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This document summarises the important provisions of the Budget 2015 proposals as placed before the Parliament.

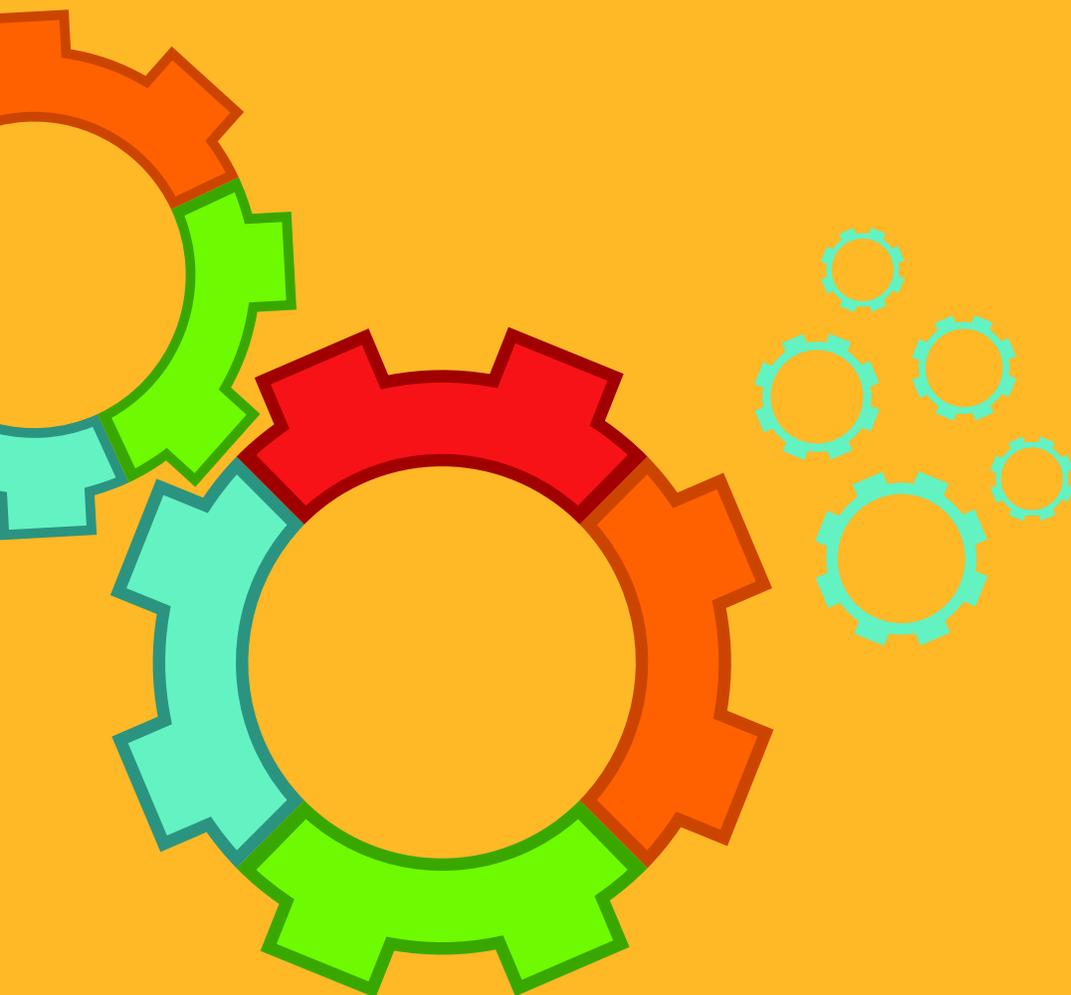
Topics presented are grouped into chapters and sections to facilitate an understanding of the proposals. These are, however, not mutually exclusive.

Unless otherwise stated, Direct Tax Proposals will be applicable from A.Y. 2016-2017.

The proposals are subject to amendment as the Finance Bill passes through the Parliament.

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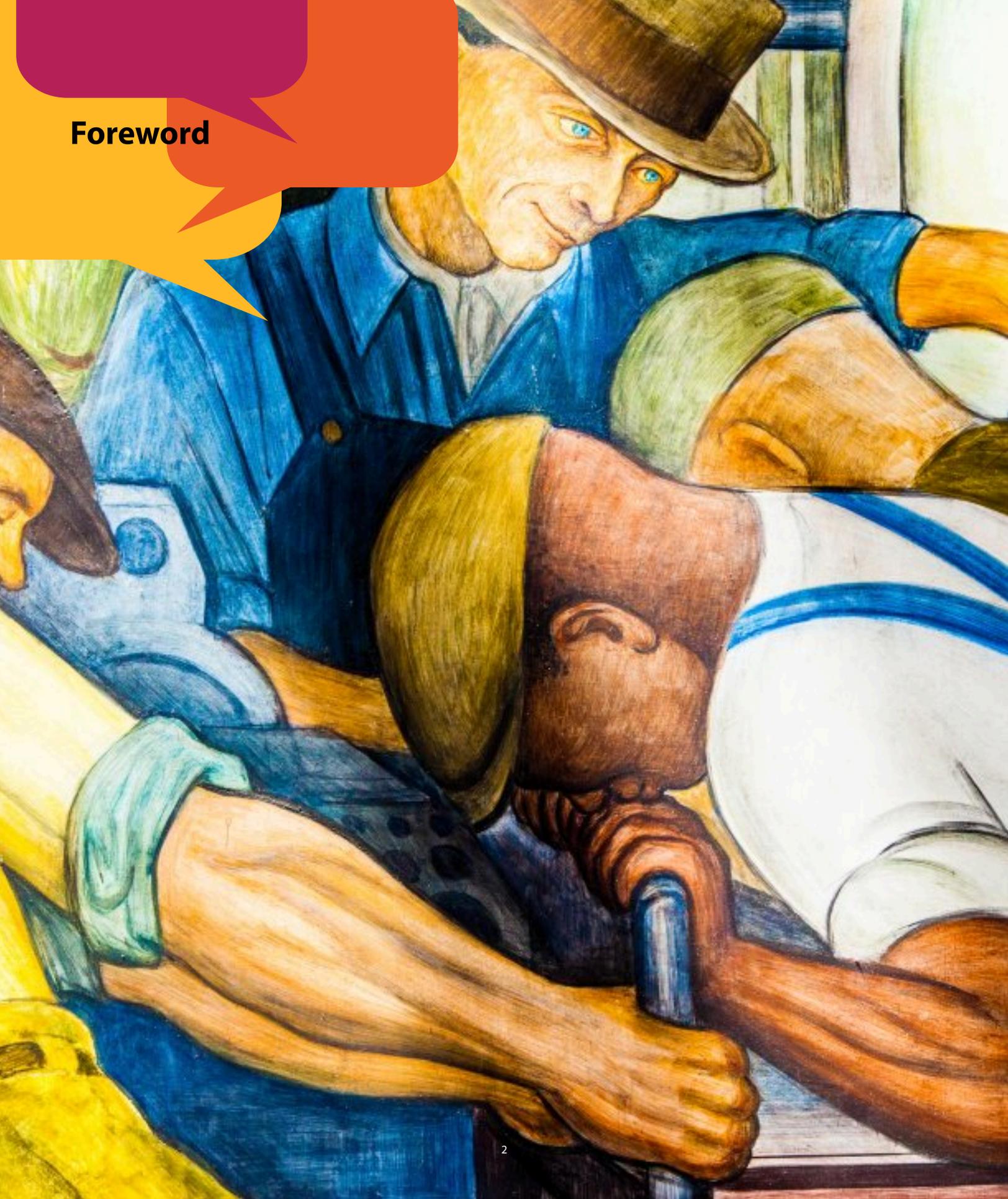
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Foreword



Amidst the huge expectations surrounding India, the Modi led government presented its first full year budget. In what was termed as 'make or break' budget by many, the Finance Minister manages to meet most of the expectations of India Inc. The focus of the Finance Minister was on maintaining desired balance between the investors' expectations and the fiscal prudence.

The Highlights of budget proposal include proposed change in the corporate tax rate from 30% to 25% over a period of 4 years, exemption to FII from the provisions of MAT, reduction in the tax rate of both royalty and FTS from present 25% to 10%, increase in the threshold limits for applicability of domestic transfer provisions from existing INR 50 million to INR 200 million, providing 50% value as threshold to tax indirect transfers in India, abolishing of wealth tax and substituting an additional surcharge of 2% on the super-rich having a taxable income of over INR 10 million. Another major relief has been provided by deferral of GAAR provisions for further two years and by also making it clear that the provisions of GAAR shall apply only prospectively.

The Finance Minister is confident to implement GST next year and hence in order to facilitate smooth transition to GST, necessary steps have been taken like increase in general rate of Central Excise Duty from 12.36% to 12.5% and increase in Service Tax rate from 12.36% to 14%. Various proposals are made to facilitate the ease of doing business in India such as online registration for central excise and service tax in two working days. In order to promote manufacturing in India, the Finance Minister has proposed to reduce custom duties on certain inputs, raw materials. Some other changes addressing the problem of CENVAT credit accumulation due to the levy of SAD have also been proposed.

The government has intended to bring in a new law on black money. Some of the serious consequences under the law shall be 300% of tax as penalty, rigorous imprisonment for upto 10 years with no compounding and also without any remedy to approach the Settlement Commission. Corresponding amendments to FEMA to confiscate assets of equivalent value situated in India and in PMLA are to be made.

The government is equally serious about curbing domestic black money. A new and more comprehensive Benami Transaction (Prohibition) Bill is likely to be introduced during this session of the Parliament. This law will enable confiscation of benami property and provide for prosecution, thus blocking a major avenue for generation and holding of black money in the form of benami property, especially in real estate.

These proposals in the budget to deal with the issue of black money clear the intention of the present government.

In nutshell, the focus of the present budget is to take India on an aggressive growth path in light of the government's vision 2022, which shall include, roof for each family, basic facilities and employment for all, making India a manufacturing hub and increase in agricultural productivity.

Considering the vision, which the government has and also the economic challenges it has at present, the budget 2015 appears to be a balanced budget taking care of both social and economic reforms. To conclude, the government has done well in laying down a future growth roadmap with focus on non-adversarial environment and ease of doing business in India.

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THE HIGHLIGHTS OF BUDGET PROPOSAL INCLUDE PROPOSED CHANGE IN THE CORPORATE TAX RATE FROM 30% TO 25%...

Executive Summary



DIRECT TAX

■ Policy Roadmap

- The Government has confirmed its intention of reducing the corporate tax rate of domestic companies from the present 30% to 25% in a phased manner over the next 4 years.
- The reduction in tax will be accompanied by rationalization and removal of exemptions and incentives for corporate taxpayers;
- Exemptions and incentives for individual taxpayers will however, continue.
- Wealth Tax is proposed to be abolished.
- The DTC, in its present form, has been under discussion in the previous years. As most of the provisions of the DTC have already been incorporated in the IT Act, the DTC is seen to have no great merit and is being abandoned.
- A comprehensive new law on black money stashed

overseas shall be enacted. The provisions shall contain high penalties and prosecution. The offence shall be non-compoundable and shall entail rigorous imprisonment ranging from 7 to 10 years.

- A new and more comprehensive Benami Transaction (Prohibition) Bill will be introduced to enable confiscation of benami property and to provide for prosecution.
- TARC has given a number of recommendations to improve the administration in the Tax Departments. These recommendations are under examination and will be appropriately implemented during the course of the year.

■ Rates of tax

- The basic tax rates applicable to all taxpayers remain unchanged.
- For the FY 2015-16 however, domestic companies shall be liable to pay a surcharge higher by 2%, i.e. 7% on income upto income exceeding INR 10 million upto INR

100 million and 12% on income exceeding 100 million.

- Individuals, HUF, AOP, BOI, etc. having income exceeding INR 10 million shall be subject to a surcharge of 12%.
- Surcharge on Dividend Distribution Tax shall be increased from 10% to 12%.

■ International Taxation / Taxation of Non-Residents

- In view of the contentious issues relating to GAAR which need to be resolved, it is proposed to defer the applicability of GAAR by 2 years. Furthermore, GAAR will apply only prospectively to investments made on or after April 1, 2017. Further the Government proposes to come out with a modified GAAR by incorporating provisions of the OECD's BEPS project so as to effectively deal with the problem of tax avoidance by MNCs. The BEPS initiative aims to ensure that taxes are paid where the profits are made.
- The provisions related to indirect transfer of assets has been riddled with several ambiguities. It is proposed to amend the provisions to provide that indirect transfers will be taxable in India only if the FMV of assets exceeds INR 100 million and represents at least 50% of the FMV of all assets owned by the company. Further, principle of proportionality will apply to taxation of gains so arising.
- MAT shall no longer be applicable to FII in respect of profits corresponding to their income from capital gains on transactions in securities which are liable to tax at a lower rate.
- With a view to facilitate relocation of fund managers of offshore funds in India, it is proposed to modify the provisions relating to establishment of an Indian PE to the effect that mere presence of a fund manager in India will not automatically trigger an Indian PE.
- In order to facilitate inflow of technology to India, the tax rate on FTS and Royalty payments under section 115A is proposed to be reduced from the present 25% to 10%.
- Section 195 is proposed to be amended to provide that any person paying any sum to a non-resident, will be

required to furnish a statement detailing such payments regardless of whether the sum payable is chargeable to tax or not.

- Presently, one of the conditions for the purpose of determining whether a company is a resident in India or not is dependent on whether or not the control and management of its affairs is wholly situated in India. It is proposed to substitute the above condition with the Place of Effective Management (POEM) concept. If the company's POEM at any time in the year is in India, the company shall be a resident in India.

■ Special Anti-Avoidance Rules

- In transactions involving purchase of immovable property, cash payments in excess of INR 20,000 shall be prohibited.
- Quoting of PAN shall be mandatory for purchase / sale of goods in excess of INR 100,000.

