



FM
FOX MANDAL

UNION

BUDGET

2017

Themes of the Budget

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- b. Additional Source Mobilisation
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I. Direct Taxes

a. Rate of Income Tax

Note: For the purpose of reference to the changes under the Direct Tax Regime, hereinafter the Income Tax Act, 1961 will be referred to as the Act.

- Rate of taxation for individual assesses having taxable income of INR 2.5 lakhs to 5 lakhs reduced to 5%.
- No change in the Income Tax rates for Income exceeding INR 5 lakhs and above.
- No Change in Income Tax Rates concerning Co-operative Societies, Local Authorities and Firms.
- Domestic Companies, whose Gross Receipts doesn't exceed INR 50 crores in financial year will enjoy a reduced rate of 25%. In all other cases, it shall continue to be taxable @ 30%.

- Additional 10% surcharge introduced on individuals having annual taxable income between INR 50 Lakhs and INR 1 Crore. No change in surcharge for individuals whose income exceeds INR 1 Crore.

b. Additional Resource Mobilisation

- Tax @10% levied under Section 115BBDA of the Act on dividend income exceeding INR 10 lakh in hands of resident individual, HUF and Firms extended to all resident assesses except domestic companies, trust, institution, fund registered under section 12AA or referred to in section 10(23C) of the Act. (Applicable from AY 2018-19).
- Individuals and HUF (Not liable for Tax Audit) are now required to deduct tax at source under Section 194-IB of the Act on rent payment in excess of INR 50,000/- per month or part of month @ 5%.

Deductor not required to obtain TAN and liable to deduct tax only once in a previous year. In case landlord, doesn't provide his PAN number, then TDS @20% is required to be deducted, however total TDS to be deducted cannot exceed the rent payable for last month. (Applicable from 01-06-2017).

c. Measures for Growth in Real Estate Sector

- Holding Period for Long Term Capital Gains in the case of Immovable Property has been reduced from 36 months to 24 months. (Applicable from 01-04-2018)

- To provide tax neutrality to the conversion of preference shares of a company into equity share of same company, Section 47 of the Act is proposed to be amended. Consequently, such transfer shall not be regarded as transfer. Accordingly, amendment is made into section 2(42A) of the Act to include the period for which Preference Shares were held into period of holding of equity shares. (Applicable from 01-04-2018).
- Section 80-IBA of the Act providing 100% deduction in respect of profits and gains from development of housing projects is proposed to be amended and consequently now the Carpet Area is to be considered for measuring the size of a residential unit. Now exemption is available for development of units of 30 Sq. mtr and 60 Mtr on basis of Carpet Area thus increasing the proposed size of house. For places located within a distance of 25Km from the municipal limits of Chennai, Delhi, Kolkata and Mumbai, carpet area is restricted to 30 sq.mtr. (Applicable from 1-04-2018).
- New Clause (37A) inserted under Section 10 of the Act to provide exemption from Capital Gains for transfer of land under the land pooling scheme for capital city of Amaravati. Exemption is available only to Individual or HUF who owns land or building or both as on 02/06/2014 (Applicable from 01-04-2015).
- The dispute on the taxability of Capital Gains for owners (Individuals & HUF) in respect of Joint Development is settled vide insertion of sub-section (5A) in Section 45 of the Act. Now in case of JDA, the liability to pay capital gain tax on the land owner in respect of the land share given in exchange for built up area, will only arise in the year in which the certificate of completion of the project is received. Consideration in this case will be stamp duty value of Land or building or both for his share increased by monetary consideration if any. (Applicable from 01-04-2018).
- New Section 194-IC is inserted in the Act and now TDS @ 10% is proposed to be deducted by developer on amount of money credited or paid by him to resident in cash or cheque or ECS in lieu of Joint Development Agreement. (Applicable from 01-04-2018).
- Amendment to fifth proviso to Section 48 of the Act to extend the benefit of exemption from Capital Gains arising out of appreciation of rupee against foreign currency to secondary market buyer. (Applicable from 01-04-2018).
- Section 55 of the Act, 1961 is proposed to be amended to shift the base year for indexation for the purpose of computation of Capital Gains from 01-04-1981 to 01-04-2001. (Applicable from 01-04-2018).
- Capital Gains exemption upto INR 50 Lakhs available under Section 54EC of the Act, on investments in National Highway Authority of India or Rural Electrification Corporation Limited bonds is extended to investment in any bond notified by the Central Government. (Applicable from 01-04-2018).

