

Budget 2017

Key Highlights



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Prepared by Dhiren H Pandya & Associates, for client service and internal use only.
This document summarizes the key indicator of Budget Performance and key proposals of the Finance Bill 2017.
However, this publication is not intended to give legal, tax, accounting or other professional advice
Expert guidance may be sought before acting upon the proposals.



Economic Performance & Budget Financials

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Economic Performance

Key Indicators

Particulars	2013-14	2014-15	2015-16	2016-17
Growth in %				
-GDP (factor cost, constant prices) \$	6.6 ^a	7.2 ^b	7.6 ^c	7.1 ^d
-Agriculture & allied sectors (factor cost, constant prices)\$	4.2 ^a	-0.2 ^b	1.2 ^c	4.1 ^d
-Index of Industrial Production ⁱ	-0.1	2.8	2.4	0.4 ^e
Imports (at c.i.f , in USD billion)	466.2	461.5	396.4	183.5 ^f
Export (at f.o.b, in USD billion)	318.6	316.5	266.4	134.0 ^f
Inflation in % (Average in terms of WPI)	6.0	2.0	-2.5	2.9 ^g
Forex reserves (in USD billion)	304.2	341.6	350.0 ^h	360.0 ^g
Net Foreign Investment (FDI/ FII/ FPI, in USD billion)	26.4	73.5	31.9	29.4 ^f
Trade Balance/GDP	-7.9	-7.1	-6.3	-4.6 ^f

^a Second Revised Estimate ^b First Revised Estimate ^c Provisional Estimates ^d First Advance Estimate

^{\$} GDP at Factor cost at 2011-12 prices ^e April To November 2016-17 ^f April To September 2016-17.

^{\$\$} Growth at constant price at 2011-12 Prices ^g At December 2016 ^h At January 2016

ⁱ Base 2004-05 = 100.

Budget Financials

Key Budget Financials

(₹ in Crores)

Particulars	2015-16 Actual	2016-17 (B.E.)	2016-17 (R.E.)	2017-18** (B.E.)
1. Revenue Receipt	1195025	1377022	1423562	1515771
2. Capital Receipts ^{\$}	595748	601038	590845	630964
3. Total Receipt (1+2) ^{\$}	1790783	1978060	2014407	2146735
4. Scheme Expenditure	725114	801966	869847	945078
5. Expenditure on other than Scheme	1065669	1176094	1144560	1201657
6. Total Expenditure(4+5)	1790783	1978060	2014407	2146735
7. Revenue Expenditure	992142	1129137	1103049	1162877
8. Capital Expenditure	73527	46957	41511	38780
9. Revenue Deficit(7-1) As a percentage of GDP	342736 2.5%	354015 2.3%	310998 2.1%	321163 1.9%
10. Fiscal Deficit{6-(1+Recoveries of Loan + Other receipts)} As a percentage of GDP	532791 3.9%	533904 3.5%	534274 3.2%	546532 3.2%
11. Primary Deficit (10- Interest Payments) As a Percentage of GDP	91132 0.7%	41234 0.3%	51205 0.3%	23454 0.1%

