.44%.

The following changes will be effective from 1 March 2016, unless otherwise specified:

- ▶ Exemption from customs duty on import of bona fide gifts by post or by air freight has been increased from INR 10,000 to INR 20,000.
- ▶ BCD exemption withdrawn for certain defense machinery and equipment required by the Indian manufacturers for supply of goods to Indian Navy or Coast Guard.
- ▶ BCD exemption withdrawn on import of aircrafts, parts, engines arms, ammunitions, radars, torpedoes and other related products imported by government undertakings or government authorized undertakings.
- ▶ Export duty on various products such as iron ore lumps (below 58% Fe content), iron ore fines (below 58% Fe content) chromium ores and concentrates has been reduced/ eliminated.
- ▶ Exemption from SAD on populated PCBs required for manufacture of personal computers (laptop or desktop) has been withdrawn.
- ▶ Populated PCBs of mobile phone or tablet computer have been excluded from the purview of Nil SAD exemption and 2% SAD has been imposed subject to fulfilment of specified condition.
- ▶ BCD and SAD have been exempted on machinery, electrical equipment, other instruments and their parts (except populated PCB) falling under chapter 84, 85, 90 for fabrication of semiconductor wafer and Liquid Crystal Display, subject to actual user condition.
- ▶ BCD and SAD have been exempted on machinery, electrical equipment, other instruments and their parts (except populated PCBs) falling under chapter 84, 85, 90

for assembly, testing, marking and packaging of semiconductor chips, subject to actual user condition.

- ▶ BCD and CVD exemptions have been withdrawn on charger/ adapter, battery and wired headsets/ speakers for use in manufacture of mobile handsets including cellular phone.
- ▶ Concessional 5% BCD has been extended to cold chain including pre-cooling unit, packhouses, sorting and grading lines and ripening chambers. Corresponding changes have also been made to Project Imports Regulations 1986.
- ▶ Import of air craft parts for repair or overhaul and export of repaired or overhauled parts of aircraft is now permitted under the Standard Exchange Scheme.
- ▶ Actual user condition introduced for allowing BCD exemption on import of Liquid Crystal Displays, Light Emitting Diode or Organic Light Emitting Diode panels for manufacture of television.
- ▶ Infrastructure cess (Excise duty) imposed on motor specific vehicles of heading 8703.
- ▶ BCD tariff rates of 211 specified tariff lines in Chapter 84, 85 and 90 have been changed from 7.5% to 10%. Out of this, the effective rate has increased from 7.5% to 10% for 96 tariff lines, whereas effective rate will remain same @ 7.5% for the remaining 115 tariff lines.

Rate movement

- ▶ Changes in the BCD rates on some key items are set out below:

Items	Rate movement (%)		
	Basic duty		Movement
	From	To	
Denatured ethyl alcohol (ethanol) for use in manufacture of excisable goods	5	2.5	↓
Silica Sand	5	2.5	↓
Lignite, whether or not agglomerated, excluding jet	10	2.5	↓
Peat (including peat litter), whether or not agglomerated	10	2.5	↓

Items	Rate movement (%)		
	Basic duty		Movement
	From	To	
Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon (metallurgical coke already taxable @ 5%)	10	5	↓
Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10	5	↓
Aluminium oxide for use in manufacture of wash coat, for catalytic converters (actual user condition)	7.5	5	↓
Super absorbent polymer for manufacture of goods falling under heading 9619 (actual user condition) such as sanitary towels, diapers, tampons, napkins	7.5	5	↓
Wood in chips or particles for manufacture of paper, paperboard and news print	5	Nil	↓
Pulp of wood or other fibrous cellulosic material (excluding rayon grade wood pulp) used for manufacture of goods falling under 9619 (actual user condition)	5	2.5	↓
Printed plans, drawings and designs	NIL	10	↑
Specified fibres , filaments/yarns	5	2.5	↓
Solar tampered glass/solar tampered (anti-reflective coated) glass for use in manufacture of solar cells/modules/panels	NIL	5	⬆️
Preform of silica for use in manufacture of telecommunication grade optical fibre/cables	NIL	10	⬆️

Items	Rate movement (%)		
	Basic duty		Movement
	From	To	
Imitation jewellery	10	15	↑
Primary aluminum products (7601, 7603, 7604, 7605, 7606, 7607)	5	7.5	↑
Other aluminum products (7608 and 7609 00 00)	7.5	10	↑
Zinc alloys (7901 20)	5	7.5	↑
Industrial solar water heater	7.5	10	⬆️
Parts and components, including subparts, for manufacture of digital video recorder, network video recorder, close circuit camera/ internet protocol camera, lithium ion battery (other than those for mobile handsets)	7.5/ 10	NIL	↓
E readers	NIL	7.5%	↑
Parts and raw material for manufacture of E readers	10%	5%	↓
Refrigerated containers (8609 00 00)	10	5	↓
Golf cars (depending on condition of import)	10	10%- 60%	↑
Natural latex rubber made balloons (9503 00 90, 9505 10 00, 9505 90 90)	10	20	↑

The following changes will be effective from 1 April 2016:

- ▶ The existing Baggage Rules 1998 are being substituted with the Baggage Rules 2016 so as to simplify and rationalize multiple slabs of duty free allowance for various categories of passengers. Some of the key changes are as below:
 - ▶ Duty free baggage allowance permitted worth Rs. 50,000 (to an Indian person) and Rs. 15,000 (to a tourist of foreign origin) arriving in India from a country other than Nepal, Bhutan or Myanmar,

irrespective of the duration of stay of such person abroad.

- ▶ Duty free baggage allowance permitted worth Rs. 15,000 to a person arriving in India from Nepal, Bhutan or Myanmar, irrespective of the duration of stay of such person abroad.
- ▶ Corresponding changes have also been done in the Customs Baggage Declaration Regulations 2013 so as to prescribe filing of Customs declarations only for those passengers who carry dutiable or prohibited goods.
- ▶ Interest rate on delayed payment of Customs duty under Section 28AA has been reduced to 15% from the current 18%.
- ▶ The existing Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 are being substituted with the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016 with a view to simplify the rules, including allowing duty exemptions to importer/ manufacturer based on self-declaration instead of obtaining permissions from the Central Excise authorities. Need for additional registration is also being done away with.

The following changes will be effective on enactment of the Finance Bill:

- ▶ Normal period of limitation for issuance of the show cause notice increased from 1 year to 2 years.
- ▶ Provisions inserted to enable government to notify certain category of importers and exporters who shall be eligible for making deferred payment of customs duties.
- ▶ Enabling provisions inserted to allow Board to prescribe conditions for permitting transit of goods without payment of Customs duty.
- ▶ Concept of appointing warehousing stations under the Customs Act has been done away with.
- ▶ New class of special warehouses has been introduced for specific category of products, which require stringent physical control and monitoring by the customs officer.
- ▶ Importers clearing imported goods to warehouses shall now be required to submit bonds for an amount equal to

thrice the duty amount involved as compared to current requirement of bond for twice the duty amount involved.

- ▶ Warehousing period permitted to 100% EOUs, EHTPs and STPs having permission to carry manufacturing or other operations under Section 65 of the Customs Act for inputs and capital goods has now been extended from 3 and 5 years respectively till their clearance from warehouse.
- ▶ Indirect Tax Dispute Resolution Scheme 2016 to be introduced from 1 June 2016 to bring down litigations pending at Commissioner (Appeal) level.

Excise duty

Policy changes

The following changes will be effective from 1 March 2016

- ▶ Median excise duty rate retained at 12.50%.
- ▶ Two or more premises of the same factory located within jurisdiction of a range, can operate under single registration subject to certain conditions.
- ▶ Interest under provisional assessment to be levied on unpaid amount from the due date till the date of actual payment.
- ▶ Provisions of deemed manufacture and MRP valuation extended to the following goods:

Particulars	Abatement
Aluminium foils of a thickness not exceeding more than 0.2mm	25%
Smart watches	35%
Accessories of motor vehicles and certain other specified goods	30%
Soap, organic surface-active product and preparation for use as soap, etc.	30%

The following changes will be effective from 1 April 2016:

- ▶ Interest rate on delayed payment of duty reduced from 18% to 15%.

- ▶ EOUs would now be required to submit annual return.

The following changes will be effective from 1 June 2016

- ▶ Introduction of Indirect tax Dispute Resolution Scheme, 2016 to bring down litigations pending before Commissioner (Appeals).

The following changes will be effective from date of enactment of Finance Bill, 2016:

- ▶ Period of limitation increased from 1 year to 2 years in cases not involving fraud, suppression of facts, willful misstatement etc.