■ Tax Proposals - Business

- The minimum threshold limit of triggering domestic transfer pricing is proposed to be raised from INR 50 million to INR 200 million.
- CSR contributions made in accordance with section 135 of the Companies Act, 2013 made to Swachh Bharat Kosh and Clean Ganga Fund is proposed to be eligible for 100% deduction under section 80G.
- It is proposed that both Category 1 and Category 2 Alternate Investment Funds (AIFs) shall be allowed pass through status so that tax is levied on the investors and not on the Funds per se.
- It is proposed to extend the benefit of reduced rate of tax of 5% in respect of income of FIIs and QFIs from corporate bonds and government securities from 31.05.2015 to 30.06.2017.
- Yoga is proposed to be included within the ambit of "Charitable Purpose".

■ Tax Proposals – Individual Taxpayers

- It is proposed to increase the limit of exempt transport allowance from INR 800 per month to INR 1,600 per month.
- The limit of deduction u/s 80D in respect of health insurance premium is proposed to be increased from INR 15,000 to INR 25,000;
- The limit of deduction u/s 80DD in respect of maintenance / medical treatment of a dependent with disability is proposed to be increased from INR 50,000 to INR 75,000. Similarly, in the case of severe disability, the limit will be increased from 100,000 to 125,000.
- It is proposed to increase the limit of deduction u/s 80CCC being contribution to a pension fund of LIC / IRDA from INR 100,000 to INR 150,000.
- It is proposed to increase the limit of deduction u/s 80CCD being contribution by the employee to National Pension Scheme (NPS) from INR 100,000 to INR 150,000. It is also proposed to provide a deduction of upto INR 50,000 over and above the limit of INR 150,000 in respect of contributions made to NPS.
- Investment in Sukanya Samridhi Scheme for the girl child will be eligible for deduction u/s 80C and any payment from the scheme shall not be liable to tax.
- It is proposed that the CBDT shall prescribe the method and conditions for computing the period of stay in India for determining the residential status of an Indian citizen being a member of the crew of a foreign bound ship leaving India.

■ Other Proposals

- It is proposed that a new section 158AA shall be enacted to pre-empt repetitive appeals by the Revenue in the same assessee's case on the same question of law year after year.
- It is proposed that the monetary limit for cases that can be heard by a Single Member of the ITAT be increased from INR 500,000 to INR 1.50 million.

- It is proposed that the CBDT shall come out with specific guidelines specifying the manner in which relief shall be granted to resident taxpayers in respect of taxes paid overseas.
- It is proposed to amend section 80G to provide for 100% deduction in respect of donations made to the National Fund for control of Drug Abuse.

INDIRECT TAX

■ GST

- GST implementation timeline of April 1, 2016 reaffirmed.

■ Excise

- Standard ad valorem rate of duty of excise marginally increased to 12.5% from 12%;
- EC and SHEC leviable on excisable goods subsumed in Excise Duty;
- Increase in Clean Energy Cess, levied on coal, lignite and peat, from INR 100 per tonne to INR 200 per tonne;
- Concessional excise duty of 6% on specified goods for use in the manufacture of electrically operated vehicles and hybrid vehicles, extended upto 31 March 2016;
- Excise duty structure of 2% without Cenvat credit or 12.5% with credit extended to tablet computers;
- Excise duty structure for mobile phones changed from 1% without Cenvat credit or 6% with credit to 1% without Cenvat credit or 12.5% with credit;
- Provision for issuance of digitally signed invoices and maintenance of records in electronic form introduced subject to prescribed conditions;
- Advance ruling can now be sought by all 'resident firms' (to include Partnership firms, sole proprietorship and one person company);

- Penalty provisions rationalized.

■ Customs Duty

- Rate of BCD maintained at 10 percent;
- EC and SHEC to continue on imports;
- Effective Customs duty rate increased from 28.85% to 29.44% on account of increase in the rate of CVD from 12% to 12.5%;
- Exemption from BCD granted to several products like Organic LED (OLED) TV panels, parts and components for tablet computers, Digital Still Image Video Cameras etc.;
- Exemption from SAD granted to inputs for manufacture of LED driver or MCPCB for LED lights and fixtures or LED lamps, all goods [except populated printed circuit boards] for manufacture of ITA bound goods;
- Advance ruling can now be sought by all 'resident firms' (to include Partnership firms, sole proprietorship and one person company);
- Penalty provisions rationalized.

■ Service Tax

- Effective rate of service tax to be increased to 14% from 12.36%;
- EC and SHEC to be subsumed in the revised rate of service tax;
- 'Swachh Bharat Cess' proposed to be levied at the rate of 2% on value of taxable services;
- Registration certificate for single premise to be granted within 2 days of submission of prescribed documents;
- Provision for issuance of digitally signed invoices and maintenance of records in electronic form introduced subject to prescribed conditions;
- Explanation in relation to consideration amended to include all reimbursable expenditure or cost incurred or charged by the service provider in the course of

providing taxable services;

- Body corporate to pay entire service tax liability on manpower supply and security services provided by individual, HUF, or partnership firm;
- Aggregator or its representative or agent located in India to pay service tax in respect of service provided by a person involving the aggregator;
- Advance ruling can now be sought by all 'resident firms' (to include Partnership firms, sole proprietorship and one person company);
- Adverse order passed in the matter involving rebate to be referred to the revisionary authority under the CE Act and not appealable before CESTAT;
- Unpaid service tax liability self-assessed and declared in the return to be recovered without issuance of SCN
- Penalty provisions rationalized;
- Abatement reduced from 60% to 40% on air travel in Business class.

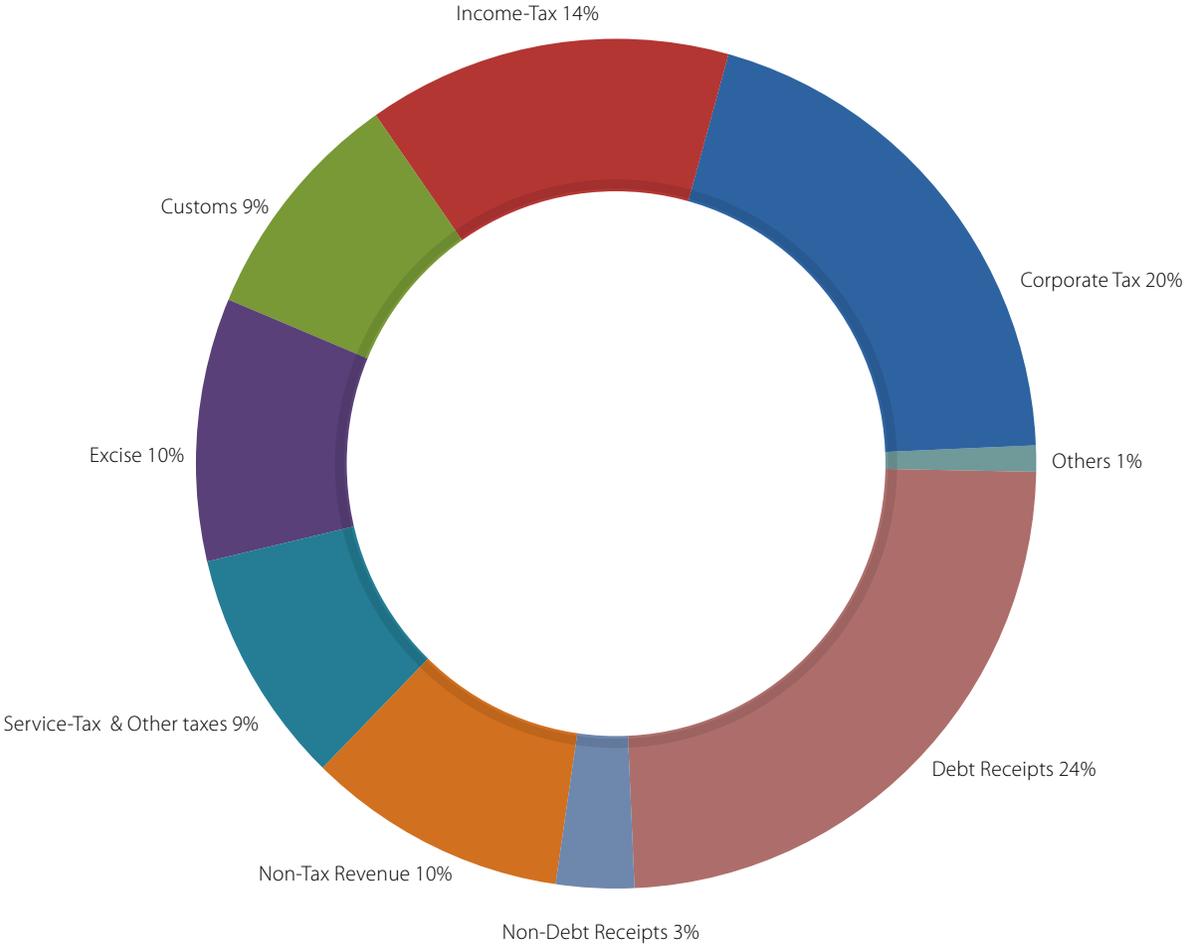
■ Cenvat Credit

- Cenvat credit available on input and capital goods sent directly to the job worker
- Time limit for availing cenvat credit extended from 6 months to 1 year
- Cenvat credit of service tax paid under partial reverse charge to available after payment of service tax
- Provision of maintaining proper records for input and capital goods etc. made applicable to importer issuing Cenvatable invoice
- Provision introduced for recovery of cenvat credit taken but not utilized.

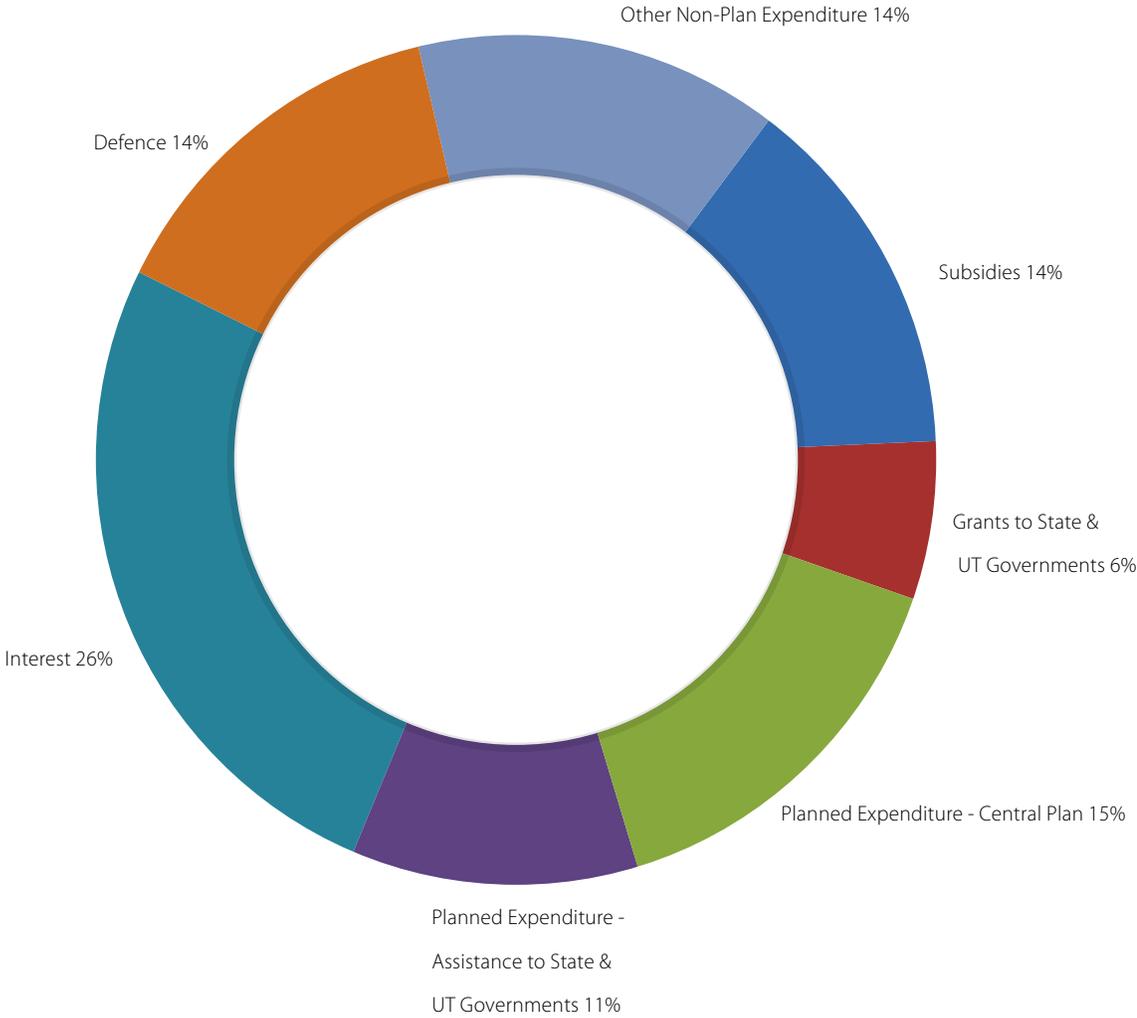
Budget at a glance



Where the rupee comes from



Where the rupee goes



BUDGET FINANCIALS

(in INR billion)