B.E. Budget Estimate, R.E. Revised Estimate

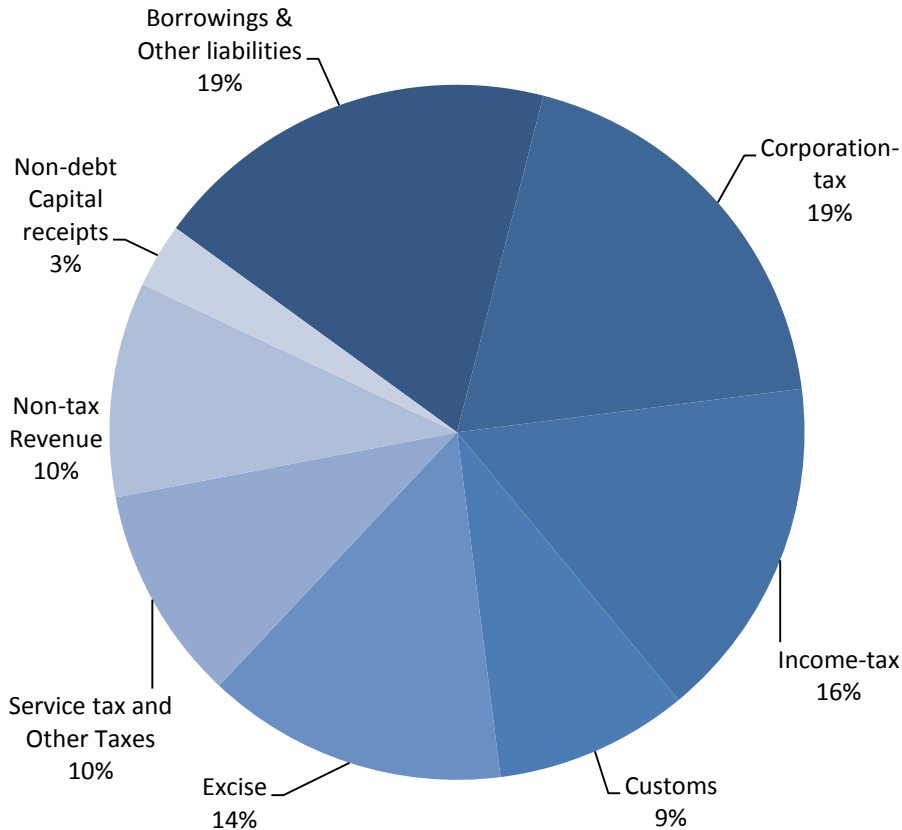
**GDP for BE 2017-18 has been projected at ₹ 16847455 crore assuming 11.75% growth over the revised estimates of 2016-17 (₹ 15075429 crore).

* It includes draw down of Cash Balance. \$ Excluding receipts under market stabilization scheme (MSS).

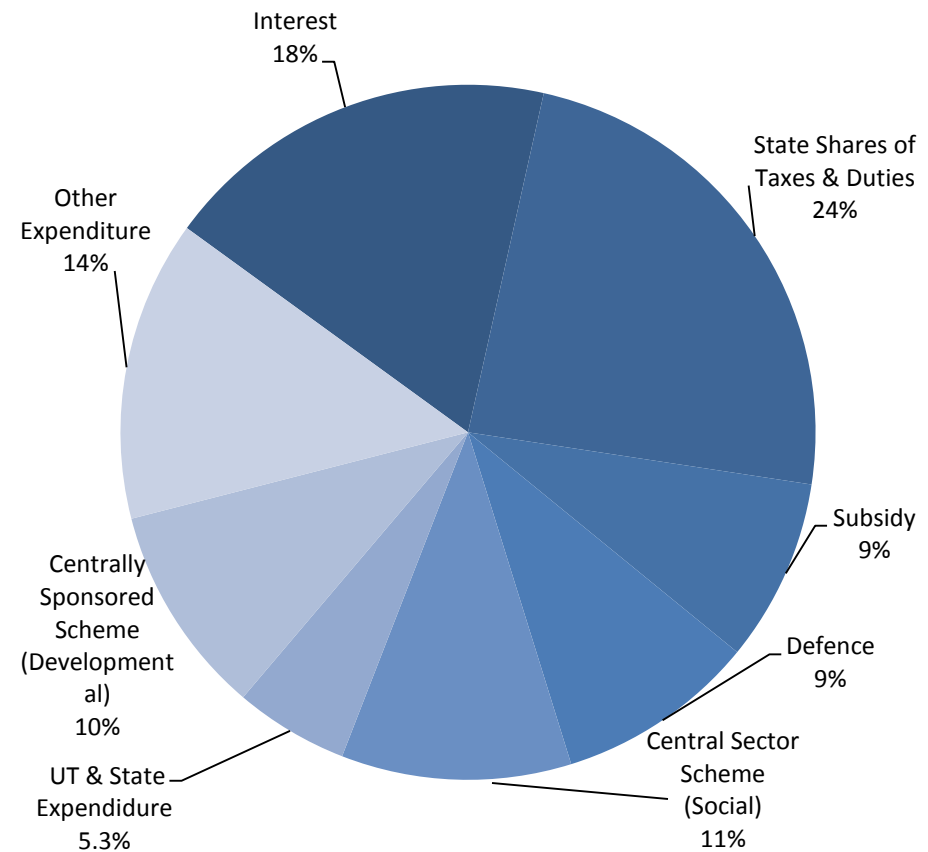
Budget Financials

Where the Rupee comes from & Where the rupee goes to

Where the Rupee comes



Where the Rupee Goes



Key Policy Announcements

Financial :