The following changes will be effective from a date to be notified:

- ▶ Monthly excise returns can be revised before end of the month in which the original was submitted by the due date.

Rate movement

The following changes will be effective from 1 March 2016:

- ▶ Basic excise duty of 2% (without CENVAT credit) or 12.5% (with CENVAT credit) levied on branded readymade garments and made-up articles of textiles with an MRP of INR 1,000 or above.
- ▶ Basic excise duty of 1% (without CENVAT credit) or 12.5% (with CENVAT credit) levied on articles of jewellery (excluding silver jewellery, other than studded with diamonds and other precious stones) subject to specified threshold.
- ▶ Basic excise duty of 2% (without CENVAT credit) or 12.5% (with CENVAT credit) levied on charger, battery, wired headsets/speakers, for use in manufacture of mobile handsets.
- ▶ Basic excise duty of 4% (without CENVAT credit) or 12.5% (with CENVAT credit) levied on routers, broadband modems, set-top boxes, digital video recorder, close circuit camera, etc.

- Changes in the additional duty of excise levied under the Seventh Schedule to the Finance Act, 2005 on non-filter and filter cigarettes as follows:

Description	AED per 1,000 sticks	AED per 1,000 sticks	Movement
	From	To	
Non filter not exceeding 65 mm	70	215	⊞
Non-filter exceeding 65 but not exceeding 70 mm	110	370	↑
Filter not exceeding 65 mm	70	215	↑
Filter exceeding 65 mm but not exceeding 70 mm	70	260	↑
Filter exceeding 70 mm but not exceeding 75 mm	110	370	↑

- Infrastructure cess imposed on motor vehicles of heading 8703 as follows:

Items	Infrastructure cess (%)
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 (subject to prescribed conditions), cars for physically handicapped persons(subject to prescribed conditions), and motor vehicles cleared as ambulances or registered for use solely as ambulance(subject to prescribed conditions)	NIL
Petrol / LPG / CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc	1

Items	Infrastructure cess (%)
Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc	2.5
Other higher engine capacity motor vehicles and special utility vehicles and bigger sedans	4

- **Changes in the basic excise duty rates on some other key items are set out below:**

Items	Rate movement (%)		
	Basic duty		Movement
	From	To	
Aviation turbine fuel other than for supply to scheduled commuter airlines from the regional connectivity schemes airports	8	14	↑
Certain parts of railway, tramway locomotives or rolling stock	12.5	6	↓
Engine for hybrid electric vehicles	12.5	6	↓
Gold bars manufactured from gold ore or concentrate; gold dore bar and silver dore bar	9	9.5	↑
Gold bars and gold coins of purity not below 99.5%, produced during the process of copper smelting	9	9.5	↑
Water, including mineral waters and aerated waters, containing added sugar or other sweetened matter or flavoured	18	21	↑

- ▶ Abatement rate from MRP for footwear increased from 25% to 30%.
- ▶ Tariff value on readymade garments increased from 30% to 60%.
- ▶ Oil Industries Development cess reduced from INR 4,500 per metric tonne to 20% ad valorem on domestically produced crude oil.
- ▶ Increase in clean energy cess from INR 200 to INR 400 per ton on coal, lignite and peat.

Exemptions introduced/ extended

- ▶ Ready mix concrete manufactured at the site of construction.
- ▶ Tools and tools kits procured by MRO entities for maintenance, repair of aircraft subject to certifications by Director General of Civil Aviation.
- ▶ Inputs, parts and components, subparts for manufacture of charger/ adapter, battery and wired headsets/ speakers of mobile phone, subject to actual user condition.
- ▶ Parts, components, accessories and subparts for manufacture of routers, broadband modems, set-top boxes, digital video recorder, close circuit camera, etc.
- ▶ Exemption to canned software and packaged software extended to media with recorded information technology software on which MRP is not required to be declared where service tax is leviable.
- ▶ Disposable sterilized dialyzer and micro barrier of artificial kidney.

Service tax

The following key changes will be effective from 1 March 2016:

- ▶ Restoration of exemptions to public welfare projects such as construction of educational establishments, ports, airports upto 31 March 2020, where the contracts were entered prior to 1 March 2015.
- ▶ Withdrawal of exemption to services provided by way of construction, erection, commissioning, or installation of

original works in relation to monorail or metro except in case of contracts entered prior to 1 March 2016.

- ▶ Exemptions to services by way of construction, etc in respect of:
 - ▶ Housing projects under Housing For All (Urban) Mission/Pradhan Mantri Awas Yojana.
 - ▶ Low cost houses up to a carpet area of 60 square metres in a housing project under “Affordable housing in Partnership” component of Pradhan Mantri Awas Yojana.
 - ▶ Low cost houses up to a carpet area of 60 square metres in a housing project under any housing scheme of the State Government.
- ▶ Information technology software on a recorded media on which excise duty/ CVD are paid will be exempted from service tax, subject to specified conditions.
- ▶ The point of taxation in case of new levy on service shall be determined as per Rule 5 of the POTR.

The following key changes will be effective from 1 April 2016:

- ▶ Exemption in respect of following services are being withdrawn:
 - ▶ Services provided by a senior advocate to an advocate or partnership firm of advocates or person carrying on business or profession.
 - ▶ Services of transport of passengers, by ropeway, cable car or aerial tramway.
- ▶ The scope of services provided by Government or local authorities to business entities has been expanded by deletion of definition of “Support Services”.
- ▶ New exemptions have been introduced for certain services by SEBI, National Pension System, Employees’ Provident Fund Organization etc.
- ▶ Rationalization of abatement rates and conditions thereof viz.
 - ▶ Allowing CENVAT credit of input services used for transport of goods by rail/ vessel and passengers by rail.

- ▶ 70% abatement prescribed for all services provided by tour operators except mere booking of accommodation/ hotel.
- ▶ 70% abatement prescribed for construction of complex, building, civil structure intended for sale to a buyer, pre-issuance of completion certificate, subject to inclusion of value of land irrespective of size and value of the unit.
- ▶ The benefit of (a) quarterly payment of service tax being extended to OPC and HUF and (b) payment on receipt basis being extended to OPC.
- ▶ Services provided by mutual fund agents/distributor to a mutual fund or asset management company are moved from reverse charge to forward charge.
- ▶ The alternate service tax rate on single premium annuity insurance policies has been rationalized to 1.4% of the total premium charged.

The following key changes will be effective from 1 June 2016 after enactment of the Finance Bill, 2016:

- ▶ Krishi Kalyan cess at the rate of 0.5% on the value of service proposed to be levied with effect from 1 June 2016.
- ▶ Services of transportation of passengers, with or without accompanied belongings, by a stage carriage proposed to be omitted from the Negative List.
- ▶ Services by way of transportation of goods by an aircraft from a place outside India up to the customs station of clearance have been proposed to be shifted from Negative list to Mega Exemption list of services.
- ▶ Transportation of passengers by a stage carriage other than air conditioned stage carriage is to be exempted.

The following key changes will be effective from the date of enactment of Finance Bill:

- ▶ Re-classification of various services from Negative List to Exempted list of services such as educational services, transport of passenger by stage carriage, etc.
- ▶ Scope of declared services has been expanded to include right to use the radio frequency spectrum and subsequent transfer thereof.

- ▶ Power under Section 67A is provided for determining the time or point in time with respect to the rate of Service tax. Corresponding changes made in POTR.
- ▶ Normal period of limitation for issuance of the show cause notice increased from 18 months to 30 months.
- ▶ Rationalization of interest rates from 18% - 30% to uniform 15% in general cases and 24% in case of collection and non-payment of tax into the government exchequer.
- ▶ Personal penalty proceedings shall be deemed to be concluded on closure of demand and penalty within specified time.
- ▶ The power to arrest has been proposed to be restricted only to the cases where tax has been collected but has not been deposited and amount of such tax exceeds INR 20 million.
- ▶ Refund of Service tax on services used beyond the factory or any other places, for export of goods will be allowed retrospectively from 1 July 2012.
- ▶ Refund of tax previously collected with retrospective effect for public welfare projects such as construction of canals, dams, educational establishment, port, airport will be allowed subject to specified conditions.
- ▶ Indirect Tax Dispute Resolution Scheme 2016 will be introduced to bring down litigations pending at Commissioner (Appeals) level.

CENVAT credit

The following key changes will be effective from 1 March 2016:

- ▶ The time limit for filing refund claim in respect of export of services shall be before the expiry of one year from the date of:
 - ▶ receipt of payment in convertible foreign exchange, where provision of service has been completed before such receipt; or
 - ▶ Issue of invoice, where payment for the service had been received prior to the date of issue of the invoice.