PARTICULARS	2013-14	2014-15	2014-15	2015-16
	Actuals	BE	RE	BE
1 Revenue Receipts (2+3)	10,147	11,898	11,263	11,416
2 Tax Revenue (net to centre)	8,159	9,773	9,085	9,198
3 Non-Tax Revenue	1,989	2,125	2,178	2,217
4 Capital Receipts (5+6+7)	5,447	6,051	5,549	6,359
5 Recoveries of Loans	125	105	109	108
6 Other Receipts	294	634	314	695
7 Borrowings and other liabilities	5,029	5,312	5,126	5,556
8 Total Receipts (1+4)	15,594	17,949	16,812	17,775
9 Non-Plan Expenditure	11,061	12,199	12,132	13,122
10 On Revenue Account, of which,	10,190	11,146	11,219	12,060
11 Interest Payments	3,743	4,270	4,114	4,561
12 On Capital Account	871	1,053	913	1,062
13 Plan Expenditure	4,533	5,750	4,679	4,653
14 On Revenue Account	3,527	4,535	3,669	3,300
15 On Capital Account	1,006	1,215	1,011	1,353
16 Total Expenditure (9+13)	15,594	17,949	16,812	17,775
17 Revenue Expenditure (10+14)	13,718	15,681	14,888	15,360
18 Of Which, Grants for creation of Capital Assets	1,294	1,681	1,319	1,106
19 Capital Expenditure (12+15)	1,877	2,268	1,924	2,414
20 Revenue Deficit (17-1)	3,570	3,783	3,625	3,945
21 Effective Revenue Deficit (20-18)	2,276	2,102	2,306	2,839
22 Fiscal Deficit {16-(1+5+6)}	5,029	5,312	5,126	5,556
23 Primary Deficit (22-11)	1,286	1,042	1,013	995

Capital Receipt = (Recoveries of loans + Disinvestment Receipts + Borrowings & Other Liabilities)

Revenue Deficit = (Revenue Receipt - Revenue Expenditure)

Fiscal Deficit = (Total Receipts - Borrowings & Other Liabilities - Total Expenditure)

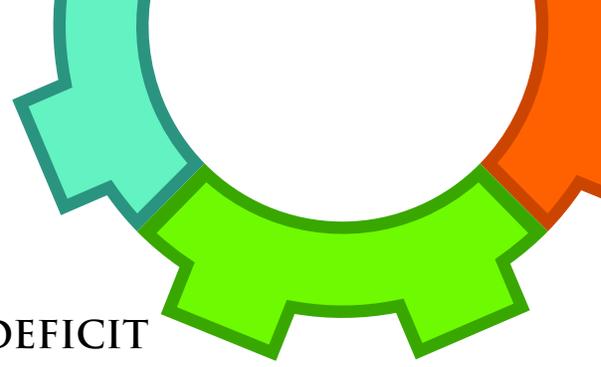
Primary Deficit = (Fiscal Deficit - Interest Payments)

BE = Budget Estimates

RE = Revised Estimates

**Economic
Indicators**





INTRODUCTION

The Economic Survey for 2014-15, considered to be the report card of the economy, said India to be in a “sweet spot” because of “facts and fortune” being aligned in India's favour: macroeconomic fundamentals have improved dramatically, reforms initiated in various areas and major ones lined up, and inflation calmed caused by lower oil prices.

The Survey, penned by the Chief Economic Advisor, Mr. Arvind Subramanian, says the Indian economy to be poised for impetus to achieve a double-digit medium-term growth. The Survey recognizing the importance of investment in long-term growth, acknowledged that the various factors could be detriment to investment in the long run. However, it rejected the necessity of any “Big Bang” reforms; as such reforms are undertaken in the aftermath of crises and contrary to that the decision-making authority in India was “vibrant and frustratingly diffuse” it noted.

Though the necessity for “Big Bang” reforms was rejected, the Survey laid stress on reforms to boost investments and in turn spur growth. The Survey recognized requirement to provide certainty and confidence to investors, and emphasized for improvements in tax administration and promoting ease of doing the business in India. On the indirect-tax front, the survey mentioned requirement to enact GST Act. On the direct-tax front, it mentioned the necessity of “clean tax policy” through creation of competitive and predictable policy regime.

The Survey also emphasized the need for overhaul in subsidy regime with thrust on JAM Trinity– Jan Dhan Yojna (‘J’), Aadhar (‘A’) and Mobile numbers (‘M’) – to offer the support to the poor households to let them achieve their economic aspirations.

The other highlights of the Survey are discussed as under:

FISCAL DEFICIT

The Budget for 2014-15 sought to contain the fiscal deficit to 4.1 per cent of GDP as against 4.5 per cent in 2013-14. The Budget also sought to reduce the fiscal deficit to 3 per cent of GDP by 2016-17.

The fiscal deficit which had widened from 4.8 per cent in 2010-11 to 5.7 per cent in 2011-12, fell to 4.8 per cent in 2012-13 and 4.5 per cent in 2013-14. The desired fiscal targets for the previous two years were achieved by reduction in public expenditure to offset the reduction in the revenues.

The Budget Estimates for 2014-15 envisaged growth in GTR AT 17.7 per cent. The provisional outcome of the April-December 2014-15 released by the CGA, reported growth in GTR till December 2014 at only 7.0 per cent. The growth in indirect taxes also showed growth at only 6.2 per cent as opposed to 25.8 per cent envisaged over Provisional Actuals of 2013-14. This implies that some expenditure compression would be required to achieve the fiscal targets. However, Governments' efforts to augment the revenue - diesel-price deregulation, and direct transfer of domestic LPG-subsidies – could help lower the fuel subsidy bill. The decline in global oil prices could also help lower the subsidy bill.

GDP GROWTH

The Survey projected growth to receive boost in the short run on account of lower oil prices and likely monetary policy easing enabled by lower inflation. The reforms taken by the Government, since it came to power, and the reforms expected to be taken in the coming months is also expected to provide the much needed fillip to the growth it noted.

The Survey projected real GDP (at market prices) to be at 8-8.5 per cent – 0.6-1.1 per cent higher than that estimated for the

current financial year.

The recently released new series of national accounts, revising the base year from 2004-05 to 2011-12 and applying change in the methodology adopted, gives considerable

improved estimates of growth in the industrial sector in 2012-13 and 2013-14.

The sector-wise performance is as under:

ITEM	2012-13 (AE)	2013-14 (1R)	2014-15
I. Agriculture, forestry & fishing	1.2	3.7	1.1
II. Industry	2.3	4.5	5.9
Mining & quarrying	-0.2	5.4	2.3
Manufacturing	6.2	5.3	6.8
Electricity, gas, water supply & other utility services	4.0	4.8	9.6
Construction	-4.3	2.5	4.5
III. Services	8.0	9.1	10.6
Trade, hostels & restaurants, transport & communication	9.6	11.1	8.4
Financing, insurance, real estate & business services	8.8	7.9	13.7
Community, social & personal services	4.7	7.9	9.0
IV. Gross Value Added ('GVA') at basic prices	4.9	6.6	7.5
V. GDP (at market prices)	5.1	6.9	7.4

Source: CSO. 1R: first revised, PE: provisional estimate

AGRICULTURAL AND ALLIED SECTOR

The share of the agricultural and allied sector has hovered around 18 per cent of the GVA in the last three years. As per the second Advance Estimates, released by the Ministry of Agriculture, total production of foodgrains during 2014-15 is estimated at 257.1 million tonnes – 3.2 per cent higher than estimated for 2013-14.

The Survey noted wide differences in yields between states. It also noted that even the “best states” had much lower yield when compared to best yields globally. Furthermore, it highlighted need for investments in research, education, irrigation, fertilizers, and cold storages, among others, to



improve the yield. It also emphasized need for strengthening of the Forward Markets Commission to provide farmers with efficient advance price discovery mechanism.

INDUSTRIAL, CORPORATE, AND INFRASTRUCTURE PERFORMANCE

As per the recently released national accounts data, industrial growth was much better in 2012-13 and 2013-14 at 2.4 per cent and 4.5 per cent respectively. Further, the 1.4 per cent growth in Gross Capital Formation in industry in 2013-14 implies that recovery in industrial growth had commenced last year.

The Index of Industrial Production, an index which details growth of various sectors in economy, suggests that the industrial production after having slowed down in 2011-12, reversed trend in 2014-15. The basic goods and capital goods witnessed marked improvement during April – December 2014-15. However, due to contraction in consumer-durable sector, the growth in intermediate goods remained sluggish.

The index of eight core industries – coal, electricity, cement, steel, refinery products, crude oil, gas & fertilizers, and transport – improved a shade better at 4.4 per cent during April-December 2014-15 as compared to 4.1 per cent in the same period in 2013-14.

The Flash Report for October 2014 issued by the Ministry of Statics and Programmed Implementation reported that out of the total 246 central infrastructure projects, costing more than INR 100 billion, 124 are delayed and 24 have reported additional delays.

SERVICE SECTOR

The service sector remained the major economic driver contributing 72.4 per cent of GDP in 2014-15. The sector grew by 10.6 per cent in 2014-15, with financial, real estate and

professional contributing the maximum. The sector has contributed substantially to FDI, exports and employment. During the last twelve years, with a compound annual average rate (CAGR) of 8.7 per cent, India is the second fastest growing service sector, few points below China's 10.7 per cent.

The sub-sectors, computer and related services, grew by 14.4 per cent in 2013-14 and contributed 3.3 per cent of India's GDP. On the other hand, tourism sector contributed 6.9 per cent of the GDP during 2012-13, and 12.5 per cent to employment in India.

The Survey expected the growth momentum to continue in the succeeding year too.

STOCK MARKETS

PRIMARY MARKET

During April- December 2014, resource mobilization through the primary market exhibited mixed patterns. On one hand equity and debt issues depicted a decline and on the other private placements of corporate bonds reported increase, on year-on-year basis. The quantity and value of placements increased in both National Stock Exchange and Bombay Stock Exchange during the period.

Comparatives in resource mobilization are reflected below:

SECONDARY MARKET

BSE Sensex and Nifty, the benchmark indices, showed a general upward trend in the current year so far. The Sensex Nifty gained 29.9 per cent (change in 2014 over 2013) and Nifty gained 31.4 per cent. The SHCOMP, the index for China, gained 52.9 per cent over the same period. However, no other index could match the gain reported by Sensex and Nifty.

(Amount in INR billion)

Item	2013-14	2013-14#	2014-15
Debt	423.83	174.36	73.48
Equity	132.69	81.24	42.92
<i>of which IPOs</i>	12.36	11.66	14.80
Private Placement of corporate bonds	2760.54	2018.38	2692.45
Total	3317.06	2273.98	2808.85

Indicates as on 31st December of respective year

INFLATION

On the back of lower food and fuel prices, the WPI moderated to an average of 3.4 per cent in 2014-15 (April-December) as against 6-9 per cent during 2011-13. During the first quarter of 2014-15, WPI headline inflation was at 5.8 per cent mainly because of high food and fuel prices.

Retail inflation measure by the CPI also remained high, around 9-10 per cent, during 2012-13 and 2013-14. Like the WPI inflation, CPI inflation has also moderated significantly since second quarter of 2014-15. The decline was on account of moderation observed in all three major sub groups viz. food and beverages, and tobacco; fuel and light; and others.

The decline in the inflation during the year turned out to be way much faster than was anticipated in the initial months of the year.

FOREIGN EXCHANGE RESERVES

Capital inflows were in excess of the financing requirement of the CAD and resulted in accretion in foreign exchange reserves. With the net capital flows remaining higher than the CAD, there was accretion of US\$ 18.1 billion to India's foreign exchange reserves on BoP basis for first half of 2014-15 as against a drawdown of US\$ 10.7 billion in same period in 2013-14. India's foreign exchange reserves stood at US\$ 330.2

billion as on February 6, 2015 as against level of US\$ 304.2 billion as at March 2014.

FOREIGN CURRENCY INFLOW/OUTFLOWS

The net financial flow was at US\$ 36.0 billion in the first half of 2014-15 compared to US\$ 16.3 billion in the first half of 2013-14. Net foreign investments saw a huge increase from US\$ 7.8 billion in 2013-14 (April – September) to US\$ 38.4 billion in 2014-15 (April – September). Net External Commercial Borrowings (ECB) also observed an improvement from US\$ 2.5 billion in 2013-14 (April – September) to US\$ 3.4 billion in (April – September).

EXCHANGE RATE

With huge inflows of FDI and FII in the equity and bond markets, the rupee-US dollar exchange remained broadly stable during the year. The weak economic outlook in Europe and Japan resulted in the appreciation of the rupee against the euro and yen since September 2014.

On point-to-point basis the rupee has depreciated by 3.3 per cent from the level of INR 60.10 per US dollar on March 28, 2014 to INR 61.76 per US dollar on February 13, 2015. The rupee touched a low of INR 63.75 per US dollar on December 30, 2014 and a peak of INR 58.43 per US dollar on May 19, 2014.



EXTERNAL TRADE

In the last ten years, India saw exponential growth in external trade. With India's merchandise trade (on customs basis) increasing manifold from US\$ 195.1 billion in 2004-05 to US\$ 764.6 billion in 2013-14, its share in global exports and imports improved from 0.8 per cent and 1.0 per cent respectively in 2004 to 1.7 per cent and 2.5 per cent in 2013. Apart from the increase in external trade, its ranking amongst the leading exporters and importers improved from 30 and 23 in 2004 to 19 and 12 respectively in 2013.

The external trade also witnessed significant diversification in the recent years. It has helped India cope with sluggish global demand. Region-wise, India's export shares to Europe and America have declined over the years from 23.6 per cent and 20.1 per cent respectively in 2004-05 to 18.6 per cent and 17.2 per cent respectively in 2013-14. Conversely, shares of India's exports to Asia and Africa have increased from 47.9 per cent and 6.7 per cent respectively in 2004-05 to 49.4 per cent and 9.9 per cent respectively in 2013-14. In 2014-15 (April-January), trade deficit increased by 1.6 per cent to US\$ 118.4 billion as against US\$ 116.5 billion in 2013-14 (April-January).