- Amendment is proposed to Section 23 of the Act and consequently no notional income for house property held as stock-in-trade for a period upto one year from the end of the Financial Year in which the certificate of completion of construction of the property is obtained from the competent authority. (Applicable from 01-04-2018).

d. Measures for stimulating growth

- Amendment is proposed to Section 194 LC of the Act. Time limit for concessional TDS of 5% with respect to External Commercial Borrowing which is going to expire on 01-07-2017 extended to 01-07-2020. (Applicable from 01-04-2018).
- Amendment is proposed to Section 194 LD of the Act. Time limit for concessional TDS of 5% with respect to income by way of interest to Foreign Institutional Investor or a Qualified Foreign Investor on a rupee denominated bond of an Indian company or a Government security which is going to expire on 01-07-2017 extended to 01-07-2020. (Applicable from 01-04-2018).
- Section 79 of the Act is proposed to be amended to give benefit of Carry Forward and Set off of loss to Companies and Start-ups in cases where all the shareholders of such company holding shares carrying voting power on the last day of the year or years in which the loss was incurred, being the loss incurred during the period of seven years beginning from the year in which such company is incorporated, continue to hold those shares on the last day of such

previous year.(Applicable from 01-04-2018).

- Section 80IAC of the Act is proposed to be modified to extend the tax holiday for eligible start-ups to 3 consecutive assessment out of 7 years beginning from the date of incorporation of such start-up. Previously deduction of profits for three consecutive assessment years out of five years. (Applicable from 01-04-2018).
- Section 115JAA is proposed to be amended to allow carry forward and set off of tax credit upto 15 assessment years (previously 10 assessment years) immediately succeeding the assessment years in which the said tax credit becomes allowable. (Applicable from 01-04-2018).
- Section 115JD (2) of the Act is proposed to be amended as such that now the amount of Alternate Minimum Tax (AMT) shall not be allowed to be carried forward to subsequent year to the extent such credit relates to the difference between the amount of foreign tax credit (FTC) allowed against Alternate Minimum Tax (AMT) and FTC allowable against the tax as per regular provisions of Act (Previously the difference was allowed to be carried forward). (Applicable from 01-04-2018).
- Section 115JD (4) of the Act is proposed to be amended to allow carry forward of Alternate Minimum Tax upto 15 assessment years (previously 10 assessment years) immediately succeeding the assessment years in which the said tax credit becomes allowable. (Applicable from 01-04-2018).

- It is proposed to enhance the deduction limit in respect of provisions made for bad and doubtful debts made by Scheduled Banks and Non-Scheduled Banks under Section 36 of the Act to 8.5% from 7.5%. (Applicable from 01-04-2018).

e. Promoting Digital Economy

- Section 80G of the Act is proposed to be amended and donation of any sum exceeding INR 2000 (Previously INR 10,000) made in cash shall not be allowed as deduction. (Applicable from 01-04-2018).
- Amendment is proposed in Section 43 of the Act to disallow capital expenditure exceeding INR 10,000 if the same is made in any mode other than an account payee cheque or a bank draft or by way of electronic clearing system. (Applicable from 01-04-2018).
- Amendment is proposed in Section 35AD of the Act to disallow expenditure exceeding INR 10,000, made to a person in a day in a mode otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account. (Applicable from 01-04-2018).
- Section 40A(3) of the Act is proposed to be amended to disallow any expenditure in respect of which payment or aggregate of payments made to a person in a day exceeds INR 10,000 (Previously 20,000). (Applicable from 01-04-2018).
- Section 40A (3A) of the Act is proposed to be amended. Now any expenditure

exceeding INR 10,000 (Previously INR 20,000) incurred in a particular year for which payment is made in any subsequent year in a mode other than by an account payee cheque drawn on a bank or account payee bank draft shall be deemed to be income under Profit & gains from Business or profession. (Applicable from 01-04-2018).