The following key changes will be effective from 1 April 2016:

- ▶ Definition of capital goods expanded to include:
 - ▶ Wagons of sub heading 8606 92 of the First Schedule to the CETA.
 - ▶ Capital goods used as equipment and appliance used in an office in the factory are now creditable.
- ▶ CENVAT credit on inputs and capital goods used for pumping of water, for captive use in the factory, will be allowed even when such capital goods are installed outside the factory.
- ▶ All capital goods having value up to INR 10,000 per piece are being included in the definition of inputs.
- ▶ Rule 6 of CCR, dealing with CENVAT credit on exempted goods/ services has been rationalized as following:
 - ▶ Full CENVAT Credit of service tax paid on input services exclusively used for manufacturing non-exempted goods and provision of non-exempted services will be allowed.
 - ▶ Definition of exempted services widened for the purpose of Rule 6 reversals to include an activity which is not a service.
 - ▶ Increased disclosure to avoid subsequent disputes with the revenue authorities.
 - ▶ Banking and financial institutions including a NBFC will be allowed to either opt for payment of 7% of value of exempted services or pro-rata reversal or reversal of 50% of the CENVAT credit availed.
- ▶ CENVAT credit of service tax paid on upfront charges for assignment of natural resources such as spectrum, mining rights will be allowed over a period of right to use such assigned resources.
- ▶ Rule 7 of the CCR, dealing with distribution of CENVAT credit on input services revamped to allow distribution of the credit to an outsourced manufacturing unit. Further, it is now clearly prescribed that Rule 6 reversals will not be applicable at Input Service Distributor stage.
- ▶ Service by way of transportation of goods by a vessel from customs station of clearance in India to a place

outside India is specifically excluded from the definition of “exempted service”.

- ▶ Manufacturer of final products will be allowed to take CENVAT credit on tools sent to a job worker.
- ▶ Permission given to a manufacturer to send inputs/ partially processed inputs to a job-worker and clearance of final products therefrom extended from one financial year to three financial years.
- ▶ Rule 7B is inserted in CCR to enable manufacturers for maintaining a common warehouse for inputs and distribute credits to the individual manufacturing units by following the ‘dealer registration’ compliances prescribed under the Central Excise laws.
- ▶ Invoice issued by a Service provider for clearance of inputs and capital goods will be considered as a valid document for claiming CENVAT credit.
- ▶ Rules amended to restrict the credit of duties/taxes, except credit of NCCD, for payment of NCCD.
- ▶ CENVAT credit will not be available for payment of Infrastructure cess levied on motor vehicles.
- ▶ CENVAT credit of Capital goods used for manufacture of exempted goods/services for a period of two years shall not be available.

CST

The following key changes will be effective from a date to be notified:

- ▶ Co-mingled and fungible gas transported through a common carrier pipeline or any other transportation medium which moves from one state to another shall be deemed to be movement of goods from one state to another.

GST

- ▶ Finance Minister has committed for passage of GST Constitution Amendment Bill in the Parliament.

Other key policy initiatives

Some of the key policy initiatives proposed by the Government in Budget 2016 are:

Foreign investment/exchange regulations

- ▶ Key amendments proposed under the extant FDI Policy are as follows:
 - ▶ In order to make the food processing industry and trade more efficient, 100% FDI will be allowed under FIPB approval route in marketing of food products, produced and manufactured in India;
 - ▶ FDI cap of 49% in Insurance and Pension sectors will be under automatic route from the existing FIPB approval route;
 - ▶ 100% FDI in Asset Reconstruction Companies (ARCs) will be permitted under automatic route from the existing FIPB approval route beyond 49%. In addition, FPI's will be allowed up to 100% of each tranche from the existing 74% in security receipts issued by ARCs;
 - ▶ FDI will be allowed under the automatic route, beyond the prescribed 18 NBFC activities in the FDI Policy, which are regulated by other financial sector regulators;
 - ▶ Investment limit for foreign entities in Indian Stock Exchanges will be enhanced from existing 5% to 15% at par with the domestic institutions;
 - ▶ Investment by FPIs in Central Public Sector Enterprises (other than banks), listed on stock exchanges, will be enhanced from the existing limit of 24% to 49% under automatic route;
 - ▶ Presently, the eligible FDI instruments consist of equity shares; fully, compulsorily & mandatorily convertible preference shares; fully, compulsorily & mandatorily convertible debentures and warrants and partly paid up shares. The list of FDI instruments will be expanded by including other hybrid instruments;
 - ▶ To ensure effective implementation of Bilateral Investment Treaties signed by India with other

countries, Central State Investment Agreement will be introduced which will ensure fulfilment of obligations of the State Government under the said Treaties.

- ▶ The definition of foreign source as provided under Section 2 of FCRA will be amended. The amendment provides that where the nominal value of share capital of a company is within the sectoral caps specified for foreign investment under FEMA, then, irrespective of the nominal value of share capital of a company being more than one-half (i.e. more than 50%) of such value at the time of making the contribution, the said company shall not be deemed to be a foreign source under FCRA.

Financial sector and capital markets

- ▶ A comprehensive code on Resolution of Financial Firms will be introduced as a Bill in Parliament during 2016 17 to provide a specialized resolution mechanism to deal with bankruptcy situations in banks, insurance companies and financial sector entities.
- ▶ RBI Act 1934 will be amended to provide statutory basis for a Monetary Policy Framework and a Monetary Policy Committee.
- ▶ Necessary amendments will be made in SARFAESI Act 2002, to enable the sponsor of an ARC to hold up to 100% stake in the ARC and permit non-institutional investors to invest in Securitization Receipts.
- ▶ The general insurance companies owned by Government will be listed on the stock exchanges to enable public shareholding in Government owned companies.

Oil and gas

- ▶ The Government will incentivize gas production from deep water, ultra deep water and high pressure-high temperature areas. Also, a proposal is under consideration for new discoveries and areas which are yet to commence production, first, to provide calibrated marketing freedom; and second, to do so at a pre-determined ceiling price to be discovered on the principle of landed price of alternative fuels.

Civil Aviation

- ▶ Government will draw up an action plan for revival of unserved/ underserved airports and to develop some of these airports in partnership with State Governments, in order to promote regional connectivity.

Start-up India

- ▶ The Government launched its flagship initiative 'Start-up India' to build a strong ecosystem for start-ups and laid out an Action Plan detailing various measures to meet its objectives.
- ▶ The Action Plan is divided across the following areas:
 - ▶ Simplification and handholding;
 - ▶ Funding support and incentives;
 - ▶ Industry-Academia partnership and incubation.
- ▶ A start-up has been defined through a DIPP notification for the purpose of uniformity since various incentives and initiatives are being administered by different ministries.
- ▶ As per this notification, in order to qualify as a start-up, an entity:
 - ▶ Should be in existence for less than five years;
 - ▶ Should have turnover not exceeding INR 250 million for any financial year;
 - ▶ Should be working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property (which needs to be certified or supported by specified incubators).
- ▶ Further, the following major non-tax incentives are proposed:
 - ▶ Compliance with certain environmental and labor laws will be based on self-certification;
 - ▶ Setting up a hub which serves as a single point of contact for the entire ecosystem;

- ▶ Registration, application tracking and other services through a mobile-app and portal;
 - ▶ Setting up of a Fund of Funds with annual corpus of INR 25 billion for a period of four years;
 - ▶ Setting up a Credit Guarantee Fund with an annual corpus of INR 5 billion for a period of four years;
 - ▶ Setting up innovation centers and research parks;
 - ▶ Enabling faster exit through a 90 day winding up process.
- ▶ The Action Plan lays out a roadmap and the measures will be gradually introduced by the concerned ministries and departments.

Recent policy changes

Significant policy initiatives during the period 1 March 2015 to 29 February 2016 have been summarized in the following paragraphs. Some of these initiatives may be impacted by the proposals announced in the Budget speech of the Finance Minister.

Foreign investment policy

During the period, the Government made significant liberalization in the FDI policy and the important changes are as follows:

- ▶ In construction development sector, various conditions have been liberalized such as removal of conditions of minimum area development, minimum capitalization and introduction of flexible exit norms. Further, it is clarified that earning of rent/income on lease of property is not to be construed as real estate business.
- ▶ Wholesale cash and carry traders with FDI are now permitted to carry on SBRT in the same entity, subject to conditions.
- ▶ FDI in retail trading activities have further been liberalized in respect of sourcing condition which will now be considered from the opening of the first store. Also, an SBRT entity operating through brick and mortar store is now permitted to undertake retail trading through e-commerce.
- ▶ Government has allowed 100% FDI in duty free shops under automatic route.
- ▶ Government has made significant relaxation in respect of FDI in LLP and permitted FDI under automatic route in LLPs operating in sectors/activities where 100% FDI is permitted under the automatic route and there is no FDI linked performance conditions. Also LLP are now permitted to make downstream investment.