ECONOMIC SURVEY-ISSUES AND PRIORITY

The Survey mentioned that India had reached a position a "sweet spot" which is "rare in the history of nation". The latest indicators, emerging from the revised estimates of national income reported by the Central Statistics Office ('CSO') point out that the economy had been performing much better than it was depicted earlier. It indeed goes on to prove that India indeed has reached the "sweet spot" and is in a position to launch the economy to the double-digit growth trajectory.

The cover page of volume-1 the survey depicts India's and China's real GDP growth from 1978 to 2015 and shows that India's growth rate took over growth achieved by China in

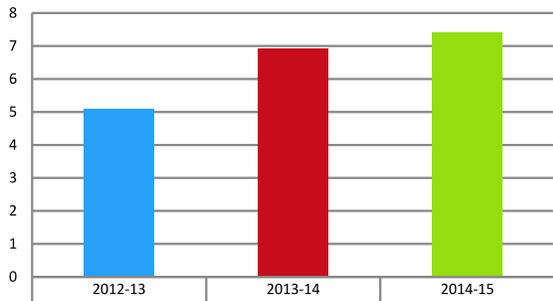
2014 and the gap increasing. It shows that India is amongst the world economies with brightest prospects.

Recently, India dropped down two places to stand at 142nd out of 189 countries ranked by the World Bank for ease of doing business. With the market sentiment upbeat, the Government should try to make India the most sought after business destination and a business-friendly country and change the perception of the global business community.

With the Government's commitment to reforms alongwith lower fuel price, a double digit growth seems to be well within the reach of the economy. The encouraging results from Advance Estimates for 2014-15, suggest that the strong domestic demand compensated the global sluggishness and helped the growth momentum going. With reforms lined up and strong fundamentals, the double-digit growth rate would be an easy target for the Indian economy.

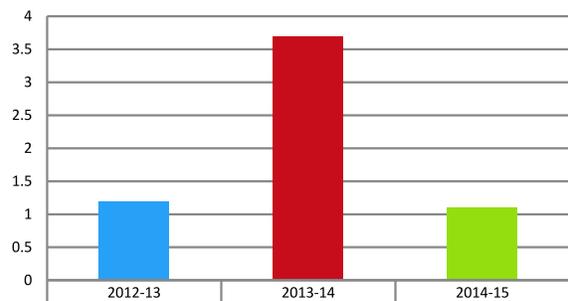


Growth in GDP
(New Series - Constant 2011-12 prices)



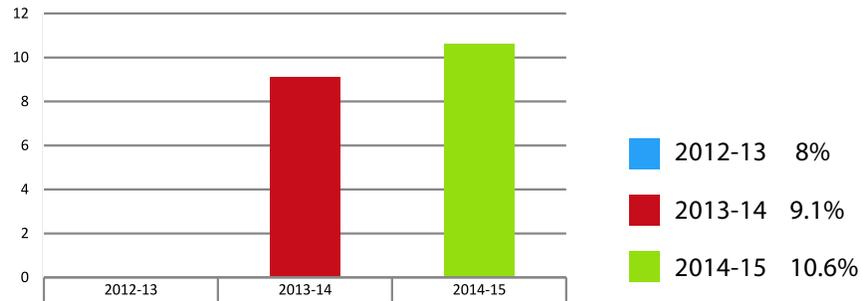
- 2012-13 5.1%
- 2013-14 6.9%
- 2014-15 7.4%

Growth in Agriculture
(New Series - Constant 2011-12 prices)

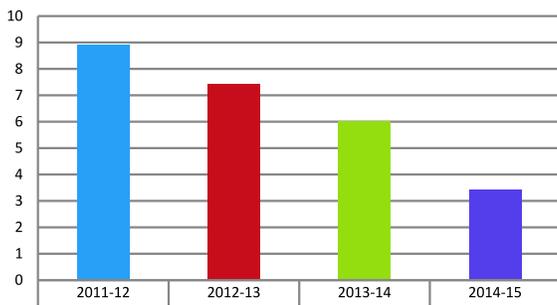


- 2012-13 1.2%
- 2013-14 3.7%
- 2014-15 1.1%

Growth in Services
(New Series - Constant 2011-12 prices)

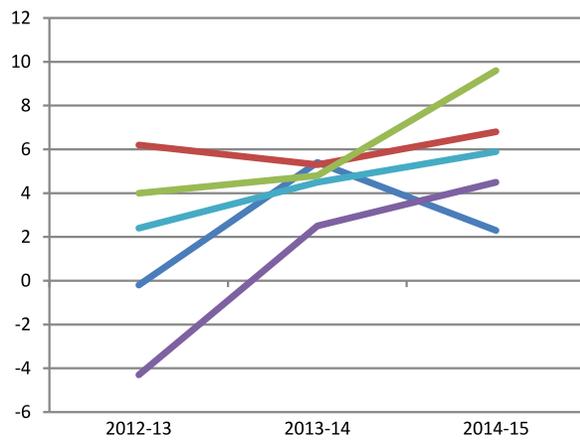


Average rate of Inflation



2012-13	8.9%
2013-14	7.4%
2014-15	6.0%
2015-16	3.4%

Growth in Industry
(New Series - Constant 2011-12 prices)

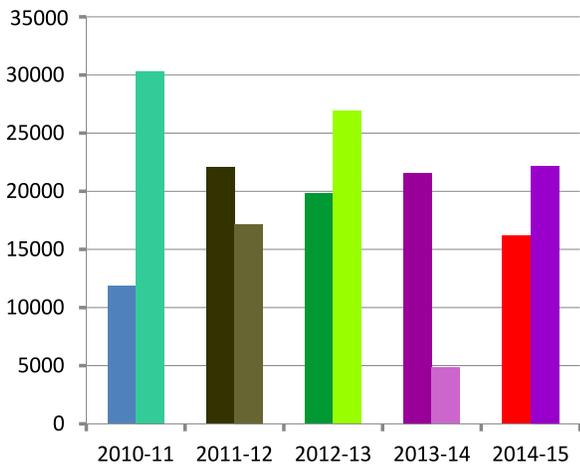


	12-13	13-14	14-15
Mining	-0.2	5.4	2.3
Manufacturing	6.2	5.3	6.8
Electricity, Gas, etc.	4	4.8	9.6
Construction	-4.3	2.5	4.5
Industry	2.4	4.5	5.9



ECONOMIC INDICATORS

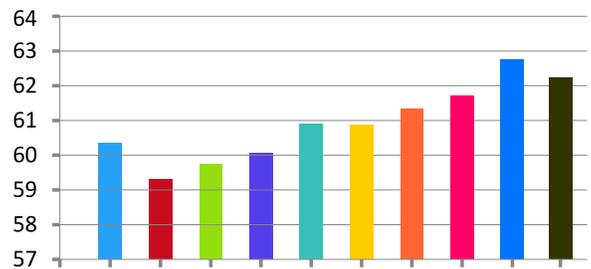
FOREIGN INVESTMENT
USD BILLION



FDI FII Portfolio Investments

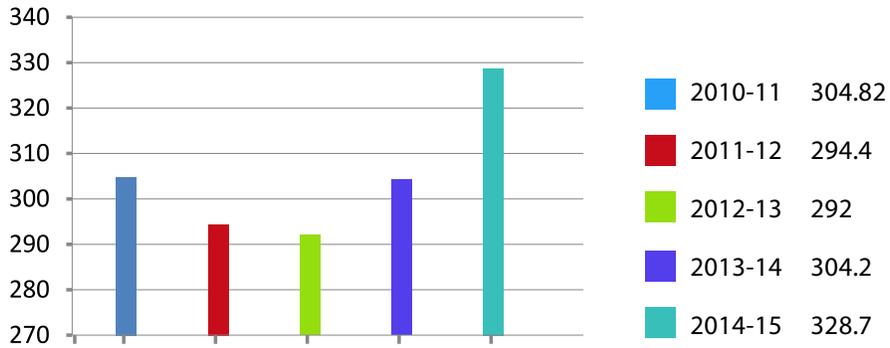
2010-11	11834	30293
2011-12	22061	17170
2012-13	19819	26891
2013-14	21564	4822
2014-15	16183	22202

AVERAGE EXCHANGE RATE DURING 2014-15
(INR VS. USD)

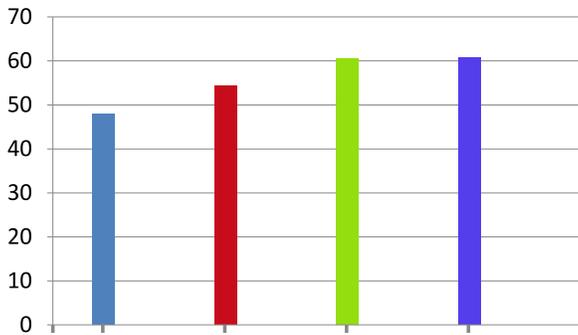


Apr-14	60.36
May-14	59.31
Jun-14	59.73
Jul-14	60.06
Aug-14	60.9
Sep-14	60.86
Oct-14	61.34
Nov-14	61.7
Dec-14	62.75
Jan-15	62.23

**FOREIGN EXCHANGE RESERVES
USD BILLION**

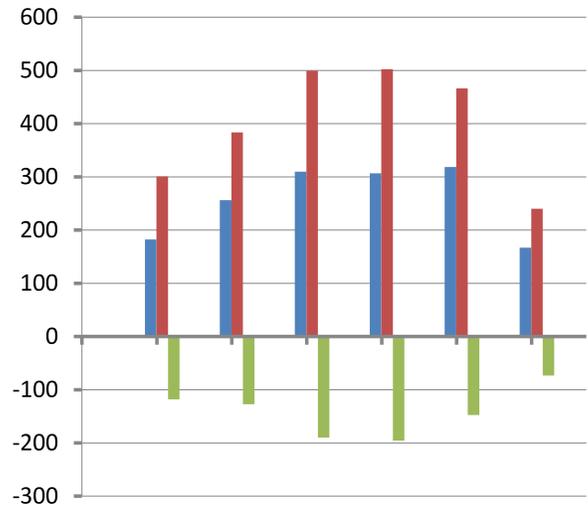


**AVERAGE ANNUAL EXCHANGE RATE
(INR VS. USD)**



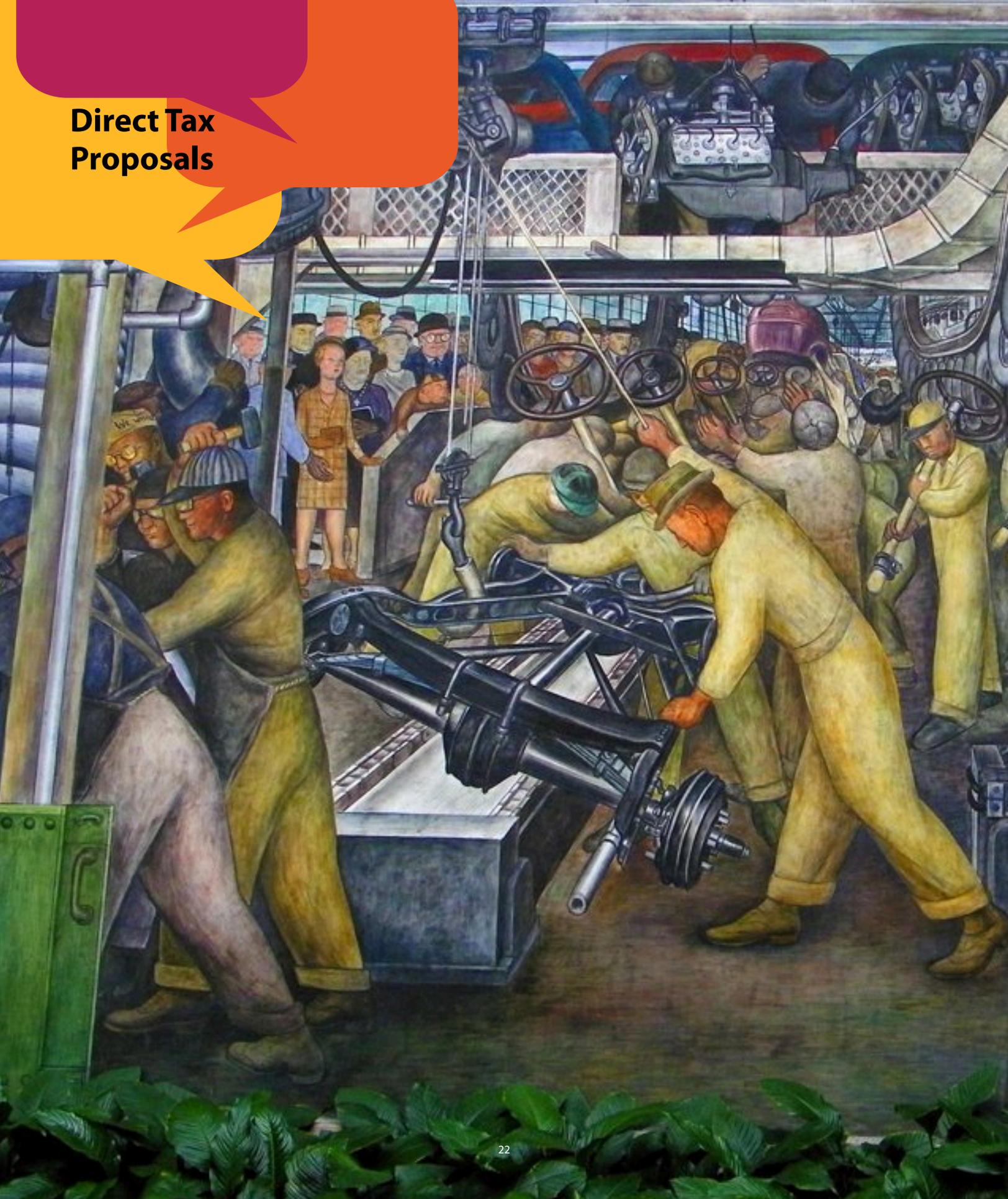
2011-12	47.92
2012-13	54.41
2013-14	60.5
2014-15	60.78

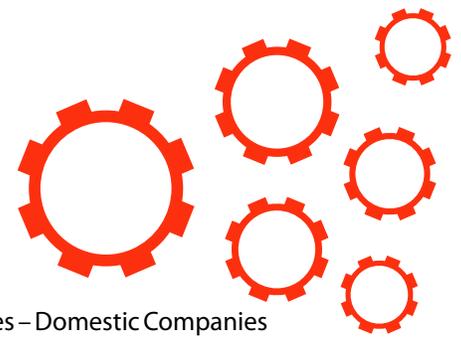
**EXPORTS, IMPORTS AND TRADE BALANCE
(IN USD BILLION)**



Exports
Imports
Trade Balance

**Direct Tax
Proposals**





TAX RATES

■ Personal Tax Rates

The personal tax rates for the financial year 2015-16 (assessment year 2016-17) remain unchanged and are as follows--

- Personal tax rates (for all Individuals, HUF, AOP and BOI)

Income (INR)	Rate (%)
Upto 250,000	NIL
250,001 to 500,000	10
500,001 to 1,000,000	20
1,000,001 and above	30

- Personal tax rates (for all Individuals who are at least sixty years of age but less than eighty years of age at any time during the previous year)

Income (INR)	Rate (%)
Upto 300,000	NIL
300,001 to 500,000	10
500,001 to 1,000,000	20
1,000,001 and above	30

- Personal tax rates (for all Individuals who are eighty years of age at any time during the previous year)

Income (INR)	Rate (%)
Upto 500,000	NIL
500,001 to 1,000,000	20
1,000,001 and above	30

■ Corporate tax rates – Domestic Companies

- There are no changes in the tax rates.