- ❖ PSE's like IRCTC, IRCON etc. to be listed on Stock Exchange
- ❖ Oil Marketing Companies to be merged
- ❖ To create a payment regulatory board in RBI for supervision of payment & Settlement system
- ❖ Recapitalization of Bank's Capital by ₹ 10,000 Crore
- ❖ FIPB to be Abolished
- ❖ New ETF with diverse CPSE stocks to be launched

Fiscal Management :

- ❖ Target of 3% Fiscal Deficit for next year
- ❖ Net Market Borrowing of Government brought down to ₹ 3.48 lac crores from ₹ 4.25 lac crores

Key Policy Announcements

Infrastructure :

- ❖ Affordable Housing Projects to be given Infrastructure Status
- ❖ Provision of ₹ 2,41,387 Crores for Transportation Sector
- ❖ Second phase of solar park development to be taken up for additional 20000 MW capacity

Demonetization impact :

- ❖ In 1.90 crore account deposit between ₹2 lacs & ₹80 lacs were made with average deposit size of ₹ 5.02 lacs
- ❖ Deposit more than ₹80 lacs were made in 1.48 lacs account with average deposit size of ₹ 3.31 crore



Direct Taxes

Personal Taxation

❖ Rebate:

Reduced from ₹5000 to ₹2500 for Individuals having Income below ₹3.5 Lacs

❖ Rates of Tax :

Annual Income	Proposed	Present Rate of Tax
Up to ₹ 250000 [#]	Nil	Nil
₹ 250001 to ₹ 500000 [#]	5%*	10%
₹ 500001 to ₹ 1000000	20%	20%
Above ₹ 1000000	30%	30%

[#] To be read as ₹300000 instead of ₹250000 for Senior citizens aged 60-80 years

*NIL for Individuals above 80 years of age, same as existing

Personal Taxation / Corporate Taxation

❖ Surcharge:

- For **Individuals, HUF**, etc (Resident & Non-Resident) having Income between ₹50 Lacs to ₹1 Crore, Surcharge to be charged at 10% (Above ₹1 Crore charged @ 15%)

❖ Tax rate for Domestic Companies:

Particulars	Existing	Proposed
Turnover/ Gross Receipt Amount	<= ₹5 Crore	<= ₹50 Crore
Rate of Tax	29%	25%

Corporate Taxation / Tax Deducted at Source

❖ MAT

- Provisions with respect to Calculation of Book Profit has been proposed to be amended to include effect of Financial Statements drawn up in compliance to the Indian Accounting Standards
- MAT Credit shall be allowed to be Carried Forward for 15 Years instead of 10 Years

❖ TDS on Insurance Commission

- TDS not to be deduced in certain eligible cases

Tax Deduction at Source

❖ Changes Proposed to TDS Chapter :

Section – Nature	Existing Limit/Rate (₹)	Proposed Limit (₹)	Proposed Rate of TDS
194-IB(New Section): Payment of rent by certain individuals or Hindu undivided family	NIL	50,000 p.m or Part of Month	5%
194-IC(New Section): Payment under specified Agreement as covered u/s 45(5A) – Joint Development Agreement	1%*	Any Amount	10%
194J: Payment of Professional Fees: In respect of payment to Call Centers	10%	Any Amount	2%

Proposed Applicable Date: 01st June 2017

* Currently 1% is deducted under section 194IA

Capital Gains

❖ Immovable Property

- Period of holding of short-term assets reduced to 2 years from 3 years (w.e.f. April 1, 2018)

❖ Equity Shares

- Long Term Capital Gain exemption on transfer not available if acquisition done after 1-10-2004 and was not chargeable to STT