- Section 44AD of the Act is proposed to be amended to reduce the existing rate of deemed total income considered for the purpose of determination of tax under the head "profits and gains of business or profession from 8% to 6% in case if the total turnover or gross receipt not exceeding INR 2 crore is received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year. (Applicable from 01-04-2017).
- Introduction of Section 269ST and Section 271DA to the Act to restrain transaction in cash of an amount exceeding INR 3 Lakhs. Section 271DA inserted to levy penalty of an amount equal to in case of non-contravention of Section 269ST of the act and penalty of sum equal to the amount received in contravention of Sec. 269ST. Joint commissioner shall not levy the penalty if the assessee proves that there were good and sufficient reasons for such contravention. (Applicable from 01-04-2017).
- Since the receipt of money exceeding INR 3 Lakhs is in contravention of Sec 269ST, amendment is also proposed to

Section 206C (1) of the Act omitting the levy of TCS @1% on cash sale of Jewellery exceeding INR 5 Lakh. (Applicable from 01-04-2017)

f. Ease of Doing Business

- Section 9 of the Act amended to cease the application of explanation 5 on any asset or capital asset being investment held by non-resident, directly or indirectly, in a Foreign Institutional Investor, as referred to in clause (a) of the Explanation to section 115AD, and registered as Category-I or Category II Foreign Portfolio Investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992. (Applicable from 01-04-2012).
- To avoid unnecessary hardship to stakeholders, Section 9A(3)(j) of the Act is proposed to be amended to nullify the requirement of maintenance of corpus fund of minimum of INR 100 Crore as the same is difficult to be maintained in the wound-up period.
- Section 197A(1) (1A)&197A(1)(1C) of the Act is amended to allow Individuals and HUFs to file self-declaration in Form.No.15G/15H for non-deduction of TDS in respect of insurance commission received/receivable u/s 194D in cases where their total estimated income is nil. (Applicable from 01-06-2017).
- Clause (i) & (ii) of Section 44AA (2) of the Act is proposed to be amended and consequently threshold limit of income from Business or Profession, increased from INR 1.2 Lakh to INR 2.5 Lakh and threshold limit of total sales or turnover or Gross Receipts increased from INR 10 Lakh to INR 25 Lakh. (Applicable from 01-04-2018).
- Section 44AB of the Income Tax Act is proposed to be amended and consequently threshold limit for audit of business entities who opt for presumptive income scheme is proposed to be increased from INR 1 crore to INR 2 crore. (Applicable from 01-04-2017).
- Section 206C is proposed to be amended to exempt buyers such as the Central Government, State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State, a local authority as defined in explanation to clause (20) of Section 10, a public sector company which is engaged in the business of carrying passengers, from the requirement of collection of 1% of tax at the time of payment of sale consideration towards sale of a motor vehicle exceeding INR 10 lakhs. (Applicable from 01-04-2017).
- In order to promote ease of doing business, section 194J of the Act is proposed to be amended to reduce the rate of deduction of tax from 10 % to 2% in case of payments made or credited to a person engaged only in the business of operation of call center. (Applicable from 01-06-2017).
- In order to reduce the compliance burden of taxpayers, it is proposed to amend the scope of Section 92BA of the Act to provide that expenditure in respect of which payment has been made by the