■ Cooperative Societies / Firms / Local Authorities

- There are no changes in the tax rates.

■ Dividend Distribution Tax/ Income Distribution Tax

- There are no changes in the tax rates.

■ Securities Transaction Tax

- There are no changes in the tax rates.

■ Commodities Transaction Tax

- There are no changes in the tax rates.

■ Surcharge

- In the case of an Individual, Hindu undivided family, association of persons, body of individuals, artificial judicial person, co-operative societies, firms and local authorities

Surcharge shall be levied at 12% where the income exceeds a sum of INR 10 million.

- In case of a domestic company

Surcharge at the rate of 7% shall be levied if the total income exceeds INR 10 million but does not exceed INR 100 million. The surcharge at the rate of twelve percent shall be levied if the total income of the domestic company exceeds INR 100 million.

- In case of companies other than domestic companies

The existing surcharge of 2% shall continue to be levied if the total income exceeds INR 10 million but does not exceed INR 100 million. The surcharge at the rate of five percent shall continue to be levied if the total income of

the company other than domestic company exceeds INR 100 million.

■ Education Cess

“Education Cess on Income-tax” and “Secondary and Higher Education Cess on Income-tax” shall continue to be levied at 2% and 1% respectively.

CORPORATE TAXATION

■ Rationalising the provisions of section 115JB

Section 86 of the Act provides that no income-tax is payable on the share of a member of an AOP, in the income of the AOP in certain circumstances. However, under the present provisions, a company which is a member of an AOP is liable to MAT on such share also since such income is not excluded from the book profit while computing the MAT liability of the member. In the case of a partner of a firm, the share in the profits of the firm is exempt in the hands of the partner as per section 10(2A) of the Act and no MAT is payable by the partner on such profits.

The amount of income, being the share of income of an assessee on which no income-tax is payable in accordance with the provisions of section 86, if any such amount is credited to the profit and loss account, shall be reduced from the book profit for the purposes of calculation of income-tax payable under the section. Further, it is proposed that the book profit shall be increased by the amount or amounts of expenditure relating to the above income.

It is proposed to amend the provisions of section 115JB so as to provide that income from transactions in securities (other than short term capital gains arising on transactions on which securities transaction tax is not chargeable) arising to a Foreign Institutional Investor, shall be excluded from the chargeability of MAT and the profit corresponding to such income shall be reduced from the book profit. The expenditures, if any, debited to the profit loss account, corresponding to such income (which is

being proposed to be excluded from the MAT liability) are also proposed to be added back to the book profit for the purpose of computation of MAT.

The amount of income from transactions in securities, (other than short term capital gains arising on transactions on which securities transaction tax is not chargeable), accruing or arising to an assessee being a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992, if any such amount is credited to the profit and loss account, shall be reduced from the book profit for the purposes of calculation of income-tax payable under the section. Further, it is proposed that the book profit shall be increased by the amount or amounts of expenditure relating to the above income.

These amendments will take effect from April 1, 2016.

■ Pass through status to Category –I and Category –II Alternative Investment Funds

Under the AIF regulations, various types of AIFs have been classified under three separate categories as Category I, II and III AIFs. Category I includes AIFs which invest in start-up or early stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the Government or regulators consider as socially or economically desirable. Category II AIFs are funds including private equity funds or debt funds which do not fall in Category I and III and which do not undertake leverage or borrowing other than to meet day-to-day operational requirements. Category III AIFs are funds which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives. The funds can be set up as a trust, company, limited liability partnership and any other body corporate. Similarly, investment by AIFs can be in entities which can be a company, firm etc. Pooled investment vehicles (other than hedge funds) engaged in making passive investments have been accorded pass through in certain tax jurisdictions.

In order to rationalize the taxation of Category-I and Category-II AIFs (hereafter referred to as investment fund) it is proposed to provide a special tax regime. The taxation of income of such investment fund and their investors shall be in accordance with the proposed regime which is applicable to such funds irrespective of whether they are set up as a trust, company, or limited liability firm etc. The salient features of the special regime are:

- Income of a person, being a unit holder of an investment fund, out of investments made in the investment fund shall be chargeable to income-tax in the same manner as if it were the income accruing or arising to, or received by, such person had the investments, made by the investment fund, been made directly by him.
- Income in the hands of investment fund, other than income from profits and gains of business, shall be exempt from tax. The income in the nature of profits and gains of business or profession shall be taxable in the case of investment fund.
- Income in the hands of investor which is of the same nature as income by way of profits and gain of business at investment fund level shall be exempt.
- Where any income, other than income which is taxable at investment fund level, is payable to a unit holder by an investment fund, the fund shall deduct income-tax at the rate of 10%.
- The income paid or credited by the investment fund shall be deemed to be of the same nature and in the same proportion in the hands of the unit holder as if it had been received by, or had accrued or arisen to, the investment fund.
- If in any year there is a loss at the fund level either current loss or the loss which remained to be set off, the loss shall not be allowed to be passed through to the investors but would be carried over at fund level to be set off against income of the next year in accordance with the provisions of Chapter VI of the Income-tax Act.
- The provisions of Chapter XII-D (Dividend Distribution

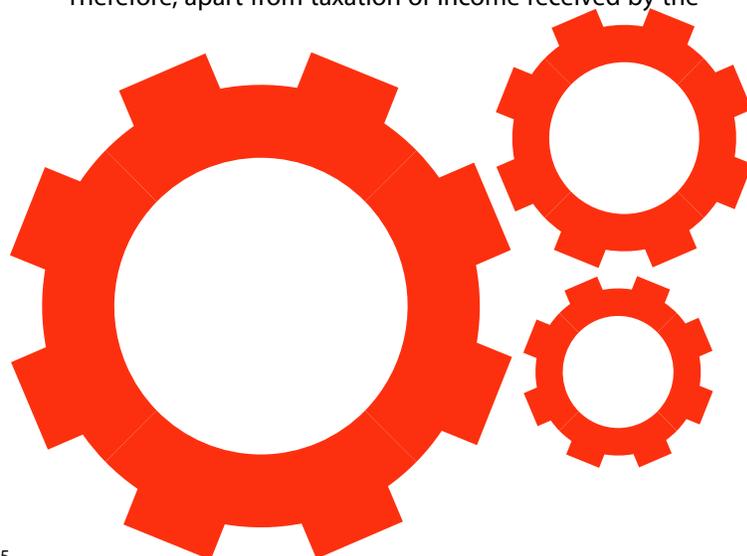
Tax) or Chapter XII-E (Tax on distributed income) shall not apply to the income paid by an investment fund to its unit holders.

- The income received by the investment fund would be exempt from TDS requirement. This would be provided by issue of appropriate notification under section 197A (1F) of the Act subsequently.
- It shall be mandatory for the investment fund to file its return of income. The investment fund shall also provide to the prescribed income-tax authority and the investors, the details of various components of income, etc. for the purposes of the scheme.

These amendments shall take effect from April 1, 2016.

■ Fund Managers in India not to constitute business connection of offshore funds

Presently, in the case of off-shore funds, the presence of a fund manager in India may create sufficient nexus of the off-shore fund with India and may constitute a business connection in India even though the fund manager may be an independent person. Similarly, if the fund manager located in India undertakes fund management activity in respect of investments outside India for an off-shore fund, the profits made by the fund from such investments may be liable to tax in India due to the location of fund manager in India and attribution of such profits to the activity of the fund manager undertaken on behalf of the off-shore fund. Therefore, apart from taxation of income received by the





fund manager as fees for fund management activity, income of off-shore fund from investments made in countries outside India may also get taxed in India due to such fund management activity undertaken in, and from, India constituting a business connection. Further, presence of the fund manager under certain circumstances may lead to the off shore fund being held to be resident in India on the basis of its control and management being in India.

A specific regime has been proposed that, subject to fulfillment of certain conditions by the fund and the fund manager the tax liability in respect of income arising to the Fund from investment in India would be neutral to the fact as to whether the investment is made directly by the fund or through engagement of Fund manager located in India; and that income of the fund from the investments outside India would not be taxable in India solely on the basis that the Fund management activity in respect of such investments has been undertaken through a fund manager located in India.

The proposed regime provides that in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager acting on behalf of such fund shall not constitute business connection in India of the said fund. Further, it is proposed that an eligible investment fund shall not be said to be resident in India merely because the eligible fund manager undertaking fund management activities on its behalf is located in India. This specific exception from the general rules for determination of business connection and 'resident status' of off-shore funds and fund management activity undertaken on its behalf is subject to prescribed

conditions (for both the investment fund and fund manager).

It is further proposed that every eligible investment fund shall, in respect of its activities in a financial year, furnish within ninety days from the end of the financial year, a statement in the prescribed form to the prescribed income-tax authority containing information relating to the fulfillment of the above conditions or any information or document which may be prescribed. In case of non-furnishing of the prescribed information or document or statement, a penalty of INR 500,000 shall be leviable on the fund. It is also proposed to clarify that this regime shall not have any impact on taxability of any income of the eligible investment fund which would have been chargeable to tax irrespective of whether the activity of the eligible fund manager constituted the business connection in India of such fund or not. Further, the proposed regime shall not have any effect on the scope of total income or determination of total income in the case of the eligible fund manager.

These amendments shall take effect from April 1, 2016.

■ Incentives for the State of Andhra Pradesh and the State of Telangana

• Additional Investment Allowance

It is proposed to insert a new section 32AD in the Act to provide for an additional investment allowance of an amount equal to 15% of the cost of new asset acquired and installed by an assessee, if he sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1st April, 2015 in any notified backward areas in the State of Andhra Pradesh and the State of Telangana; and the new assets are acquired and installed for the purposes of the said undertaking or enterprise during the period beginning from the 1st April, 2015 to 31st March, 2020.

This deduction shall be available over and above the existing deduction available under section 32AC of the Act. Accordingly, if an undertaking is set up in the notified backward areas in the States of Andhra Pradesh

or Telangana by a company, it shall be eligible to claim deduction under the existing provisions of section 32AC of the Act as well as under the proposed section 32AD if it fulfills the conditions (such as investment above a specified threshold) specified in the said section 32AC and conditions specified under the proposed section 32AD.

Suitable safeguards for restricting the transfer of the plant or machinery for a period of 5 years have also been proposed. However, this restriction shall not apply to the amalgamating or demerged company or the predecessor in a case of amalgamation or demerger or business re-organisation but shall continue to apply to the amalgamated company or resulting company or successor, as the case may be.

- Additional Depreciation at the rate of 35%

It is proposed to allow higher additional depreciation at the rate of 35% (instead of 20%) in respect of the actual cost of new machinery or plant (other than a ship and aircraft) acquired and installed by a manufacturing undertaking or enterprise which is set up in the notified backward area of the State of Andhra Pradesh or the State of Telangana on or after the April 1, 2015.

This higher additional depreciation shall be available in respect of acquisition and installation of any new machinery or plant for the purposes of the said undertaking or enterprise during the period beginning on the April 1, 2015 and ending before the April 1, 2020. The eligible machinery or plant for this purpose shall not include the machinery or plant which are currently not eligible for additional depreciation as per the existing proviso to section 32(1)(ii) of the Act.

It is also proposed to make consequential amendments in the second proviso to section 32(1) of the Act for applying the existing restriction of the allowance to the extent of 50% for assets used for the purpose of business for less than 180 days in the year of acquisition and installation. However, the balance 50% of the allowance is also proposed to be allowed in the immediately

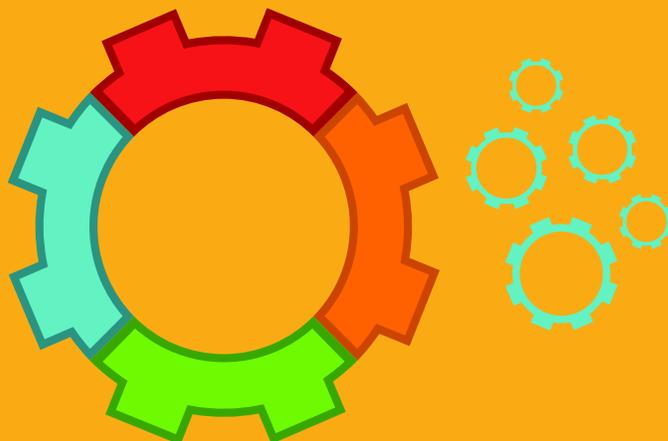
succeeding financial year (discussed under the head "Allowance of balance 50% additional depreciation").