- ▶ Requirement of FIPB approval in case of swap of shares of Indian companies operating under automatic route has been dispensed with.
- ▶ Government has defined the term 'manufacture' on terms which are similar to definition as provided in the Income-tax Act.
- ▶ Investments by companies, trusts and partnership firms, incorporated outside India which are owned and controlled by NRIs, shall be deemed to be treated as domestic investments at par with investments by residents subject to the condition that investment by such entities is under non-repatriation route.
- ▶ All types of foreign investment viz., portfolio investment and FDI have been clubbed into one single category.
- ▶ Government has permitted 100% foreign investment in the White Label ATM operations under the automatic route subject to compliance with specified conditions.
- ▶ It has been clarified that facility sharing arrangements can be entered by way of leasing/sub-leasing within group companies for the larger interest of business. Arrangement in such cases would not be construed to be real estate business provided that such arrangement is at arm's length price and annual lease rent earned by the lessor company does not exceed 5% of its total revenue.
- ▶ The other FDI amendments announced are as follows:

Sector	Revised conditions with change
Defence	Foreign investment upto 49% now brought under automatic route; FDI above 49% and having state-of-art and cutting-edge technology to be considered by the FIPB instead of Cabinet Committee on Security
Broadcasting	<u>Broadcasting carriage services</u> FDI cap enhanced from 74% to 100% across various sub-sectors like Teleports, Direct to Home, Cable Networks (Multi System Operators), Mobile TV, Headend-in-the Sky Broadcasting services-Automatic route upto 49%, FIPB approval

Sector	Revised conditions with change
	<p>beyond 49%.</p> <p><u>Broadcasting content services</u></p> <p>FDI in Terrestrial Broadcasting FM (FM radio) and uplinking of news and current affairs TV channels increased from 26% to 49% under approval route; FDI up to 100% in uplinking of 'Non-news and current affairs TV channels/Down-linking of TV channels now permitted under automatic route.</p> <p><i>Companies engaged in information & broadcasting sector, where sectoral cap is up to 49%, to be owned and controlled by resident Indian citizens and Indian companies which are owned and controlled by resident Indian citizens.</i></p>
Private Banking	<p>FPIs/QFIs, permitted to invest up to sectoral limit of 74% in Private Sector Banks, subject to no change of control and management of the investee company.</p>
Civil aviation - Air Transport services	<p>FDI up to 49% (100% for NRIs) permitted in regional air transport service under automatic route.</p> <p>FDI cap enhanced from 74% to 100% in Non-scheduled Air Transport service and Ground Handling Services, under the automatic route.</p>
Agriculture/ Plantation	<p>FDI upto 100% in tea sector including tea plantation brought under automatic route; FDI up to 100% also permitted in coffee plantation, rubber plantation, cardamom, palm oil tree and olive tree plantations under the automatic route.</p>

Sector	Revised conditions with change
Credit information companies	FDI cap enhanced from 74% to 100% under automatic route; erstwhile restriction that 'Investment by a registered FII/FPI under the Portfolio Investment Scheme would be permitted up to 24% only in the Credit information companies listed at the Stock Exchanges, within the overall limit of 74% for foreign investment' removed.
Satellites	FDI cap enhanced from 74% to 100% in establishment and operation of satellites, subject to FIPB approval.
Insurance	FDI in Insurance sector enhanced from 26% to 49%. This is subject to specified conditions viz., FDI up to 26% under automatic route and FIPB approval beyond 26% and up to 49%; ownership and control of Indian Insurance company has to be with resident Indian entities.
Pension	FDI up to 49% (automatic up to 26%, and FIPB approval beyond 26% and up to 49%).

- ▶ Term 'internal accruals' for the purposes of downstream investment defined to mean 'profits transferred to reserve account after payment of taxes'.
- ▶ Increase in FDI limit for consideration of FDI proposals by CCEA-pecuniary limits of foreign equity inflow for consideration of FDI proposals by CCEA have been enhanced from the previous limit of INR 30 billion to INR 50 billion.

Foreign exchange regulations

Inbound investments

- ▶ RBI has during the year permitted foreign investment into investment vehicles like REITs, InvIts and AIFs under the automatic route.

Outbound investments

- ▶ RBI has rationalized and liberalized provisions relating to outbound investments as follows:
 - ▶ RBI has modified the instructions with respect to extension of credit facilities by banks in India to Joint Ventures/Wholly Owned Subsidiary as follows:
 - ▶ Banks may extend funded and/or non-funded credit facilities to step-down subsidiaries of Indian companies including to those beyond the first level, to finance the projects undertaken abroad; and
 - ▶ The immediate overseas subsidiary of the Indian company must be directly controlled by the Indian parent company through any of the modes of control recognised under the Indian Accounting Standards and must directly hold a minimum 51% of its shareholding.
- ▶ The remittance limit under Liberalized remittance scheme of USD 125,000 has been enhanced to USD 250,000 during the year.

ECB

- ▶ RBI has re-organized the existing framework of ECB and the entire scheme is now categorized into three tracks of ECBs categorized according to the MAM and currency involved in borrowing.
- ▶ RBI has during the year introduced an additional source of funding by allowing entities to raise funds from overseas market in the form of rupee denominated bonds. This is in addition to ECB framework.

Miscellaneous

- ▶ During the year, RBI introduced an immunity scheme from initiating any proceedings under FEMA in respect of such assets which are held abroad by person resident in India in violation of FEMA for which declarations have been made and taxes & penalties have been paid under the provisions of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015. The assets so held may be disposed of without any permission from RBI which otherwise is required in case the declarant wishes to continue holding the overseas asset.

Securities law and regulations

Delisting of Equity Shares Regulations

- ▶ SEBI has notified the amendments to Delisting Regulations on 24 March 2015. The key amendments are as follows:
 - ▶ An option has been granted to acquirer to delist the shares of company directly through Delisting Regulations, instead of making offer under Takeover Regulations.
 - ▶ Delisting Regulations have been amended to consider delisting successful when promoters shareholding reaches 90% of the total issued shares and at least 25% of the number of public shareholders (holding shares in demat mode) participate in RBB.

Listing Obligations and Disclosure Requirements Regulations, 2015

- ▶ SEBI has notified the SEBI Listing Regulations effective from 1 December 2015, to consolidate and streamline provisions of existing listing agreements in respect of various types of listed securities.

- ▶ The following two provisions are applicable with effect from 2 September 2015:
 - ▶ Passing of ordinary resolution instead of special resolution in case of all material related party transactions subject to related parties abstaining from voting on such resolutions.
 - ▶ Re-classification of promoters as public shareholders under various circumstances.

Buy Back of Securities Regulations

- ▶ Use of stock exchange platform - The revised buy back norms require acquirers to facilitate tendering of shares and their settlements through the stock exchange, thus enabling favourable capital gains exemption to the shareholders as available for on-market transactions.

Issue of Capital and Disclosure Requirements

- ▶ ICDR Regulations have been amended from time to time during the year. Some of the key amendments are as follows:
 - ▶ Fast track issue simplified:
 - ▶ Companies which have average market capitalization of INR 10,000 million in case of public issue and INR 2,500 million in case of rights issue can make issue under fast track issue route as against earlier requirement of average market capitalization of INR 30,000 million.
 - ▶ Levying of monetary penalties by stock exchanges no longer considered as a ground for ineligibility to make issue under fast track issue route.
 - ▶ Certain additional requirements have also been prescribed to make issue under this route.

Institutional Trading Platform

- ▶ SEBI has replaced the existing guidelines for listing of securities on ITP. The guidelines for listing, which were earlier available only for SME, are now made available to wider class of issuers.

Financial services

Mutual funds

- ▶ In May 2015, SEBI amended the MF Regulations, to enable AMCs to render management and advisory services to Category I FPIs as specified in FPI Regulations provided such activities are not in conflict with the activities of the MF.

International Financial Services Centres

- ▶ In March 2015, RBI issued FEM IFSC Regulations in connection with financial institutions set up in IFSCs.
- ▶ These Regulations, *inter alia*, provide that any financial institution or branch set up in the IFSC and recognized by the Government or a Regulatory Authority shall be treated as a person resident outside India.