- assessee to a person referred to in under section 40A(2)(b) are to be excluded from the scope of "specified domestic transaction" u/s 92BA of the Act Accordingly, amendment has also been proposed in Section 40A(2)(b). (Applicable from 1-04-2017).
- Section 49 of the Act is proposed to be amended so to provide that that cost of acquisition of the shares of Indian company referred to in section 47(vic) in the hands of the resulting foreign company shall be the same as it was in the hands of demerged foreign company. (Applicable from 01-04-2018).
 - Section 143 is amended and consequently the processing of a return shall not be necessary, where a notice has been issued to the assessee under the said section. (Applicable from 01-04-2017).
 - A new Section 241A is inserted to the Act to empower the Assessing Officer to withhold the refund due to the assessee under the provisions of section 143(1) of the Act where he is of the opinion that grant of the refund is likely to adversely affect the revenue to the date on which the assessment is made. (Applicable from 01-04-2017).
 - Amendment is proposed to Section 211 of the Act to provide that an assessee who declares profits and gains in accordance with the provisions of sub-section (1) of section 44AD & sub-section (1) of section 44ADA shall also be liable to pay Advance Tax in one installment on or before 15th of March. (Applicable from 01-04-2017).
 - A new sub-section (IB) is inserted to Section 244A of the Act to provide that where refund of any amount becomes due to the deductor in respect of any amount paid to the credit of the Central Government under Chapter XVII-B, such deductor shall be entitled to receive, in addition to the said amount, simple interest @1.5% for every month or part of a month from the date on which claim for refund is made or in case order passed in appeal, from the date on which tax is paid, to the date on which refund is granted. (Applicable from 01-04-2017).
 - Section 47 & 48 of the Act is proposed to be amended so to provide that any transfer, made outside India, of a capital asset being rupee denominated bond of an Indian company issued outside India, by a non-resident to another non-resident shall not be regarded as transfer. Gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company to secondary holders shall be ignored for the purposes of computation of full value of consideration. (Applicable from 01-04-2018).
 - A new sub-section (14A) is proposed to be inserted to Section 155 of the Act to provide that credit of tax which was under dispute shall be allowed for the year in which such income is offered to tax or assessed to tax in India for foreign taxes if subsequently such dispute is settled and the assessee, within six months from the end of the month in which the dispute is settled, furnishes to the Assessing Officer evidence of settlement of dispute and evidence of

payment of tax. (Applicable from 01-04-2018)

- Section 245N & 245Q of the Act is proposed to be amended and consequently Authority for Advance Ruling (AAR) for Income-Tax, Central Excise, Customs Duty and Service Tax will stand to be merged. (Applicable from 01-04-2017)
- It is proposed to expand the scope of Section 253 of the Act to provide that the orders passed by the prescribed authority under sub-clauses (iv) and (v) of sub-section (23C) of section 10 shall also be appealable before the ITAT. (Applicable from 01-04-2017)
- It is proposed to amend Section 153 of the Act to provide that for the AY 2018-19, the time limit for making an assessment order under sections 143 or 144 of the Act shall be reduced from existing 21 months to 18 months from the end of the assessment year, and for the AY 2019-20 it shall be further reduced to 12 months from the end of the assessment year in which the income was first assessable. It is further provided that the time limit for making an order of assessment, reassessment or re-computation under section 147, in respect of notices served under section 148 on or after the 1st April, 2019 shall be 12 months from the end of the financial year in which notice under section 148 is served. With respect to the order of fresh assessment in pursuance of an order passed or received in the financial year 2019-20 and onwards under sections 254 or 263 or 264-

time period shall be 12 months from the end of the financial year in which order under section 254 is received or order under section 263 or 264 is passed by the authority referred therein. In cases where the order requires verification of any issue by way of submission of any document by the assessee or any other person or where an opportunity of being heard is to be provided to the assessee, the time limit relating to fresh assessment shall apply to the order giving effect to such order. (Applicable from 01-04-2017)

- It is proposed to amend the provisions of section 139 to the act to provide that the time for furnishing of revised return shall be available upto the end of the relevant assessment year or before the completion of assessment, whichever is earlier. (Applicable from 01-04-2018)
- It is proposed to amend section 153B to provide that for search and seizure cases conducted in the financial year 2018-19, the time limit for making an assessment order under section 153A shall be reduced from existing 21 months to 18 months from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed.