These amendments shall take effect from April 1, 2016.

- Deduction for employment of new workmen

The existing provisions contained in section 80JJAA of the Act, inter alia, provide for deduction to an Indian company, deriving profits from manufacture of goods in a factory. The quantum of deduction allowed is equal to 30% of additional wages paid to the new regular workmen employed by the assessee in such factory, in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided. Clause (a) of sub-section (2), inter alia, provides that no deduction under sub-section (1) shall be available if the factory is hived off or transferred from another existing entity or acquired by the assessee company as a result of amalgamation with another company. Explanation to the section defines "Additional wages" to mean the wages paid to the new regular workmen in excess of hundred workmen employed during the previous year.

It is proposed to amend the section so as to extend the benefit to all assessees having manufacturing units rather than restricting it to corporate assessees only. Further, in order to enable the smaller units to claim this incentive, it is proposed to extend the benefit under the section to units employing even 50 instead of 100 regular workmen.



These amendments will take effect from April 1, 2016.

■ Allowance of balance 50% additional depreciation

As per existing provisions additional depreciation is restricted to 50% when the new plant or machinery acquired and installed by the assessee, is put to use for the purposes of business or profession for a period of less than one hundred and eighty days in the previous year. It is proposed to provide that the balance 50% of the additional depreciation on new plant or machinery acquired and used for less than 180 days which has not been allowed in the year of acquisition and installation of such plant or machinery, shall be allowed in the immediately succeeding previous year.

This amendment will take effect from April 1, 2016.

INTERNATIONAL TAX

■ Reduction in rate of tax on Income by way of Royalty and Fees for technical services in case of non-residents

The existing provisions of section 115A of the Act provide that in case of a non-resident taxpayer, where the total income includes any income by way of Royalty and Fees for technical services (FTS) received by such non-resident from Government or an Indian concern after March 31, 1976, and which is not effectively connected with permanent establishment, if any, of the non-resident in India, tax shall be levied at the rate of 25% on the gross amount of such income. This rate of 25% was provided by Finance Act, 2013. It is proposed to amend the Act to

reduce the rate of tax provided under section 115A on royalty and FTS payments made to non-residents to 10%.

This amendment will take effect from April 1, 2016.

■ Clarity regarding source rule in respect of interest received by the non-resident in certain cases

It is proposed to provide that, in the case of a non-resident, being a person engaged in the business of banking, any interest payable by the permanent establishment in India of such non-resident to the head office or any permanent establishment or any other part of such non-resident outside India shall be deemed to accrue or arise in India and shall be chargeable to tax in addition to any income attributable to the permanent establishment in India and the permanent establishment in India shall be deemed to be a person separate and independent of the non-resident person of which it is a permanent establishment and the provisions of the Act relating to computation of total income, determination of tax and collection and recovery would apply. Accordingly, the PE in India shall be obligated to deduct tax at source on any interest payable to either the head office or any other branch or PE, etc. of the non-resident outside India. Further, non-deduction would result in disallowance of interest claimed as expenditure by the PE and may also attract levy of interest and penalty in accordance with relevant provisions of the Act.

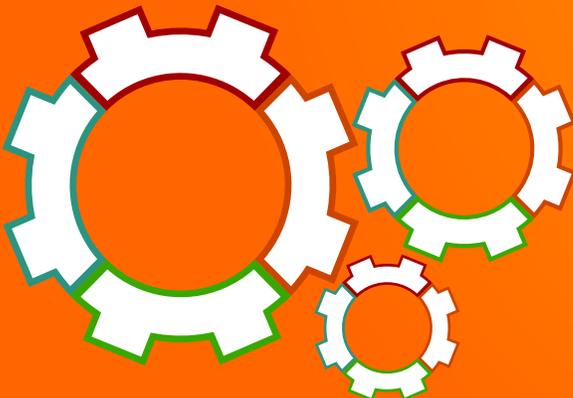
These amendments shall be effective from April 1, 2016.

■ Amendment to the conditions for determining residency status in respect of Companies

It is proposed to amend the provisions of section 6 to provide that a person being a company shall be said to be resident in India in any previous year, if:

- It is an Indian company; or
- Its place of effective management (POEM), at any time in that year, is in India.

Further, it is proposed to define the place of effective management to mean a place where key management and commercial decisions that are necessary for the



conduct of the business of an entity as a whole are, in substance made. Since POEM is an internationally well accepted concept, there are well recognised guiding principles for determination of POEM although it is a fact dependent exercise. However, it is proposed that in due course, a set of guiding principles to be followed in determination of POEM would be issued for the benefit of the taxpayers as well as, tax administration.

These amendments will take effect from April 1, 2016.

- Enabling the Board to notify rules for giving foreign tax credit

The Income-tax Act does not provide the manner for granting credit of taxes paid in any country outside India. Accordingly, it is proposed to amend section sub-section (2) of section 295 of the Income-tax Act so as to provide that CBDT may make rules to provide the procedure for granting relief or deduction, as the case may be, of any income-tax paid in any country or specified territory outside India, under section 90, or under section 90A, or under section 91, against the income tax payable under the Act.

This amendment will take effect from June 1, 2015.

- Reporting of transaction made with non-residents

It is proposed to amend the provisions of section 195 of the Act to provide that the person responsible for paying any sum, whether chargeable to tax or not, to a non-resident, not being a company, or to a foreign company, shall be required to furnish the information of the prescribed sum in such form and manner as may be prescribed. It is further proposed to insert a new provision in the Act to provide that in case of non-furnishing of information or furnishing of incorrect information under sub-section (6) of section 195(6) of the Act, a penalty of INR 100,000 shall be levied. It is also proposed to amend the provisions of section 273B of the Act to provide that no penalty shall be imposable under this new provision if it is proved that there was reasonable cause for non-furnishing or incorrect furnishing of information under sub-section (6) of section 195 of the Act.

These amendments will take effect from June 1, 2015.

TRANSFER PRICING

- ▶ Threshold for applicability of domestic transfer pricing provisions increased to INR 200 million

The Finance Act 2012, with effect from assessment year 2013-14 had introduced a mechanism to determine the fair market value in case of certain domestic transactions undertaken amongst related parties. This amendment was primarily brought in Chapter X of the Income-tax Act, 1961 whereby the applicability of transfer pricing provisions was extended to certain domestic transactions between related parties referred to 'Specified Domestic Transactions' as enunciated under provisions in a newly inserted section of the Act (i.e. section 92BA of the Act). Accordingly, a new concept of 'Domestic Transfer Pricing' was introduced in India. As per the provisions of aforesaid section, the Domestic Transfer Pricing provisions would be applicable only where the aggregate value of such specified domestic transactions exceeds INR 50 million.

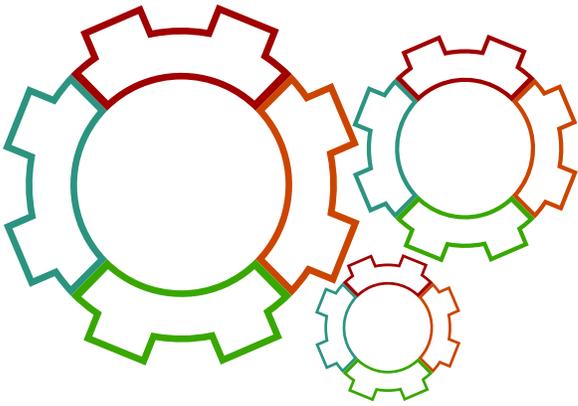
The present threshold for applicability of domestic transfer pricing provisions was resulting in undue hardship to the small and midsize corporates. As a welcome measure, the Hon'ble Finance Minister vide Finance Bill 2015 has proposed to amend the provisions of section 92BA of the Act, whereby the domestic transfer pricing provisions shall be applicable where the aggregate value of specified domestic transactions exceeds INR 200 million.

This amendment will take effect from April 1, 2016.

CAPITAL GAINS

- Indirect transfer provisions

The Finance Act, 2012 inserted certain clarificatory amendments in the provisions of section 9. The



amendments, inter alia, included insertion of Explanation 5 in section 9(1)(i) with retrospective effect from April 1, 1962. The Explanation 5 clarified that an asset or capital asset, being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be situated in India if the share or interest derives, directly or indirectly, its value substantially from the assets located in India.

Considering the concerns of various stakeholders and expert committee was constituted to go into the various aspects of the amendments. After considering the recommendations of the expert committee the following amendments are proposed in the provisions of section 9 relating to indirect transfer:

- The share or interest of a foreign company or entity shall be deemed to derive its value substantially from the assets (whether tangible or intangible) located in India, if on the specified date, the value of Indian assets exceeds the amount of INR 100 million; and represents at least 50% of the value of all the assets owned by the company or entity.
- Value of an asset shall mean the fair market value of such asset without reduction of liabilities, if any, in respect of the asset.
- The specified date of valuation shall be the date on which the accounting period of the company or entity, as the case may be, ends preceding the date of transfer.
- However, if the book value of the assets of the company on the date of transfer exceeds by at least 15% of the book value of the assets as on the last balance sheet date

preceding the date of transfer, then instead of the date mentioned in

- Above, the date of transfer shall be the specified date of valuation.
- The manner of determination of fair market value of the Indian assets vis-a-vis global assets of the foreign company shall be prescribed in the rules.
- The taxation of gains arising on transfer of a share or interest deriving, directly or indirectly, its value substantially from assets located in India will be on proportional basis. The methods for determination of proportionality are proposed to be provided in the rules.
- The exemption shall be available to the transferor of a share of, or interest in, a foreign entity if he along with its associated enterprises neither holds the right of control or management, nor holds voting power or share capital or interest exceeding 5% of the total voting power or total share capital, in the foreign company or entity directly holding the Indian assets (direct holding company).
- In case the transfer is of shares or interest in a foreign entity which does not hold the Indian assets directly then the exemption shall be available to the transferor if he along with its associated enterprises neither holds the right of management or control in relation to such company or the entity, nor holds any rights in such company which would entitle it to either exercise control or management of the direct holding company or entity or entitle it to voting power exceeding five percent in the direct holding company or entity.
- Exemption shall be available in respect of any transfer, subject to certain conditions, in a scheme of amalgamation, of a capital asset, being a share of a foreign company which derives, directly or indirectly, its value substantially from the share or shares of an Indian company, held by the amalgamating foreign company to the amalgamated foreign company.
- Exemption shall be available in respect of any transfer,

subject to certain conditions, in a demerger, of a capital asset, being a share of a foreign company which derives, directly or indirectly, its value substantially from the share or shares of an Indian company, held by the demerged foreign company to the resulting foreign company.

- There shall be a reporting obligation on Indian concern through or in which the Indian assets are held by the foreign company or the entity. The Indian entity shall be obligated to furnish information relating to the off-shore transaction having the effect of directly or indirectly modifying the ownership structure or control of the Indian company or entity. In case of any failure on the part of Indian concern in this regard a penalty shall be leviable. The proposed penalty shall be a sum equal to two percent of the value of the transaction in respect of which such failure has taken place in case where such transaction had the effect of directly or indirectly transferring the right of management or control in relation to the Indian concern; and a sum of INR 500,000 in any other case.

These amendments shall take effect from April 1, 2016.

- Cost of acquisition of a capital asset in the hands of resulting company to be the cost for which the demerged company acquired the capital asset

Any capital asset transferred by the demerged company to the resulting company in the scheme of demerger is not regarded as transfer if the resulting company is an Indian company. In such cases the cost of such asset in the hands of resulting company should be cost of such asset in the hands of demerged company as increased by the cost of improvement, if any, incurred by the demerged company. Further, the period of holding of such asset in the hands of resulting company should include the period for which the asset was held by the demerged company. Under the existing provisions of the Income-tax Act, there is no express provision to this effect. Accordingly, it is proposed to amend sub-clause (e) of clause (iii) of sub-section (1) of section 49 of the Income-tax Act to include transfer under clause (vib) of section 47 and to provide that the cost of

acquisition of an asset acquired by resulting company shall be the cost for which the demerged company acquired the capital asset as increased by the cost of improvement incurred by the demerged company.

This amendment will take effect from April 1, 2016.

PERSONAL TAX

- Tax benefits under section 80C for the girl child under the Sukanya Samriddhi Account Scheme

A special small savings instrument for the welfare of the girl child has been introduced under the Sukanya Samriddhi Account Rules, 2014. The following tax benefits have been envisaged in the Sukanya Samriddhi Account scheme:

- The investments made in the Scheme will be eligible for deduction under section 80C of the Act.
- The interest accruing on deposits in such account will be exempt from income tax.
- The withdrawal from the said scheme in accordance with the rules of the said scheme will be exempt from tax.

These amendments will take effect from the assessment year 2015-16.

- Amendment in section 80D relating to deduction in respect of health insurance premia

The quantum of deduction allowed under Section 80D to individuals and HUF in respect of premium paid for health insurance had been fixed at INR 15,000 and INR 20,000 (for senior citizens). It is proposed to amend section 80D so as to raise the limit of deduction from INR 15,000 to INR 25,000. It is further proposed to raise the limit of deduction for senior citizens from INR 20,000 to INR 30,000.