❖ Foreign Institutional Investors

- Investment of Non-Residents through FIIs **excluded** from ambit of Section 9(1)(i) where even transfer of shares in Foreign Company is deemed to be taxed in India, if substantial underlying assets are situated in India (w.e.f. April 1, 2012)

Capital Gains

❖ Transfer of Unquoted Shares:

- Value of Consideration not be less than Fair Market Value

❖ Conversion of Preference shares to Equity Shares:

- Not regarded as Transfer and hence not to be taxed

❖ Rupee Denominated Bonds:

- Not regarded as Transfer and hence not to be taxed, if transferred from one non-resident to another

❖ Indexation:

- Value of asset as on April 1, 2001 to be available as Cost and Indexation to be applicable accordingly

Transfer Pricing / Business & Profession

❖ Domestic Transfer Pricing

- Expenditure covered under the provisions of Section 40A(2)(b) to be excluded from the purview of DTP Provisions

❖ Limits to maintain books of accounts, for Individuals and HUFs: (w.e.f. April 1, 2018)

Particulars	Existing Limits (₹)	Proposed Limits (₹)
Income; or	1.20 Lacs	2.50 Lacs
Sales/ Turnover/ Gross Receipts	10 Lacs	25 Lacs

❖ Presumptive Taxation (44AD):

- Deemed total income to be 6% of receipts received by Account payee cheque / draft / Digital Mode, however, for Cash receipts it will continue to be 8%

Business & Profession / Set-Off Carry Forward

❖ Interest to Co-operative Banks:

- Interest paid to co-operative banks to be disallowed u/s 43B to assessee, if interest not paid by due date of furnishing return

❖ House Property:

- Loss from House Property not to be off-set against Income from Other Heads for an amount exceeding ₹ 2 Lacs

Deductions

❖ Cash Expenses for Business/ Profession:

- No deduction exceeding ₹10,000 available, if payment made in cash per person per day. (Previous limit ₹20,000) (w.e.f. April 1, 2018)
- For acquisition of assets through Cash, Cost of asset not to include amount exceeding ₹10,000, as a result depreciation benefit cannot be availed (w.e.f. April 1, 2018)

❖ Deduction in Respect of Profits and Gains from Housing Project (80IBA):

- Period allowed for Completion of Project increased from three years to five years
- Size of Blocks increased to 30/60 sq. meters of Carpet Area instead of Built-up Area
- Condition of Location of Project within 25 kilometers from Municipality Limits has been done away with

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Deductions / Exemptions

❖ Start ups:

- Deduction of 100% profits available for 3 years out of initial 7 years, instead of initial 5 years earlier

❖ Contribution to Pension Scheme of Central Government:

- Deduction limit raised to 20% of Gross Total Income from 10%

❖ Cash Donation (80G):

- Deduction in excess of Rs. 2000/- not to be allowed

❖ National Pension System:

- Exemption on partial withdrawal upto 25% of contribution

Banking Institutions

- ❖ **Banks to be allowed deduction for Bad and doubtful debts @ 8.5% instead of 7.5% of income (w.e.f. April 1, 2018)**

- ❖ **Co-operative Banks:**
 - Interest income to be taxed on crediting income to Income Statement or on receipt, whichever is earlier

Trust / Political Parties

❖ Trust:

- 'Corpus donation' made by charitable/ religious/ hospitals/ educational trusts to other such trusts to be taxable in hands of donor trust

❖ Political Parties:

Additional conditions for availing exemption:

- Receipt of donation through cash limited to ₹ 2000
- Donation to be received through Cheque/ Draft/ e-Banking/ Electoral Bonds
- Filing of return before due date necessary

Real Estate

❖ Real Estate Joint Development Agreements:

- Transfer of Real Estate by Individual / HUF for Development
- Capital Gain to arise at time of receipt of Completion Certificate of the whole / part of Project (Currently the liability arises in the year of transfer itself) (w.e.f. April 1, 2018)
- However, Capital Gain shall arise, if the Share in Project is transferred by the Individual/HUF in the year of such transfer
- TDS to be deducted @ 10% instead of existing 1%

❖ Income from House Property:

- Annual value of House Property considered **Nil** upto one year after completion of construction, if property held as **Stock-in-Trade** (w.e.f. April 1, 2018)