For search and seizure cases conducted in the financial year 2019-20 and onwards, the said time limit

shall be further reduced to 12 months from the end of the financial year in which the last of the authorizations for search under section 132 or for requisition under section 132A was executed. It is also proposed to insert a proviso to the Explanation to provide that where a proceeding before the Settlement Commission abates under section 245HA, the available period of limitation for assessment or reassessment shall not be less than 1 year; and where such period of limitation is less than 1 year, it shall be deemed to have been extended to one year. (Applicable from 01-04-2017)

g. Anti- Abuse Measures

- Section 10(38) of the act is proposed to be amended to provide that exemption under this section for income arising on transfer of equity share acquired or on after 1st day of October, 2004 shall be available only if the acquisition of share is chargeable to Securities Transactions Tax under Chapter VII of the Finance (No 2) Act, 2004. However, to protect the exemption for genuine cases where the STT could not have been paid like acquisition of share in IPO, FPO, bonus or right issue by a listed company acquisition by non-resident in accordance with FDI policy of the Government etc., it is also proposed to notify transfers for which the condition of chargeability to STT on acquisition shall not be applicable. (Applicable from 01-04-2018).
- New Section 50CA is inserted to the Act to provide that where consideration for transfer of share of a company (other than quoted share) is less than the Fair Market Value (FMV) of such share determined in accordance with the prescribed manner, FMV shall be deemed to be the full value of consideration for the purposes of computing income under the head "Capital gains. (Applicable from 01-04-2018).
- It is proposed to insert a new clause (x) in sub-section (2) of section 56 of the Act to provide that receipt of the sum of money or the property by any person without consideration or for inadequate consideration in excess of INR 50,000 shall be chargeable to tax in the hands of the recipient under the head "Income from other sources". It is also proposed to widen the scope of existing exceptions by including the receipt by certain trusts or institutions and receipt by way of certain transfers not regarded as transfer under section 47 of the Act (Applicable from 01-04-2017).
- To protect the interest of the revenue in cases where tangible evidence(s) are found during a search or seizure operation (including 132A cases) and the same is represented in the form of undisclosed investment in any asset, it is proposed that section 153A of the Act relating to search assessments be amended to provide that notice under the said section can be issued for an assessment year

or years beyond the sixth assessment year already provided up to the tenth assessment year if the AO has in his possession books of accounts or other documents or evidence which reveal that the income which has escaped assessment amounts to or is likely to amount to INR 50 lakh or more in 1 year or in aggregate in the relevant four assessment years (falling beyond the sixth year) and such income escaping assessment is represented in the form of asset and the income escaping assessment or part thereof relates to such year or years.

- With a view to improve compliance of provision relating to tax deduction at source (TDS), it is proposed to amend the Section 58 of the Act so to provide that provisions of section 40(a)(ia) shall apply in computing income chargeable under the head "income from other sources" as they apply in computing income chargeable under the head "Profit and gains of business or Profession" (Applicable from 01-04-2018).
- With a view to honour the recommendations made by Organization for Economic Co-operation and Development (OECD) with respect to issue of base erosion and profit shifting by way of excess interest deduction by the Multinational groups it is proposed to insert a new section 94B in the Act to provide that interest expenses claimed by an entity to its associated enterprises shall be restricted to 30%

of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to associated enterprise, whichever is less. The provision shall be applicable to an Indian company, or a permanent establishment of a foreign company being the borrower who pays interest in respect of any form of debt issued to a non-resident or to a permanent establishment of a non-resident and who is an 'associated enterprise' of the borrower. Further, the debt shall be deemed to be treated as issued by an associated enterprise where it provides an implicit or explicit guarantee to the lender or deposits a corresponding and matching amount of funds with the lender. The provisions shall also allow for carry forward of disallowed interest expense to 8 assessment years immediately succeeding the assessment year for which the disallowance was first made and deduction against the income computed under the head "Profits and gains of business or profession to the extent of maximum allowable interest expenditure.