It is also proposed to provide that any payment made on account of medical expenditure in respect of a very senior



citizen, if no payment has been made to keep in force an insurance on the health of such person, as does not exceed INR 30,000 shall be allowed as deduction under section 80D.

The aggregate deduction available to any individual in respect of health insurance premia and the medical expenditure incurred would however be limited to INR 30,000. Similarly aggregate deduction for health insurance premia and medical expenditure incurred in respect of parents would be limited to INR 30,000.

These amendments will take effect from April 1, 2016.

■ Raising the limit of deduction under section 80DDB

Presently, an assessee, resident in India is allowed a deduction of a sum not exceeding INR 40,000, being the amount actually paid, for the medical treatment of certain chronic and protracted diseases such as Cancer, full blown AIDS, Thalassemia, Haemophilia etc. This deduction is allowed up to INR 60,000 where the expenditure is in respect of a senior citizen i.e. a person who is of the age of sixty years or more at any time during the relevant previous year.

Under the existing provisions of this section, a certificate in the prescribed form, from a neurologist, an oncologist, an urologist, a haematologist, an immunologist or such other specialist working in a Government hospital is required. It is proposed to amend section 80DDB so as to provide that the assessee will be required to obtain a prescription from a specialist doctor for the purpose of availing this deduction.

Further, it is also proposed to amend section 80DDB to

provide for a higher limit of deduction of upto INR 80,000, for the expenditure incurred in respect of the medical treatment of a “very senior citizen”. A “very senior citizen” is proposed to be defined as an individual resident in India who is of the age of eighty years or more at any time during the relevant previous year.

These amendments will take effect from April 1, 2016.

■ Raising the limit of deduction under section 80DD and 80U for persons with disability and severe disability

The present provisions for Section 80DD provide for a deduction of INR 50,000 if the dependant is suffering from disability and INR 100,000 if the dependant is suffering from severe disability (as defined under the said section).

The present provisions of section 80U, inter alia, provide for a deduction of INR 50,000 to an individual, being a resident, who, at any time during the previous year, is certified by the medical authority to be a person with disability (as defined under the said section) and INR 100,000 if the person is suffering from severe disability (as defined under the said section).

It is proposed to amend section 80DD and section 80U so as to raise the limit of deduction in respect of a person with disability from INR 50,000 to INR 75,000. It is further proposed to amend the section so as to raise the limit of deduction in respect of a person with severe disability from INR 100,000 to INR 125,000.

These amendments will take effect from April 1, 2016.

■ Raising the limit of deduction under 80CCC

Presently an individual is allowed a deduction under section 80CCC upto INR 100,000 in the computation of his total income, of an amount paid or deposited by him to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India or any other insurer for receiving pension from a fund set up under a pension scheme. It is proposed to raise the limit of deduction under section 80CCC from INR 100,000 to INR 150,000 within the overall limit provided in section 80CCE.

This amendment will take effect from April 1, 2016.

■ **Additional deduction under section 80CCD**

Presently, if an individual, employed by the Central Government on or after 1st January, 2004, or being an individual employed by any other employer, or any other assessee being an individual has paid or deposited any amount in a previous year in his account under a notified pension scheme, a deduction of such amount not exceeding 10% of his salary in the case of an employee and ten percent of the gross total income in case of any other individual is allowed. Similarly, the contribution made by the Central Government or any other employer to the said account of the individual under the pension scheme is also allowed as deduction, to the extent it does not exceed 10% of the salary of the individual in the previous year.

Section 80CCD provides that the amount of deduction shall not exceed INR 100,000. Till date, under section 80CCD, only the National Pension System (NPS) has been notified by the Ministry of Finance. It is proposed to omit the aforementioned limit. In addition to the enhancement of the limit, it is further proposed to provide for an additional deduction in respect of any amount paid, of upto INR 50,000 for contributions made by any individual assessee under the NPS.

These amendments will take effect from April 1, 2016.

■ **Enabling of filing of Form 15G/15H for payment made under life insurance policy**

Section 194DA (effective from October 1, 2014) provides for deduction of tax at source at the rate of 2% from payments made under life insurance policy, which are chargeable to tax. It has been further provided that no deduction shall be made if the aggregate amount of payment during a financial year is less than INR 100,000.

It is proposed to amend the provisions of section 197A for making the recipients of payments referred to in section 194DA also eligible for filing self-declaration in Form No.15G/15H for non-deduction of tax at source in accordance with the provisions of section 197A.

This amendment will take effect from June 1, 2015.

■ **Relaxing the requirement of obtaining TAN for certain deductors**

Currently, for reporting of tax deducted from payment over a specified threshold made for acquisition of immovable property (other than rural agricultural land) from a resident transferor under section 194-IA of the Act, the deductor is not required to obtain and quote TAN and he is allowed to report the tax deducted by quoting his Permanent Account Number (PAN).

It is proposed to amend the provisions of section 203A of the Act so as to provide that the requirement of obtaining and quoting of TAN under section 203A of the Act shall not apply to the notified deductors or collectors.

This amendment will take effect from June 1, 2015.

■ **100% deduction for National Fund for Control of Drug Abuse**

Under the existing provisions of section 80G, an assessee is allowed a deduction from his total income in respect of donations made by him to certain funds and charitable institutions. The deduction is allowed at the rate of hundred percent of the amount of donations made to certain funds and institutions formed for a social purpose of national importance, like the Prime Ministers' National Relief Fund, National Foundation for Communal Harmony etc.

The National Fund for Control of Drug Abuse is a fund created by the Government of India in the year 1989, under the Narcotic Drugs and Psychotropic Substances Act, 1985. Since National Fund for Control of Drug Abuse is also a Fund of national importance, it is proposed amend section 80G so as to provide hundred percent deduction in respect of donations made to the said National Fund for Control of Drug Abuse.

These amendments will take effect from April 1, 2016.



ANTI-TAX AVOIDANCE MEASURES

■ Deferment of provisions relating to General Anti Avoidance Rule (“GAAR”)

GAAR provisions were to come into effect from April 1, 2016, therefore, applicable to the income of the financial year 2015-16 (Assessment Year 2016-17) and subsequent years.

It is proposed that implementation of GAAR be deferred by two years and GAAR provisions be made applicable to the income of the financial year 2017-18 (Assessment Year 2018-19) and subsequent years. Further, investments made up to March 31, 2017 are proposed to be protected from the applicability of GAAR by amendment in the relevant rules in this regard.

This amendment will take effect from April 1, 2015.

MEASURES TO CURB BLACK MONEY

■ Mode of taking or accepting certain loans, deposits and specified sums and mode of repayment of loans or deposits and specified advances

In order to curb generation of black money by way of dealings in cash in immovable property transactions it is proposed to amend section 269SS, of the Income-tax Act so as to provide that no person shall accept from any person any loan or deposit or any sum of money, whether as advance or otherwise, in relation to transfer of an immovable property otherwise than by an account payee

cheque or account payee bank draft or by electronic clearing system through a bank account, if the amount of such loan or deposit or such specified sum is INR 20,000 or more. It is also proposed to amend section 269T of the Income-tax Act so as to provide that no person shall repay any loan or deposit made with it or any specified advance received by it, otherwise than by an account payee cheque or account payee bank draft or by electronic clearing system through a bank account, if the amount or aggregate amount of loans or deposits or specified advances is INR 20,000 or more. The specified advance shall mean any sum of money in the nature of an advance, by whatever name called, in relation to transfer of an immovable property whether or not the transfer takes place.

These amendments will take effect from June 1, 2015.

BUSINESS AND CHARITABLE TRUSTS

■ Taxation Regime for Real Estate Investment Trusts (REIT) and Infrastructure Investment Trusts (Invit)

The Finance (No.2) Act, 2014 had amended the Act to put in place a special taxation regime in respect of business trusts. The business trust as defined in section 2(13A) of the Act includes a Real Estate investment Trust (REIT) or an Infrastructure Investment Trust (InvIT) which is registered under regulations framed by Securities and Exchange Board of India (SEBI) in this regard.

The deferral of capital gains provided to the sponsor of business trust places such a sponsor at a disadvantageous tax position vis-a vis direct listing of the shares of the SPV. In case the sponsor holding the shares of the SPV decides to exit through the Initial Public Offer (IPO) route, then the benefit of concessional tax regime relating to capital gains arising on transfer of shares subject to levy of STT is available to him. The tax on short term capital gains (STCG) in such cases is levied @ 15% and the long term capital gain

(LTCG) is exempt under section 10(38) of the Act. However, the benefit of concessional regime is not available to the sponsor at the time it offloads units of business trust acquired in exchange of its shareholding in the SPV through Initial offer at the time of listing of business trust on stock exchange. In order to provide parity, it is proposed that:

- The sponsor would get the same tax treatment on offloading of units under an Initial offer on listing of units as it would have been available had he offloaded the underlying shareholding through an IPO.
- The Finance (No. 2) Act, 2004 be amended to provide that STT shall be levied on sale of such units of business trust which are acquired in lieu of shares of SPV, under an Initial offer at the time of listing of units of business trust on similar lines as in the case of sale of unlisted equity shares under an IPO.
- The benefit of concessional tax regime of tax @15 % on STCG and exemption on LTCG under section 10(38) of the Act shall be available to the sponsor on sale of units received in lieu of shares of SPV subject to levy of STT.

Further, in case of a business trust, being REITs, the income is predominantly in the nature of rental income. This rental income arises from the assets held directly by REIT or held by it through an SPV. The rental income received at the level of SPV gets passed through by way of interest or dividend to the REIT, the rental income directly received by the REIT is taxable at REIT level and does not get pass through benefit. In order to provide pass through to the rental income arising to REIT from real estate property directly held by it, it is proposed to provide that:

- Any incomes of a business trust, being a real estate investment trust, by way of renting or leasing or letting out any real estate asset owned directly by such business trust shall be exempt;
- The distributed income or any part thereof, received by a unit holder from the REIT, which is in the nature of income by way of renting or leasing or letting out any real estate asset owned directly by such REIT, shall be

deemed to be income of such unit holder and shall be charged to tax.

- The REIT shall effect TDS on rental income allowed to be passed through. In case of resident unit holder, tax shall deducted @ 10%, and in case of distribution to non-resident unit holder, the tax shall be deducted at rate in force as applicable for deduction of tax on payment to the non-resident of any sum chargeable to tax.
 - No deduction shall be made under section 194-I of the Act where the income by way of rent is credited or paid to a business trust, being a real estate investment trust, in respect of any real estate asset held directly by such REIT.
 - These amendments shall take effect from April 1, 2016.
- Rationalisation of definition of charitable purpose in the Income-tax Act

The activity of Yoga has been one of the focus areas in the present times and international recognition has also been granted to it by the United Nations. Therefore, it is proposed to include 'yoga' as a specific category in the definition of charitable purpose on the lines of education.

It is proposed to amend the definition of charitable purpose to provide that the advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity, unless:

- Such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility; and
- The aggregate receipts from such activity or activities, during the previous year, do not exceed twenty percent of the total receipts, of the trust or institution undertaking such activity or activities, for the previous

year.

- These amendments shall take effect from April 1, 2016.

■ Rationalisation of provisions of section 11 relating to accumulation of Income by charitable trusts and institutions

Under the provisions of section 11 of the Act, the primary condition for grant of exemption to trust or institution in respect of income derived from property held under such trust is that the income derived from property held under trust should be applied for the charitable purposes in India. Where such income cannot be applied during the previous year, it has to be accumulated and applied for such purposes in accordance with various conditions provided in the section. While 15% of the income can be accumulated indefinitely by the trust or institution, 85% of income can only be accumulated for a period not exceeding 5 years subject to the conditions that such person submits the prescribed Form 10 to the assessing Officer in this regard and the money so accumulated or set apart is invested or deposited in the specified forms or modes. If the accumulated income is not applied in accordance with these conditions, then such income is deemed to be taxable income of the trust or institution.

In order to remove the ambiguity regarding the period within which the assessee is required to file Form 10, and to ensure due compliance of the above conditions within time, it is proposed to amend the Act to provide that the said Form shall be filed before the due date of filing return of income specified under section 139 of the Act for the fund or institution. In case the Form 10 is not submitted

before this date, then the benefit of accumulation would not be available and such income would be taxable at the applicable rate. Further, the benefit of accumulation would also not be available if return of income is not furnished before the due date of filing return of income.

These amendments will take effect from April 1, 2016.

WITHHOLDING TAX

■ Extension of eligible period of concessional tax rate under section 194LD

The existing provisions of section 194LD of the Act, provide for lower withholding tax at the rate of 5 percent in case of interest payable at any time on or after the June 1, 2013 but before the June 1, 2015 to FIIs and QFIs on their investments in Government securities and rupee denominated corporate bonds provided that the rate of interest does not exceed the rate notified by the Central Government in this regard. The limitation date of the eligibility period for benefit of reduced rate of tax available under section 194LC in respect of external commercial borrowings (ECB) has been extended from June 30, 2015 to June 30, 2017 by Finance (No.2) Act, 2014. Accordingly, it is proposed to amend section 194LD to provide that the concessional rate of 5% withholding tax on interest payment under the section will now be available on interest payable upto June 30, 2017.

This amendment shall take effect from June 1, 2015.

■ Clarification regarding deduction of tax from payments made to transporters

Prior to October 1, 2009, section 194C of the Act provided for exemption from TDS to an individual transporter who did not own more than two goods carriage at any time during the previous year. Subsequently, Finance (No.2) Act, 2009 substituted section 194C of the Act with effect from October 1, 2009, which inter alia provided for non-deduction of tax from payments made to the contractor during the course of plying, hiring and leasing goods



carriage if the contractor furnishes his Permanent Account Number (PAN) to the payer.