Alternative Investment Funds

- ▶ In November 2015, RBI issued a notification amending the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, *inter alia*, to allow foreign investments in investment vehicles regulated by SEBI including AIFs.
 - ▶ As per the notification, downstream investments by an AIF shall be regarded as foreign investments if neither the Sponsor nor the Manager nor the Investment Manager is Indian 'owned and controlled' and will need to be in compliance with the extant FDI Policy.
 - ▶ As a corollary, therefore, downstream investments would be treated as domestic investments where the

sponsor and, the manager or the investment manager is 'owned and controlled' by Indian residents.

- ▶ These provisions are applicable to persons resident outside India including FPIs and NRIs.

Foreign Venture Capital Investors

- ▶ In June 2015, SEBI issued a Circular clarifying that FVCIs governed under the FVCI Regulations would be allowed to obtain a registration as an FPI (subject to conditions).

FPIs

- ▶ FDI Policy has been amended to provide for a composite cap across all types of foreign investments (direct and indirect), including FPI:
 - ▶ FPI, up to an aggregate foreign investment level of 49% or sectoral / statutory cap, whichever is lower, will not be subject to either the Government approval or compliance of sectoral conditions, provided such investment does not result in transfer of ownership and / or control of Indian entities from resident Indian citizens to non-resident entities.
 - ▶ However, in banking-private sector, where sectoral cap is 74%, FPI limits will continue to be within 49% of the total paid-up capital.
- ▶ Limits for FPI in debt securities shall henceforth be announced / fixed in rupee terms (previously announced / fixed in USD terms).
- ▶ Effective 12 October 2015, the aggregate FPI in Central Government securities will be 20% of the amount outstanding for each Central Government security.

NBFC

- ▶ On 9 July 2015, RBI issued the Non-Banking Financial Companies (Approval of Acquisition or Transfer of Control) Directions, 2015, indicating the situations where prior approval of RBI would be required where there is a change in control or management of an NBFC. By introduction of the 2015 Directions, the Non-Banking Financial Companies (Approval of Acquisition or Transfer

of Control) Directions, 2014 issued by RBI on 26 May 2014, stand repealed.

Banking

- ▶ With a view to provide a greater flexibility in seeking access to overseas funds, RBI has now permitted AD category-I banks to borrow from international/multilateral financial institutions without its prior approval.
- ▶ RBI has relaxed the eligibility criteria for a factoring company to take loans from banks.
- ▶ RBI has allowed domestic scheduled banks (other than RRBs) to open branches in Tier 1 to Tier 2 centres without the need to take permission from RBI subject to reporting and certain other conditions.
- ▶ Previously, banks were not permitted to cross-hold such bonds among themselves. Effective June 2015, RBI has allowed the banks to invest in the long-term bonds issued by other banks subject to prescribed conditions.

Insurance

- ▶ Some of the noteworthy amendments include increase in the foreign investment limit to 49%, definition of control of an IIC, identification of health insurance as a separate category, widening definition of re-insurer to include re-insurance branch office of foreign companies.
- ▶ The IRDA, on 19 October 2015, issued guidelines to provide clarity on the compliance of Indian owned and controlled requirement for IICs (including for Indian insurance intermediaries having more than 50% revenue from insurance activities).
- ▶ The IRDA issued final regulations for Registration and Operation of Branch Offices of Foreign Re-insurers (other than Lloyd's) after consultation with the stakeholders.

Telecommunications

- ▶ In 2015, the Government approved spectrum sharing and trading. Key features are as follows:
 - ▶ Spectrum sharing allowed only for access service providers in a Licensed Service Area. Leasing not permitted.
 - ▶ Sharing permitted if both licensees have spectrum in same band.
 - ▶ Sharing and trading allowed between two licensees only.
 - ▶ Trading revenue included in AGR.
- ▶ The Government has exempted use of wireless frequencies from licensing requirement for short-range microphones like cordless phones, radars, contact less cards and similar products.
- ▶ M-SIPS which offers subsidy on electronic manufacturing was extended for another five years in August 2015. The Government has also set up a joint task force with the industry to rejuvenate the country's mobile phone manufacturing ecosystem, with a view to achieve production of 500 million mobile handsets by 2019.

Retail & Consumer products

Retail

- ▶ In January 2016, Andhra Pradesh became the first state to unveil its retail trade policy that offers incentives and provides flexibility to enterprises in terms of business hours and part-time employees.
- ▶ In January 2016, the Maharashtra State Cabinet gave in-principal approval to Maharashtra's retail trade policy. Key suggestions include Food and Grocery retailing under the Maharashtra ESMA as 'essential services' and relaxation of stocking limit under ECA. It also provides relaxation of labor laws with regards to working hours,

work shifts and employment of part-time workers. Other features include setting up of Retail Entertainment Zones and exemption from APMC regulations.

Food

- ▶ On 14 January 2016, FSSAI released a notice for operationalization of Food Safety and Standards (Food Import) Regulations, 2016. These include stricter import norms for licensing, documentation, packaging, labelling as well as suspension or cancellation of food importers' licenses.
- ▶ In July 2015, FSSAI finalized 12,000 standards for food additives and ingredients in line with global safety standards Codex, to do away with lengthy process of product approval.

Others

- ▶ The Government has made furnishing PAN card mandatory from 1 January 2016 for all sale and purchase of goods and services, including purchase of jewellery above INR 200,000 in cash or through card.
- ▶ The Government has proposed to impose GST on alcohol products except alcoholic liquor for human consumption.

Real estate

- ▶ The Government has revised the regulations for FDI in construction development sector by way of Press Note 12 of 2015. Key features of the current policy are as follows:
 - ▶ Condition of minimum built up area of 20,000 square meters has been removed.
 - ▶ Minimum capitalization requirement has been removed.
 - ▶ Investor will be permitted to exit on completion of project or after development of trunk infrastructure i.e. roads, water supply, street lighting, drainage and sewerage, whichever is earlier.
 - ▶ Notwithstanding the above, a foreign investor will be permitted to exit and repatriate foreign investment

before the completion of the project or trunk infrastructure under automatic route provided that a lock-in-period of three years is completed in respect of each tranche of investment.

- ▶ Transfer of stake from one non-resident to another non-resident without repatriation of investment will neither be subject to any lock in period nor to any approval.
- ▶ It is clarified that 100% FDI under automatic route is permitted in completed projects for operations and management of townships, malls / shopping complexes and business centres. Consequent to foreign investment, transfer of ownership and/or control of the investee company from residents to non-residents is also permitted. However, there would be a lock-in period of three years, calculated with reference to each tranche of FDI, and transfer of immovable property or part thereof is not permitted during this period.

Media

Broadcasting

Digitization of TV broadcasting

- ▶ Implementation of Digital Addressable System to activate pan-India digitization is under way. Rollout of Phase III Digital Addressable System was completed on 31 December 2015 with over 75% seeding of digital set-top-boxes and the deadline for Phase IV implementation is 31 December 2016.

Radio

Phase III of FM radio expansion

- ▶ E-auction of first batch of private FM radio Phase-III channels saw 14 successful bidders for 91 channels in 54 cities. With the auction, the industry will see FM radio increase its reach to 75% of the Indian territory.

Over-The-Top Digital Media

Net Neutrality

- ▶ The TRAI has recently barred telecom service providers from charging differential rates for data services.

Films

Film certification process

- ▶ Ministry of Information and Broadcasting has constituted an Expert Committee to evolve broad guidelines / procedures within the ambit of extant regulations dealing with certification of films.

Events

Single Window Clearance

- ▶ Single Window Clearance for events has been introduced in Delhi from 1 September 2015.

Health sciences

Drugs

- ▶ The Government has released the NBDS 2015-2020 to establish India as a world-class bio-manufacturing hub.
- ▶ The Government has extended the date for implementation of Trace and Track system for export of drug formulations to April 2016 for non - SSI manufactured drugs and April 2017 for SSI manufactured drugs.
- ▶ The Government amended the NLEM 2011 by deleting 70 and adding 106 medicines, thus taking the list to 376.

Clinical trials

- ▶ The Union Health Ministry has abolished repeat pre-clinical or toxicity studies on animals for permission for a new drug or clinical trial if authentic data on animal toxicology has been submitted with the technical data.