It is further proposed to exclude Banks and Insurance business from the ambit of the said provisions keeping in view of special nature of these businesses. (Applicable from 1-04-2018)

- Amendment is proposed to Section 139 of the Act to provide that that any person as referred to in clause (23AAA), Investor Protection Fund

referred to in clause (23EC) or clause (23ED), Core Settlement Guarantee Fund referred to in clause (23EE) and any Board or Authority referred to in clause (29A) of section 10 shall also be mandatorily required to furnish a return of income. (Applicable from 01-04-2018)

- A new Section 234 is proposed to be inserted to the Act to provide that If return is not filed within due dates u/s 139(1) of the act, a fee of INR 5000/- shall be payable, if the return is furnished after the due date but on or before the 31st day of December of the assessment year and a fee of INR 10,000/- shall be payable in any other case. However, in a case where the total income does not exceed five lakh rupees, it is proposed that the fee amount shall not exceed INR 1,000/-. Consequential changes are made in Section 140A & Section 143(1) to take effect of Section 234F and Section 271F will not apply in respect of penalty for failure to furnish return of income from assessment year 2018-19.(Applicable from 01-04-2018)

h. Rationalisation Measures

- With respect to Section 112 of the Act It is clarified that the share of company in which public are not substantially interested sold by non-resident shall also be chargeable to tax at the rate of ten per cent for long term capital gain. Earlier, there was an uncertainty as to whether the

provision of section 112(1)(c)(iii) is applicable to the transfer of share of a private company.

- With respect to Section 10AA of the Act it is proposed to clarify that that the amount of deduction referred to in section 10AA shall be allowed from the total income of the assessee computed in accordance with the provisions of the Act before giving effect to the provisions of the section 10AA and the deduction under Section 10AA in no case shall exceed the said total income. (Applicable from 01-04-2018)
- In view of proposed rationalisation of tax rates for individuals in the income slab of INR 2,50,000 to INR 5,00,000, it is proposed to amend section 87A of the Act so as to reduce the maximum amount of rebate available under this section from existing INR 5000 to INR 2500. It is also proposed to provide that this rebate shall be available to only resident individuals whose total income does not exceed INR 3,50,000. (Applicable from 01-04-2018)
- In order to bring clarity to the meaning of 'person responsible for paying' in case of payment by a resident to a non-resident in accordance with section 195(6) of the Act, it is proposed to amend section 204 of the Act to provide that in the case of furnishing of information relating to payment to a non-resident, not being a company, or to a foreign company, of any sum, whether or not chargeable under the

provisions of this Act, 'person responsible for paying' shall be the payer himself, or, if the payer is a company, the company itself including the principal officer thereof.(Applicable from 01-04-2017)

- For the removal of doubts, it is declared that where any term used in an agreement entered into under section 90 of the Act is defined under the said agreement, the said term shall have the same meaning as assigned to it in the agreement; and where the term is not defined in the said agreement, but defined in the Act, it shall have the same meaning as assigned to it in the Act and any explanation given to it by the Central Government. (Applicable from 01-04-2018).
- New sub-section inserted under Section 49 of the Act to provide that Cost of acquisition of assets sold by a trust or institution which has paid tax on its accreted income u/s 115TD shall be deemed to be fair market value of the asset. (Applicable from 01-06-2016).
- A new Section 206CC is inserted to the Act to provide that in case of non-furnishing of PAN for TCS (in case of Resident higher rate of TCS (twice of the prescribed rates or 5% whichever is more) will be applicable and No Credit of TCS will be available as no certificate will be generated. (Applicable from 01-04-2017).

- New sub-section (3A) inserted to Section 71 of the Act to impose Monetary restriction of INR 2 lakh for set off of loss from house property against inter head income from other heads of income.(Applicable from 01-04-2018).
- Amendment to Section 133 of the Act is proposed to give powers to Powers now given to Joint Director, the Deputy Director and the Assistant Director to call for the information even when no proceedings are pending before them to any place. (Applicable from 01-04-2017)
- New sub-section 3 is inserted to Section 133C of the Act to facilitate CBDT to frame a scheme for Centralised issuance of notice and processing of information and making available outcome of processing to the Assessing Officer (Applicable from 01-04-2017).

i. Benefits for NPS Subscribers

- Section 10(12A) of the Act is proposed to be amended to provide tax exemption to partial withdrawal from NPS as such that exemption to employee subscriber on partial withdrawal not exceeding 25% in addition to exemption of 40% at the time of opting out or closure of account. (Applicable from 01-04-2018)

II. Indirect Taxes

a. Customs

Note: For the purpose of reference to changes made under the Customs Laws, hereinafter the Customs Act 1962 shall be referred as the Act.