Compliances

- ❖ Time limit of Revised Return u/s 139(5) restricted to end of relevant Assessment Year
- ❖ New Time Limits for Completion of Assessment:

Particulars	Time period from end of Assessment Year
Existing	21 months
For A.Y. 2018-19	18 months
For A.Y. 2019-20	12 months

- ❖ Fees in case of Late filing of return:

Particulars	Amount (₹)
If Income is less than ₹ 5 lacs	1000
If Return filed before 31st December of Assessment Year	5000
In any other Case	10,000

Other Provisions

❖ **Cash Receipts above ₹ 3 lacs prohibited:**

- aggregate from a person in a day
- In respect of Single Transaction
- In respect of Transactions relating to one event or occasion
- Failure to Comply shall attract Penalty of the amount received

❖ **Particulars Furnished by Accountants, Valuers etc.:**

- Penalty of ₹ 10,000 to be imposed for furnishing incorrect particulars in any Report or Certificate

❖ **Carbon Credits:**

- To be taxed at flat rate of 10% without any deduction (earlier taxed at 30%)

Service Tax

Service Tax

Advance Ruling:

- ❖ **Advance Ruling Authority to be the one which is constituted u/s 245-O of Income Tax Act, 1961**
- ❖ **Time Limit to Pronounce Ruling increased to 6 months from 90 days**

Research & Development Cess:

- ❖ **Proposed to be Abolished**
- ❖ **As a result, Service tax to be fully applicable on Import of Technology (earlier it was exempt to the extent of R&D Cess paid)**

Service Tax – Exemption

Exemptions:

Services	Proposed Exemptions
Air Transport of Passenger	<ul style="list-style-type: none">▪ Service to Government in respect of journey to/from Regional Connectivity Scheme Airport▪ Consideration received in form of Viability Gap Funding (VGF) is proposed to be exempted
Life Insurance	<ul style="list-style-type: none">▪ Services provided by Group Insurance Funds of Army, Navy & Air Force to members of respective forces
Renting of Industrial Plots	<ul style="list-style-type: none">▪ One time upfront Payment to State Govt. Industrial Development Corporation to be retrospectively exempt w.e.f. 1st June, 2007▪ Payment must be for long term lease of at least 30 years▪ Refund to be made of all such tax already collected

CENVAT

Transfer of CENVAT Credit:

- ❖ **Transfer of Credit to be allowed within a period of 3 months from date of application**

Rule 6(3) & (3A):

- ❖ **Services Provided by Banks, Financial Institutions, NBFCs etc by way of extending deposits, loans etc. excluded from the ambit**

Central Excise

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Central Excise

Settlement Commission:

- ❖ Person other than assessee can also make an application to settlement commission

Advance Ruling:

- ❖ Advance Ruling Authority to be the one which is constituted u/s 245-O of Income Tax Act, 1961

Exemption:

- ❖ Micro ATM as per standard version 1.5.1, fingerprint reader/scanner, Iris scanner, miniaturized POS card for mPOS and parts and components of the same are exempt from excise duty

Central Excise – Major Rate Changes

Cigarettes	Existing (AED per thousand)	Proposed (AED per thousand)	Movement
Non Filter not exceeding 65 mm	₹ 215	₹ 311	↑
Non Filter not exceeding 65 mm but not exceeding 70 mm	₹ 370	₹ 541	↑
Filter not exceeding 65 mm	₹ 215	₹ 311	↑
Filter not exceeding 65 mm but not exceeding 70 mm	₹ 260	₹ 386	↑
Filter not exceeding 70 mm but not exceeding 75 mm	₹ 370	₹ 541	↑
Others Cigarettes	₹ 560	₹ 811	↑

Automobile	Existing (BED)	Proposed (BED)	Movement
Motor vehicle for transport of more than 13 persons	27%	12.5%*	↓