Infrastructure and transportation

Railways

- ▶ The key highlights of Railway Budget include:
 - ▶ To explore new ways of funding projects - be it by forming joint ventures with states, developing new frameworks for PPP, scouting international markets for Rupee bonds or engaging with multilateral and bilateral agencies.
 - ▶ To set up new freight corridors namely Delhi-Chennai, Kharagpur-Mumbai, Kharagpur-Vijayvada and setting up of India's first rail auto hub in Chennai. Further, elevated rail corridor in Mumbai from Churchgate to Virar and CST to Panvel is to be set up.
 - ▶ To undertake implementation of rail connectivity for the ports of Nargol and Hazira under PPP model.
 - ▶ To focus on EPC contracting model and at least 20 projects to be implemented through this mode in 2016-17.
 - ▶ To finalize the bids for setting up two locomotive factories in India as a part of Government's 'Make in India'.
 - ▶ The Ministry in December 2015 gave its approval for setting up India's first 500 km long bullet train project connecting Mumbai to Ahmedabad which will cost around INR 976,360 million with the help of Japanese technical and financial assistance. A special purpose vehicle to be registered for this purpose.

Roadways

- ▶ The Cabinet Committee on Economic Affairs has approved a hybrid model for construction of national highways. Key features of the same are as under:
 - ▶ Under this model, the Government will share a specified percentage of the project cost and would allocate funds to the developer to start work;

- ▶ The remaining investment will come from the private developers over the duration of project execution;
- ▶ With a view to ameliorate the shortage of equity and improve liquidity, Government has allowed securitization of future cash flows, deferment of premium in stressed highway projects, harmonious substitution in financially stressed highway projects and 100% equity divestment after two years of construction of all highway projects under PPP mode.

Civil aviation

- ▶ Government proposed a National Civil Aviation Policy covering issues such as regional connectivity scheme, scheduled commuter airlines, maintenance repair and overhaul, fiscal incentives, bilateral traffic rights, code share agreements etc. The policy aims to provide a conducive environment and a level playing field to various aviation sub-sectors like Airlines, Airports, Cargo, Maintenance Repairs and Overhaul services, General Aviation, Aerospace manufacturing, Skill Development etc.

SEZ

- ▶ With a view to promote the ease of doing business, SEZ units are now allowed to remove goods for repair, replacement, testing, calibration, quality testing and research and development purposes also on self-attestation basis under intimation to the Specified Officer and on giving an undertaking to the Authorized Officer for return of such goods.
- ▶ In order to have growth of SEZs in the country and to give a boost to exports from SEZs, Government has extended benefits of both the reward schemes (MEIS and SEIS) to units located in SEZs.

Indirect tax

Foreign Trade Policy

- ▶ Foreign Trade Policy 2015-2020 introduced with effect from 1 April 2015 for a period of five years till 31 March 2020.
- ▶ The focus of the policy to incentivize exports from India, accordingly new schemes such MEIS and SEIS introduced with lesser compliance conditions, flexibility with regard to usage and transferability of scrip(s).
- ▶ Served From India Scheme has been replaced with Service Exports from India Scheme to promote export of services from India.
- ▶ Benefits of Merchandise Exports from India Scheme and Served from India Scheme extended to units located in SEZ.
- ▶ Manufacturers who are also Status Holders have been enabled to self-certify their manufactured goods as originating from India with a view to qualify for preferential treatment under different Trade Agreements.
- ▶ For providing boost to the Make in India mission, several measures have been introduced like reduced Export Obligation under EPCG scheme on domestic procurement of goods, reduced compliances.
- ▶ Period for fulfilling export obligation period under Advance Authorization scheme for export of items falling in the category of defense, military store, aerospace and nuclear energy increased from 18 months to 24 months.
- ▶ Several relaxations have been provided in the EOU scheme, like allowing EOUs/STPs to share infrastructural facilities among themselves, source goods centrally for seeking better discounts, to set up warehouses near port of exports, increased validity of Letter of Permission.
- ▶ EOUs having physical export turnover of INR 100 million and above, have been allowed the facility of fast track clearances of import and domestic procurement basis a pre-authenticated procurement certificate issued by Customs / Central Excise authorities.

GST

- ▶ The Constitution (One Hundred and Twenty-Second) Amendment Bill for ushering in GST was tabled in Rajya Sabha on 12 May 2015, which, as per the opposition demand, was referred to the Select Committee of the Rajya Sabha.
- ▶ Recommendations of the Select Committee were tabled in the Rajya Sabha on 22 July 2015. Some of the key recommendations of the Select Committee were:
 - ▶ 1% additional tax on inter-state movement of goods and services to be restricted to the supplies made for a 'consideration'.
 - ▶ Full compensation to states for a period of five years for any loss of revenue.
 - ▶ GST rate for banking industry should be minimum.
- ▶ Consequently, the reports of the Joint Committee with respect to registration, payment, refund and returns released. The key features of the said reports are:
 - ▶ PAN based registration is mandatory.
 - ▶ Registration mandatory for each state from where supplies are made.
 - ▶ Registration is compulsory for inter-state supply or payment on reverse charge basis.
 - ▶ Electronic payment process, no generation of paper at any stage.
 - ▶ Ease of payment - 4 types of taxes to be paid (CGST, IGST, SGST and Additional Tax).
 - ▶ Three modes of payment - electronic including credit card/debit card, over the counter payment (for payments upto INR 10,000) and payment through RTGS/NEFT.
 - ▶ Common e-return for CGST, IGST, SGST & Additional Tax.
 - ▶ Separate returns for different categories of taxpayers i.e. normal/regular/casual taxpayer (GSTR 1, 2, 3 and 8), compounding taxpayer (GSTR 4 and 8), foreign

non-resident taxpayer (GSTR 5), input service distributor (GSTR 6) and tax deductor (GSTR 7).

- ▶ Payment of tax due is must for filing valid return.
- ▶ Refund available for excess payment made due to mistake and inadvertence on account of:
 - ▶ Wrong mention of nature of tax (CGST/IGST/SGST).
 - ▶ Wrong mention of GSTIN.
 - ▶ Wrong mention (deposit) of tax amount.
- ▶ Refund available for exports (including deemed exports).
- ▶ Tax refunds for International Tourists.
- ▶ Chief Economic Advisor Committee submitted its report prescribing possible GST rates to Finance Minister. Report recommends the following rates:
 - ▶ Revenue neutral rate between 15%–15.5%.
 - ▶ Standard rate between 17%–18%.
 - ▶ Lower rate of around 12%.
 - ▶ Sin/demerit rate of about 40% applicable to luxury cars, aerated beverages, pan masala, tobacco and tobacco products (for states).

Global tax update

- ▶ 2015 was a landmark year for international tax in more than many ways. On 5 October 2015, the OECD released its final reports on the BEPS Action Plans containing 15 action points. These final reports represent the culmination of work on the Base Erosion and Profit Shifting project. Because of Government concerns about the potential for MNEs to locate profits where they are subject to favorable tax treatment, the G20 requested the OECD to develop recommendations for changes in international tax laws and treaties that Governments can implement to reduce the potential for BEPS activity. The OECD, in response to this request, issued 15 action items to address the main areas where they feel companies have been most aggressively polioicies for shifting of profit – addressing the digital economy, treaty abuse, transfer pricing, and more.
- ▶ The output from the BEPS project include recommendations for significant changes in key elements of the international tax architecture. Such changes are reflected in revisions to the OECD Transfer Pricing Guidelines and the OECD Model Tax Convention and in recommended domestic law provisions. This output was endorsed by the G20 in November 2015. The focus now shifts to implementation of the BEPS recommendations in a consistent and coherent manner, monitoring the impact on both double non-taxation and double taxation.
- ▶ There has been significant BEPS-driven legislative and tax administration activity around the world, which are captured in the following paragraphs:
 - ▶ On 27 January 2016, 31 countries signed the Multilateral Competent Authority Agreement (MCAA) for the automatic exchange of country-by-country (CbC) reports, which requires each jurisdiction's competent authority to provide a notification regarding the jurisdiction's readiness and intentions with respect to CbC reporting (Action 13). The count of signatories to MCAA is likely to increase in the future.
 - ▶ On 28 January 2016, the European Commission published an Anti-Tax Avoidance Package containing measures against corporate tax avoidance in the

European Union. It includes an Anti-Tax Avoidance Directive containing new provisions on interest deduction limitations, exit taxation, CFC taxation, treatment of low-taxed foreign income, anti-abuse rules, and hybrid mismatches. It also includes an European Union CbC reporting Directive containing rules on mandatory automatic exchange of CbC reports within the European Union from fiscal years starting on or after 1 January 2016. The ATA Directive also proposes a GAAR to address non-genuine arrangements or a series thereof, carried out for the purpose of obtaining a tax advantage that defeats the object or purpose of applicable tax provisions. This follows the embedding of a GAAR into the Parent-Subsidiary Directive, which Member States were required to have transposed into national legislation by 31 December 2015. Bulgaria, France, Luxembourg, Poland, Sweden etc., have already implemented the Parent-Subsidiary Directive, which is aimed at preventing abuse of participation exemption for dividends and abuse of exemption from withholding tax on outbound dividends.