- Section 7 of the Act is amended to facilitate the appointment of foreign post office and International Courier Terminal as custom stations.
- Section 27 of the Act is being amended so as to keep outside the ambit of unjust enrichment, the refund of duty paid in excess by the importer before an order permitting clearance of goods for home consumption is made, where such excess payment is evident from the bill of entry in the case of self-assessed bill of entry or the duty actually payable is reflected in the reassessed bill of entry in the case of reassessment.
- Section 28E & 28F of the Act are amended so as to provide that the authority for Advance Ruling constituted under section 245- O of the Income-tax Act, 1961, shall be the authority for giving advance rulings for the purpose of Customs Act. It is to abolish the advance ruling authority under Customs and transfer all power, pending cases to Advance Ruling Authority constituted under Income Tax Act.
- Section 28H is being amended so as to increase the application fee for seeking advance ruling from INR 2,500/- to INR 10,000/- on the lines of the Income-tax Act. This is to synchronize the Advance Ruling procedure as per Income Tax Act.
- Section 28I of the Act is being amended so as to provide time of limit of 6 months (earlier 90 days) by which Authority shall pronounce its ruling on the lines of the Income-tax Act. This is to synchronize the Advance Ruling procedure as per Income Tax Act.
- Section 46 of the Act is being substituted so as to make it mandatory to file the bill of entry before the end of the next day following the day (excluding holidays) on which the vessel or aircraft or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing and to provide for imposition of such charges for late presentation of the bill of entry as may be prescribed. This is to avoid unwanted storage of goods due to delay in filing bill of entry.
- Section 49 of the Act is being amended to extend the facility of storage to imported goods entered for warehousing before their removal with time limit of 30 days to such storage.
- Basic customs duty is being reduced to 5% on all items of machinery including instruments, apparatus and appliances, transmission equipment and auxiliary equipment required for initial setting up of fuel cell based system for generation of

power for demonstration purposes and required for operating on biogas or bio-methane etc.

- BCD on Cashew Nuts, roasted salted or roasted and salted is increased from 30% to 45%
- BCD on Liquefied Natural Gas is reduced to 2.5%
- BCD on Nylon mono filament yarn for use in monofilament long line system for Tuna fishing is reduced from 7.5% to 5%
- Limit of duty free import of eligible items for manufacture of leather footwear or synthetic footwear or other leather products for use in the manufacture of said goods for export is increased from 3% of FOB value of said goods exported to 5% of FOB value of said goods exported during the preceding financial year.
- BCD on MgO coated cold rolled steel coils [7225 19 90] for use in manufacture of CRGO steel is reduced from 10% to 5%
- BCD on Hot Rolled Coils [7208], when imported for use in manufacture of welded tubes and pipes falling under heading 7305 or 7306 is reduced from 12.5% to 10%.
- BCD on Solar tempered glass for use in the manufacture of solar cells/panels/modules is reduced from 5% to Nil

- BCD on Miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner is reduced to NIL
- BCD on parts and components for manufacture of miniaturized POS card reader for m-POS (not including mobile phones, or tablet computers), micro ATM as per standards version 1.5.1, Finger Print Reader / Scanner or Iris Scanner is reduced to NIL

b. Excise

Note: For the purpose of reference to changes made under the Excise Laws, Central Excise Act will be hereinafter referred to as the Act

- Section 23A of the Act is amended to appoint Advance Ruling Authority constituted under Income Tax Act, as advance Ruling Authority under the Act
- Section 23C of the Act is being amended so as to increase the application fee for seeking advance ruling from INR 2500 to INR 10,000
- Section 23D is being amended so as to provide time of limit of six months (earlier 90 days) by which Authority for advance ruling shall pronounce its ruling.
- A new section 23-I is being inserted to the Act so to provide for transferring the pending applications before the Authority for Advance Rulings (Central Excise,