* with effect from 01.01.2017

Central Excise – Major Rate Changes

Tobacco & Tobacco Products	Existing	Proposed	Movement
Cigar and Cheroots	12.5% or ₹ 3755 per Thousand higher of.	12.5% or ₹ 4006 per thousand higher of	↑
Cigarillos	12.5% or ₹ 3755 per thousand higher of	12.5% or ₹ 4006 per thousand higher of	↑
Cigarettes of tobacco substitutes	₹ 3755 per thousand	₹ 4006 per thousand	↑
Cigarillos of tobacco substitutes	12.5% or ₹ 3755 per thousand higher of	12.5% or ₹ 4006 per thousand higher of	↑
Other of tobacco substitutes	12.5% or ₹ 3755 per thousand higher of	12.5% or ₹ 4006 per thousand higher of	↑

Central Excise – Major Rate Changes

Tobacco & Tobacco Products	Existing (BED)	Proposed (BED)	Movement
Pan Masala	6%	9%	↑
Unmanufactured Tobacco	4.2%	8.3%	↑
Paper rolled biris - handmade	₹ 21 per thousand	₹ 28 per thousand	↑
Paper rolled biris - manufactured	₹ 21 per thousand	₹ 78 per thousand	↑

Tobacco	Existing (AED)	Proposed (AED)	Movement
Chewing Tobacco, Jarda Scented Tobacco & Pan Masala	10%	12%	↑

Central Excise – Major Rate Changes

Renewable Energy	Existing	Proposed	Movement
Solar tempered glass for use in solar photovoltaic cells /modules	Nil	6 %	↑
Parts /raw materials for manufacture of Solar tempered glass for use in solar photovoltaic cells /modules	12.5 %	6 %	↓
All the parts for the manufacturing of the Led lights or fixtures, including LED lamps	12.5 %	6 %	↓
Resin & Catalyst for use in the manufacture of cast components of Wind Operated Electricity Generator	12.5%	Nil	↓
All items of machinery required for fuel cell based power generating system	12.5%	6%	↓

Customs

Customs

Extension of Scope:

- ❖ Custom station to include foreign post office, international courier terminal & custom airport.

Concessional Rate:

- ❖ Custom duty on all the parts for the use in the manufacturing of LED light or fixtures, including LED lamp shall be taxed at concessional rate of 5%.
- ❖ Goods imported thorough parcel, packets, & letters of CIF value not more than ₹1000 per consignment to be exempted from BCD, CVD & SAD

Advance Ruling:

- ❖ Advance ruling authority to be the one which is constituted u/s 245-O of IT act.

Customs – Major Rate Changes

Chemicals & Petro Chemical	Existing (BCD)	Proposed (BCD)	Movement
Vinyl Polyethylene Glycol for use in manufacture of Poly Carboxylate ether	10%	7.5%	↓
LNG	5%	2.5%	↓
Monofilament Yarn	7.5%	5%	↓
MTA & QTA	7.5%	5%	↓

Energy	Existing (BCD)	Proposed (BCD)	Movement
Solar tempered glass for the use in manufacture of Solar cells/Panels/Modules	5%	Nil	↓
Catalyst & Resin for the use in the manufacturing of cast components of Wind Operated Electricity Generator	BCD- 7.5% CVD-12.5% SAD- 4%	BCD- 5% CVD- Nil SAD- Nil	↓

Customs – Major Rate Changes

Electrical Items	Existing	Proposed	Movement
Micro ATMs as per standard version 1.5.1, Fingerprint reader/ Scanner, POS Card reader form m-POS, Iris Scanner	BCD- 7.5% CVD- 10% SAD- 4%	BCD- Nil CVD- Nil SAD- Nil	↓
Parts & Components in the manufacturing of the goods mentioned above	BCD- 7.5% CVD- 10% SAD- 4%	BCD- Nil CVD- Nil SAD- Nil	↓
Populated Printed Circuit Board for the manufacturing of the mobile phone	SAD- Nil	SAD- 2%	↓

Export Duty	Existing	Proposed	Movement
Other aluminum ores including laterite	Nil	15%	↑

Customs – Major Rate Changes

Metal	Existing (BCD)	Proposed (BCD)	Movement
Nickel	2.5%	Nil	↓

Miscellaneous	Existing (BCD)	Proposed (BCD)	Movement
O-Xylene	2.5%	Nil	↓
Cashew nut, roasted, salted or roasted & salted	30%	45%	↑
Monofilament yarn	10%	5%	↓

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