- ▶ On 3 December 2015, Australia implemented Multinational Anti Avoidance Law to apply to foreign multinationals generating certain profits earned from Australia without an Australian PE. Multinational Anti Avoidance Law has application to arrangements involving high tax jurisdictions as well as being based on a subjective and low threshold "principal purpose" test.
- ▶ On 14 December 2015, the Norwegian Government approved its 2016 Fiscal Budget that includes changes to the interest deduction limitation rules and a restriction on the participation exemption regime for hybrid instruments.
- ▶ The Brazilian Revenue Authority issued a Declaratory Act on 18 December 2015, through which Dutch holding companies without "substantial economic activity" are included in its list of "privileged tax regimes". This list triggers a series of tax consequences, from both an inbound and an outbound perspective. However, there is no official guidance on defining substantial economic activity.

- ▶ On 17 December 2015, Germany and Japan signed a revised income tax treaty and a protocol that will replace the existing 1966 treaty. It includes some of the OECD recommendations under Actions 2, 6 and 14 of BAP, such as the treatment of income from fiscally transparent entities or arrangements; a tie-breaker rule to determine the treaty residence of dual residents; a combination of a limitation on benefits provision and a principal purpose test provision to address treaty abuse and allows for mandatory binding arbitration.
- ▶ On 12 November 2015, a revised tax treaty and protocol was also signed between Australia and Germany including some of the recommendations proposed under Actions 6 and 7 of BAP such as inclusion of preamble clarifying the intention of tax treaties; revised definition of a PE to include the proposed amendments with regard to the dependent and independent agent definitions, the anti-fragmentation rule and a new anti-splitting up of contracts provision; and an anti-treaty shopping rule preventing treaty abuse through a principal purpose test.
- ▶ On 30 October 2015, the Spanish Official Gazette published the General Budget Law for year 2016, including the introduction of the modified nexus approach recommended in Action 5 of BAP on harmful tax practices.
- ▶ With implementation being the top-most priority, OECD has launched a multilateral instrument (MI) under Action 15, to update the global network of more than 3,500 bilateral tax treaties. About 95 countries, including India, have joined an ad hoc group to negotiate an MI, to modify bilateral tax treaties in a synchronised and efficient manner. The group began its work in May 2015 with the aim of finalizing the multilateral instrument and to open it for signature by 31 December 2016.

Glossary

AAI	Airports Authority of India
AAR	Authority for advance ruling
AD	Authorized Dealer
ADR	American Depository Receipt
AEO	Authorized Economic Operator
AFS	Anti-Fouling Systems
AGR	Adjusted Gross Revenue
AIF	Alternative Investment Fund
APMC	Agricultural Produce Market Committee
ASEAN FTA	ASEAN Free Trade Zone
BA-BE	Bioavailability - Bioequivalence
BC	Business correspondents
BIS	Bureau of Indian Standards
Buy-back Regulations	Buy Back of Securities Regulations, 1998
CDSCO	Central Drugs Standard Control Organization
CEPA	Comprehensive Economic Partnership Agreement
CII	Confederation of Indian Industries
DCGI	Drug Controller General of India
Delisting Regulations	SEBI (Delisting of Equity Shares) Regulations, Regulations 2009
DIPP	Department of Industrial Policy and Promotion
DoHE	Department of Heavy Industries
DOP	Department of Pharmaceuticals
DOT	Department of Telecommunications
EC	Education Cess
ECA	Essential Commodities Act
ESMA	Essential Services Maintenance Act
FBO	Food Business Operator
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FEM IFSC Regulations	Foreign Exchange Management (International) Financial Services Centre) regulations, 2015
FIPB	Foreign Investment Promotion Board
FOB	Free On Board
FPI	Foreign Portfolio Investment

FPI Regulations	SEBI (Foreign Portfolio Investors) Regulations, 2014
FPIs	Foreign Portfolio Investor
FSSAI	Food Safety and Standards Authority of India
FVCI	Foreign Venture Capital Investor
FVCI	Foreign Venture Capital Investment
FVCI Regulations	SEBI (Foreign Venture Capital Investors) Regulations, 2000
GFATM	Global Fund To Fight AIDS
GST	Goods and Service Tax
HTM	Held to Maturity
ICDR Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
IFSC	International Financial Service Centre
IIC	Indian Insurance Company
IRDA Authority	Insurance Regulatory and Development
IRDA IFSC Guidelines	IRDA (International Financial Service Centre) Guidelines, 2015
ITP	Institutional Trading Platform
LLP	Limited Liability Partnership
MDAE	medical device associated adverse events
MEIS	Merchandise Exports from India Scheme
MEIS	Merchandise Exports from India Scheme
MF	Mutual Fund
MF Regulations	SEBI (MF Regulations), 1996
MoPNG	Ministry of Petroleum & Natural Gas
MTS	Mass Transit System
MTSS	Money Transfer Services Scheme
MvPI	Materio-vigilance Program of India
NABL	National Accreditation Board for Testing and Calibration Laboratories
NBDS	National Biotechnology Development Strategy
NBFC	Non-Banking financial company
NBFC-MFIs Institutions	Non-Banking financial company-Micro Finance
NCD	Non-convertible Debentures
NDTL	Net Demand and Net Liabilities
NITI Aayog	National Institution for Transforming India Aayog
NLEM	National List of Essential Medicines
NMDP	National Medical Device Policy
NOC	No Objection Certificate
NPPA	National Pharmaceuticals Pricing Authority

NSFDC	National Scheduled Caste Finance & Development Corporation
PPI	Prepaid Payment Instrument
PPM	Parts Per Million
PPP	Public Private Partnership
QIB	Qualified Institutional Buyer
R&D	Research and Development
RBB	Reverse Book Building process
RBI	Reserve Bank of India
RRB	Regional Rural Bank
SBC	Swatchh Bharat Cess
SCOMET	Special Chemicals Organisms, Materials, Equipment, and Technologies
SDR	Strategic Debt Restructuring Scheme
SEBI	Securities and Exchange Board of India
SEBI ESOP Regulations	SEBI (Share Based Employee Benefits) Regulations, 2014
SEBI IFSC Guidelines	SEBI (International Financial Services Centres) Guidelines, 2015
SEBI Listing Regulations	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI Takeover	SEBI (Substantial Acquisition of Shares Regulations and Takeovers) Regulations, 2011
SEIS	Service Exports from India Scheme
SEIS	Services Exports from India Scheme
SEZ	Special Economic Zone
SEZ	Special Economic Zones
SHEC	Secondary and Higher Education Cess
SLBC	State Level Bankers Committee
SLBC convenor	The Lead Bank of SLBC designated as 'convenor Bank'
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprise
SSI	Small Scale Industries
STT	Service Transaction Tax
Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
TRAI	The Telecom Regulatory Authority of India
ZLD	Zero Liquid Discharge

Compliance calendar for the period 1 March 2016 to 31 March 2017

Date of compliance	Particulars
MARCH 2016	
5	Payment of Excise and Service tax liability for the month of February 2016 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of February 2016
7	Payment of taxes withheld in February 2016
10	Filing of excise return for the month of February 2016
15	Payment of advance tax [100% of the estimated tax (as reduced by tax already paid, if any) for the financial year 2015-16]
31	Payment of excise and service tax liability for the month of March 2016 (including e - payment)
	Last day for payment of advance tax for the financial year 2015-16
APRIL 2016	
10	Filing of excise return for the month of March 2016
25	Filing of Service tax return for the period 1 October 2015 to March 2016
30	Payment of taxes withheld in March 2016
	Filing of yearly Excise return related to principal input in Form ER - 5 for year ending 31 March 2016
	Filing of yearly excise return of installed capacity statement in ER - 7
MAY 2016	
5	Payment of Excise and Service tax liability for the month of April 2016 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of April 2016
7	Payment of taxes withheld in April 2016
10	Filing of Excise return for the month of April 2016
15	Electronically file quarterly (January to March 2016) withholding tax returns in Form 24Q/26Q/27Q/27EQ
30	Furnishing annual statement (in Form 49C) for the financial year 2015-16 by a NR having a Liaison office in India
	Due date for issue of quarterly (January to March 2016) TDS/TCS certificates in respect of withholding for payments (other than salary) in Form 16A/27D
31	Issue annual certificate of withholding to employees in respect of salary paid during the financial year