Customs and Service Tax) to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

- Section 32E is being amended so as to insert a new subsection (5) therein to enable any person, other than assessee, referred to in sub-section (1) to make an application to the Settlement Commission.
- Sub-rule (4) is being inserted in rule 10 of CENVAT Credit Rules, 2004 so as to provide for a time limit of 3 months [further extendable by 6 months] for approval of requests regarding transfer of CENVAT credit on shifting, sale, merger, etc. of the factory
- Basic Excise Duty on Cigar and Cheroots increased from 12.5% or Rs.3755 per thousand to 12.5% or Rs.4006 per thousand, whichever is higher.
- Basic Excise Duty on Pan Masala increased from 6% to 9% and Unmanufactured tobacco from 4.2% to 8.3%
- Basic Excise Duty on Solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for

water pumping and other applications increased to 6%

- Basic Excise Duty on Parts/raw materials for manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications reduced from 12.5% to 6%
- Basic Excise Duty on all items of machinery required for balance of systems operating on biogas/ bi-methane/ byproduct hydrogen reduced from 12.5% to 6%
- Basic Excise Duty on Waste and scrap of precious metals or metals clad with precious metals arising in course of manufacture of goods falling in Chapter 71, Strips, wires, sheets, plates and foils of silver and Articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire and Silver coin of purity 99.9% and above, bearing a brand name when manufactured from silver on which appropriate duty of customs or excise has been paid is reduced to Nil subject to condition that that no credit of duty paid on inputs or input services or capital goods has been availed by manufacturer of such goods.

c. Service Tax

Note: For the purpose of reference to changes made under the Service Tax Laws, Finance Act, will be hereinafter referred to as the Act

- Clause (d) of section 96A of the Act is being amended so as to substitute the definition of "Authority" to mean the Authority for Advance Ruling as constituted under section 28E of the Customs Act, 1962. Change to appoint Advance Ruling Authority constituted under 245O of Income Tax Act, as Advance Ruling Authority for Service tax.
- Section 96C of the Act is being amended so as to increase the application fee for seeking advance ruling from INR 2500/- to INR 10,000/-
- Sub-section (6) of section 96D of the Act is being amended so as to provide time limit of six months by which Authority shall pronounce its ruling on the lines of the Central Excise Act.
- A new section 96HA is being inserted to the Act so as to provide for transferring the pending applications before the Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.
- Service tax exemption to taxable services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the Group Insurance Schemes of the Central Government, is being made effective from 10-09-2004 the date when services of life insurance became taxable.
- Benefit of the exemption notification No. 41/2016-ST dated 22.09.2016 is being extended with effect from 1.6.2007, the date when the services of renting of immovable property became taxable.
- A new sub-rule 4 is being inserted in Rule 10 of CENVAT Credit Rules, so as to provide that transfer of CENVAT Credit by the jurisdictional Dy./Assistant Commissioner of Central Excise, shall be allowed within 3 months (further extendable by another 3 months by principal commissioner) from the date of receipt of application from the manufacturer or service, subject to the fulfillment of the conditions prescribed under Rule 10 (3).
- Explanation-I (e) applicable to sub-rule 3 and 3A of Rule 6 of CENVAT Credit Rules, 2004 is being amended so as to exclude banks and financial institutions including NBFCs engaged in providing services by way of extending deposits, loans or advances from its ambit. It has been provided in the said explanation

that value for the purpose of reversal of common input tax credit taken on inputs and input services used in providing taxable and exempted services, shall not include the value of service by way of extending deposits, loans or advances against consideration in the form of interest or discount.

- The exemption vide S. No. 9B of notification No. 25/2012-ST dated 20.06.2012, is being amended so as to omit the word “residential”

- appearing in the notification. The exemption remains the same in all other respects. S. No. 9B of notification No. 25/2012-ST exempts services provided by Indian Institutes of Management (IIMs) by way of 2 years’ full time residential Post Graduate Programmes (PGP) in Management for the Post Graduate Diploma in Management (PGDM), to which admissions are made on the basis of the Common Admission Test (CAT), conducted by IIM.

Disclaimers

- *This document has been written on the basis of a quick and preliminary analysis of the Union Budget 2017-18. It is meant for general information only and should not be construed as specific legal or tax advice.*
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