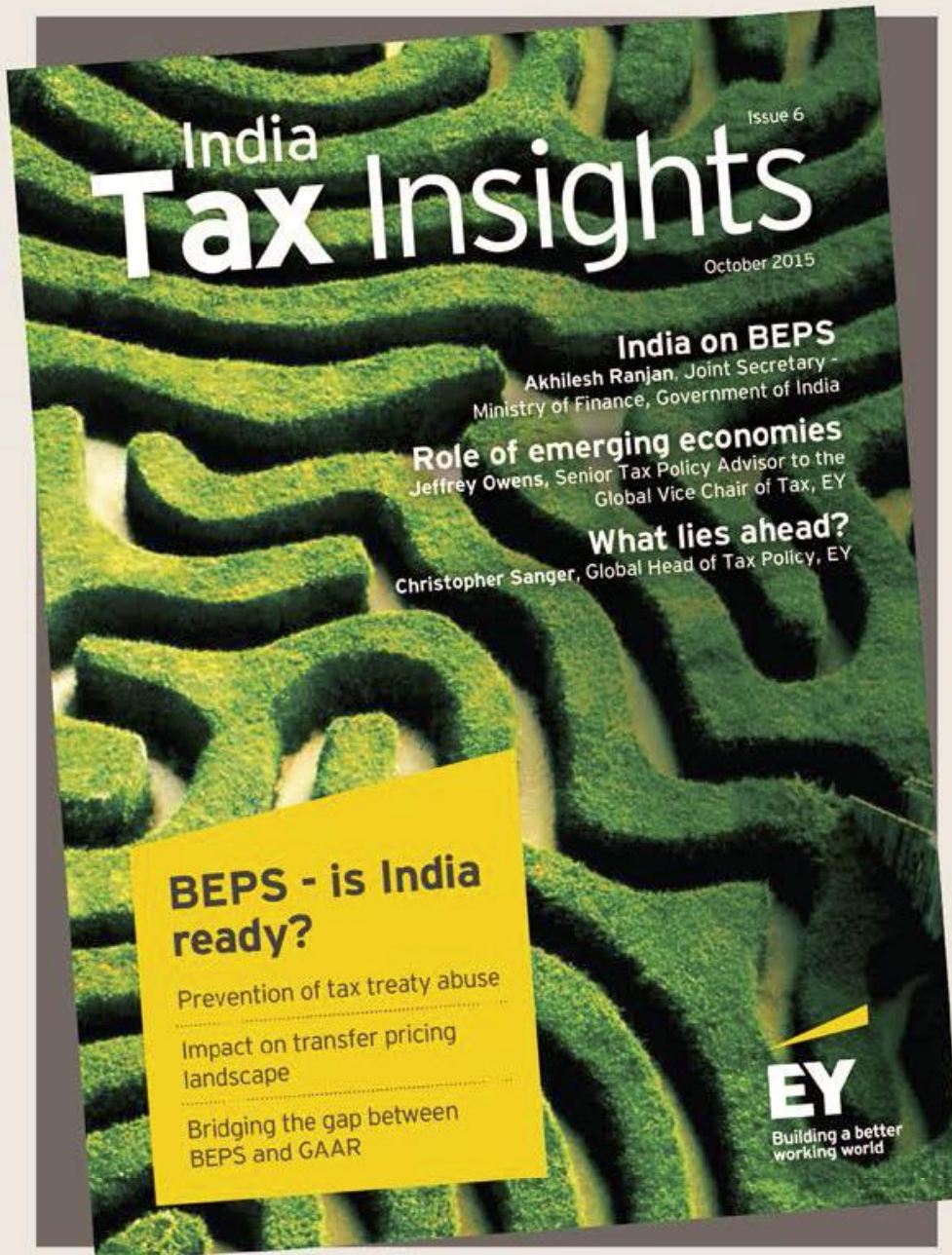
Date of compliance	Particulars
	2015-16 in Form 16
JUNE 2016	
5	Payment of Excise and Service tax liability for the month of May 2016 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of May 2016
7	Payment of taxes withheld in May 2016
10	Filing of excise return for the month of May 2016
15	Payment of advance tax [Not less than 15% of estimated tax for the financial year 2016-17]
	Final adjustment of amount paid, if any, on a monthly basis under Rule 6(3)(ii) of Cenvat Credit Rules,2004
30	Form - 64B Business trust to furnish statement of income distributed to unit holder for the financial year 2015-16
	Form - 64C Investment fund to furnish statement of Income distributed to unit holder for the financial year 2015-16
JULY 2016	
5	Payment of Excise and Service tax liability for the month of June 2016 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of June 2016
7	Payment of taxes withheld in June 2016
10	Filing of excise return for the month of June 2016
15	Electronically file quarterly (April to June 2016) withholding tax returns in Form 24Q/26Q/27Q/27EQ
30	Due date for issue of quarterly (April to June 2016) TDS/TCS certificates in respect of withholding for payments (other than salary) in Form 16A/27D
31	File income tax return for individual and non - corporates [who are not subject to tax audit and non - transfer pricing (TP) cases, for the financial year 2015-16
AUGUST 2016	
5	Payment of Excise and Service tax liability for the month of July 2016 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of July 2016
7	Payment of taxes withheld in July 2016
10	Filing of excise return for the month of July 2016
SEPTEMBER 2016	
5	Payment of Excise and Service tax liability for the month of August 2016 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of August 2016

Date of compliance	Particulars
7	Payment of taxes withheld in August 2016
10	Filing of excise return for the month of August 2016
15	Payment of advance tax(Not less than 45% of the estimated tax for the financial year 2016-17 as reduced by tax already paid, if any)
30	File Income tax return for non - corporates (who are subject to tax audit and non - TP cases) and corporates (non - TP cases) for the financial year 2015-16
OCTOBER 2016	
5	Payment of Excise and Service tax liability for the month of September 2016 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of September 2016
7	Payment of taxes withheld in September 2016
10	Filing of excise return for the month of September 2016
15	Electronically file quarterly (July to September 2016) withholding tax returns in Form 24Q/26Q/27Q/27EQ
25	Filing of service tax return for the period 1 April 2016 to 30 September 2016
30	Issue of quarterly (July to September 2016) TDS/TCS certificates in respect of withholding on payments other than salary in Form 16A/27D
31	Specified persons to electronically file in Form No 61 details received in Form No 60
NOVEMBER 2016	
5	Payment of Excise and Service tax liability for the month of October 2016 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of October 2016
7	Payment of taxes withheld in October 2016
10	Filing of excise return for the month of October 2016
30	File income tax return and other certificates for Taxpayers subject to TP compliance, for the financial year 2015-16
	Filing of Excise return in Form ER - 4 for the year ending 31 March 2016 (by units paying more than INR 10 million of duty)
	Form - 64A Business trust to furnish a Statement of Income distributed to Principal Commissioner or Commissioner for the financial year 2015-16
	Form - 64D Investment Fund to furnish a Statement of Income distributed to Principal Commissioner or Commissioner for the financial year 2015-16
DECEMBER 2016	
5	Payment of Excise and Service tax liability for the

Date of compliance	Particulars
	month of November 2016 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of November 2016
7	Payment of taxes withheld in November 2016
10	Filing of excise return for the month of November 2016
15	Payment of advance tax(Not less than 75% of the estimated tax for the financial year 2016-17 as reduced by tax already paid, if any)
JANUARY 2017	
5	Payment of Excise and Service tax liability for the month of December 2016 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of December 2016
7	Payment of taxes withheld in December 2016
10	Filing of excise return for the month of December 2016
15	Electronically file quarterly (October to December 2016) withholding tax returns in Form 24Q/26Q/27Q/27EQ
30	Due date for issue of quarterly (October to December 2016) TDS/TCS certificates in respect of withholding for payments (other than salary) in Form 16A/27D
FEBRUARY 2017	
5	Payment of Excise and Service tax liability for the month of January 2017 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of January 2017
7	Payment of taxes withheld in January 2017
10	Filing of excise return for the month of January 2017
MARCH 2017	
5	Payment of Excise and Service tax liability for the month of February 2017 (Other than e- payment)
6	E - Payment of excise and Service tax liability for the month of February 2017
7	Payment of taxes withheld in February 2017
10	Filing of excise return for the month of February 2017
15	Payment of advance tax [100% of the estimated tax (as reduced by tax already paid, if any) for the financial year 2016-17]
31	Payment of excise and service tax liability for the month of March 2016 (including e - payment)
	Last day for payment of advance tax for the financial year 2016-17

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