It is proposed to amend the provisions of section 194C of the Act to expressly provide that the relaxation from non-deduction of tax shall only be applicable to the payment in the nature of transport charges (whether paid by a person engaged in the business of transport or otherwise) made to an contractor who is engaged in the business of transport i.e. plying, hiring or leasing goods carriage and who is eligible to compute income as per the provisions of section 44AE of the Act (i.e. a person who is not owning more than 10 goods carriage at any time during the previous year) and who has also furnished a declaration to this effect along with his PAN.

This amendment will take effect from June 1, 2015.

■ Rationalisation of provisions relating to deduction of tax on interest (other than interest on securities)

It is proposed to amend the provisions of the section 194A of the Act to expressly provide that the exemption provided from deduction of tax from payment of interest to members by a co-operative society under section 194A(3)(v) of the Act shall not apply to the payment of interest on time deposits by the co-operative banks to its members. However, the existing exemption provided under section 194A(3)(vii)(a) of the Act to primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank from deduction of tax in respect of interest paid on deposit shall continue to apply. Further, the existing exemption provided under section 194A(3)(v) of the Act from deduction of tax from interest paid by a cooperative society to another co-operative society shall continue to apply to the co-operative bank and, therefore, a co-operative bank shall not be required to deduct tax from the payment of interest on time deposit to a depositor, being a co-operative society.

It is proposed to amend the definition of 'time deposits' so as to include recurring deposits within its scope for the purposes of deduction of tax under section 194A of the

Act. However, the existing threshold limit of Rs 10,000 for non-deduction of tax shall also be applicable in case of interest payment on recurring deposits to safeguard interests of small depositors.

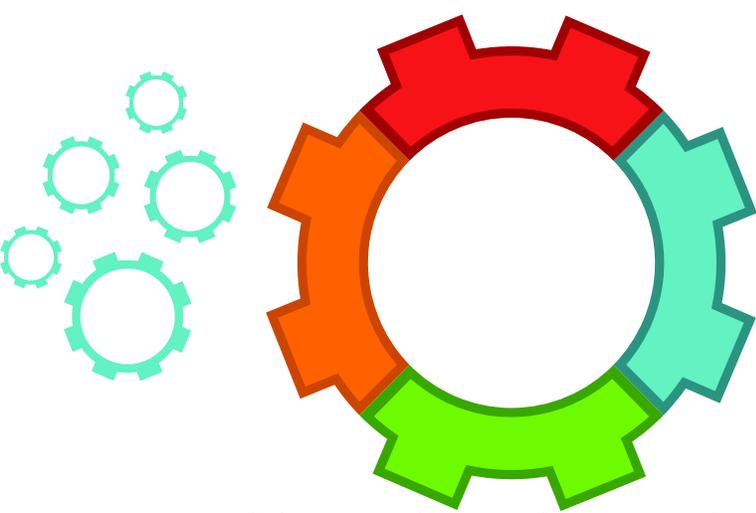
It is proposed to amend the provisions of section 194A of the Act to provide that the computation of interest income for the purposes of deduction of tax under section 194A of the Act should be made with reference to the income credited or paid by the banking company or the co-operative bank or the public company which has adopted core banking solutions.

It is proposed to amend the provisions of section 194A of the Income-tax Act, 1961 to provide that deduction of tax under section 194A of the Act from interest payment on the compensation amount awarded by the Motor Accident Claim Tribunal compensation shall be made only at the time of payment, if the amount of such payment or aggregate amount of such payments during a financial year exceeds INR 50,000.

These amendments will take effect from June 1, 2015.

■ Rationalisation of provisions relating to Tax Deduction at Source (TDS) and Tax Collection at Source (TCS)

- As section 243E was inserted after the insertion of section 200A in the Act, the existing provisions of section 200A of the Act does not provide for determination of fee payable under section 234E of the Act at the time of processing of TDS statements. It is, therefore, proposed to amend the provisions of section 200A of the Act so as to enable computation of fee payable under section



234E of the Act at the time of processing of TDS statement under section 200A of the Act.

- Currently, there is no provision for allowing a collector to file correction statement in respect of TCS statement which has been furnished. It is, therefore, proposed to amend the provisions of section 206C of the Act so as to allow the collector to furnish TCS correction statement.
- It is proposed to insert a provision in the Act for processing of TCS statements on the line of existing provisions for processing of TDS statement contained in section 200A of the Act. The proposed provision shall also incorporate the mechanism for computation of fee payable under section 234E of the Act.
- It is proposed to provide that intimation generated after processing of TCS statement shall also be subject to rectification under section 154 of the Act; appealable under section 246A of the Act; and deemed as notice of demand under section 156 of the Act.
- To remove the possibility of charging interest on the same amount for the same period of default both under section 206C (7) and section 220(2) of the Act, it is proposed to provide that where interest is charged for any period under section 206C (7) of the Act on the tax amount specified in the intimation issued under proposed provision, then, no interest shall be charged under section 220(2) of the Act on the same amount for the same period.
- In order to improve the reporting of payment of TDS/TCS made through book entry and to make existing

mechanism enforceable, it is proposed to amend the provisions of sections 200 and 206C of the Act to provide that where the tax deducted [including paid under section 192(1A)] / collected has been paid without the production of a challan, the PAO/TO/CDDO or any other person by whatever name called who is responsible for crediting such sum to the credit of the Central Government, shall furnish within the prescribed time a prescribed statement for the prescribed period to the prescribed income-tax authority or the person authorised by such authority by verifying the same in the prescribed manner and setting forth prescribed particulars. To ensure compliance of this proposed obligation of filing statement, it is proposed to amend the provisions of section 272A of the Act so as to provide for a penalty of INR 100 for each day of default during which the default continues subject to the limit of the amount deductible or collectible in respect of which the statement is to be furnished.

- It is proposed to amend the provisions of section 192 of the Act to provide that the person responsible for paying, for the purposes of estimating income of the assessee or computing tax deductible under section 192(1) of the Act, shall obtain from the assessee evidence or proof or particulars of the prescribed claim (including claim for set-off of loss) under the provisions of the Act in the prescribed form and manner.

These amendments will take effect from June 1, 2015.

■ Simplification of Tax Deduction at Source (TDS) mechanism for Employees Provident Fund Scheme (EPFS)

It is proposed to insert a new provision in Act for deduction of tax at the rate of 10% on pre-mature taxable withdrawal from EPFS. However, to reduce the compliance burden of the employees having taxable income below the taxable limit, it is also proposed to provide a threshold of payment of INR 30,000 for applicability of this proposed provision. In spite of providing this threshold for applicability of deduction of tax, there may be cases where the tax payable on the total income of the employees may be nil even after including the amount of pre-mature withdrawal. For

reducing the compliance burden of these employees, it is further proposed that the facility of filing self-declaration for non-deduction of tax under section 197A of the Act shall be extended to the employees receiving pre-mature withdrawal i.e. an employee can give a declaration in Form No. 15G to the effect that his total income including taxable pre-mature withdrawal from EPFS does not exceed the maximum amount not chargeable to tax and on furnishing of such declaration, no tax will be deducted by the trustee of EPFS while making the payment to such employee. Similar facility of filing self-declaration in Form No. 15H for non-deduction of tax under section 197A of the Act shall also be extended to the senior citizen employees receiving pre-mature withdrawal.

However, some employees making pre-mature withdrawal may be paying tax at higher slab rates (20% or 30%). Therefore, the shortfall in the actual tax liability vis-à-vis TDS is required to be paid by these employees either by requesting their new employer to deduct balance tax or through payment of advance tax / self-assessment tax. For ensuring the payment of balance tax by these employees, furnishing of valid Permanent Account Number (PAN) by them to the EPFS is a prerequisite. It is also proposed that non-furnishing of PAN to the EPFS for receiving these payments would attract deduction of tax at the maximum marginal rate.

These amendments will take effect from June 1, 2015.

WEALTH TAX

■ Abolition of levy of wealth-tax under Wealth-tax Act, 1957

Currently, wealth-tax is levied on an individual or HUF or company, if the net wealth of such person exceeds INR 3 Million on the valuation date, i.e. last date of the previous year. For the purpose of computation of taxable net wealth, only few specified assets are taken into account.

It is proposed to abolish the levy of wealth tax under the Wealth-tax Act, 1957. It is also proposed that the objective

of taxing high net worth persons shall be achieved by levying a surcharge on tax payer earning higher income as levy of surcharge is easy to collect & monitor and also does not result into any compliance burden on the assessee and administrative burden on the department. The details regarding levy of enhanced surcharge on this account are given under the heading "Rates of Income-tax". It is also proposed that information relating to assets which is currently required to be furnished in the wealth-tax return shall be captured by suitably modifying income-tax return.

This amendment shall take effect from April 1, 2016.

ASSESSMENT PROCEDURES

■ Raising the income-limit of the cases that may be decided by single member bench of ITAT

The existing provision contained in sub-section (3) of section 255 of the Income-tax Act provides for constitution of a single member bench and a Special Bench. It provides that single member bench may dispose of any case which pertains to an assessee whose total income as computed by the Assessing Officer does not exceed INR 500,000. The limit of INR 500,000 for a single member bench was last revised in 1998. It is proposed that a bench constituted of a single member may dispose of a case where the total income as computed by the Assessing Officer does not exceed INR 1.5 million.

This amendment shall take effect from June 1, 2015.

■ Procedure for appeal by revenue when an identical question of law is pending before Supreme Court

There is presently no parallel provision for revenue to not file appeal for subsequent years where the Department is in appeal on the same question of law for an earlier year. As a result, appeals are filed by the revenue year after year on the same question of law until it is finally decided by the Supreme Court thus, multiplying litigation.

It is proposed to insert a new section 158AA so as to



provide that notwithstanding anything contained in this Act, where any question of law arising in the case of an assessee for any assessment year is identical with a question of law arising in his case for another assessment year which is pending before the Supreme Court, in an appeal or in a special leave petition under Article 136 of the Constitution filed by the revenue, against the order of the High Court in favour of the assessee, the Commissioner or Principal Commissioner may, instead of directing the Assessing Officer to appeal to the Appellate Tribunal, direct the Assessing Officer to make an application to the Appellate Tribunal in the prescribed form within sixty days from the date of receipt of order of the Commissioner (Appeals) stating that an appeal on the question of law arising in the relevant case may be filed when the decision on the question of law becomes final in the earlier case.

It is further proposed to provide that the Commissioner or Principal Commissioner shall proceed only if an acceptance is received from the assessee to the effect that the question of law in the other case is identical to that arising in the relevant case. However, in case no such acceptance is received the Commissioner or Principal Commissioner may, if he objects to the order passed by the Commissioner (Appeals), direct the Assessing Officer to appeal to the Appellate Tribunal.

It is also proposed to provide that where the order of the Commissioner (Appeals) is not in conformity with the final decision on the question of law in the other case (if the Supreme Court decides the earlier case in favour of the

Department), the Commissioner or Principal Commissioner may direct the Assessing Officer to appeal to the Appellate Tribunal against such order within sixty days from the date on which the order of the Supreme Court is communicated to the Commissioner or Principal Commissioner and save as otherwise provided in the said section 158AA, all other provisions of Part B of Chapter XX shall apply accordingly.

This amendment shall take effect from June 1, 2015.

- Furnishing of return of income by certain universities and hospitals referred to in section 10 (23C) of the Act

Under the existing provisions of section 139, all entities whose income is exempt under clause (23C) of section 10, other than those referred to in sub-clauses (iiiab) and (iiiac) of the said clause, are mandatorily required to file their return of income. It is proposed to amend the Act in order to provide that entities covered under clauses (iiiab) and (iiiac) of clause (23C) of section 10 shall be mandatorily required to file their return of income.

This amendment will take effect from April 1, 2016.

- Power of the Central Board of Direct Taxes to prescribe the manner and procedure for computing period of stay in India

The provisions of sub-section (1) of section 6 provide the conditions under which an individual is held to be resident in India. The determination is based, inter alia, on the number of days during which such individual has been in India during a previous year. In the case of foreign bound ships where the destination of the voyage is outside India, there is uncertainty with regard to the manner and basis of determination of the period of stay in India for crew members of such ships who are Indian citizens.

In view of the above, it is proposed to amend the Act to provide that in the case of an Individual, being a citizen of India and a member of the crew of a foreign bound ship leaving India, the period or periods of stay in India shall, in respect of such voyage, be determined in the manner and subject to such conditions as may be prescribed.

This amendment will take effect retrospectively from April 1, 2015.

- Orders passed by the prescribed authority under section sub-clauses (vi) and (via) of clause (23C) of section 10 made appealable before Income-tax Appellate Tribunal

The existing provisions contained in sub-section (1) of section 253 of the Income-tax specify orders that are appealable before ITAT. Order passed by the prescribed authority under sub-clauses (vi) and (via) of clause (23C) of section 10 is not included in this sub-section. The decision of the prescribed authority to refuse to grant approval can have significant implications for the educational or medical institution under the Income-tax Act. Further, under a comparable provision an order for refusal to register a charitable trust is appealable before the Appellate Tribunal.

It is proposed to amend the said sub-section (1) of section 253 so as to provide that an assessee aggrieved by the order passed by the prescribed authority under sub-clause (vi) or (via) of section 10(23C) may appeal to the Appellate Tribunal.

This amendment will take effect from June 1, 2015.

- Assessment of income of a person other than the person in whose case search has been initiated or books of account, other documents or assets have been requisitioned.

The existing provisions contained in section 153C(1) provide that where the Assessing Officer is satisfied that any money, bullion, jewellery or other valuable article or thing or books of account or documents seized or requisitioned belong to any person, other than the person referred to in section 153A, then the books of account or documents or assets seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against each such other person and issue such other person notice and assess or reassess income of such other person in accordance with the provisions of section 153A. Disputes have arisen as to the interpretation of the words "belongs to" in respect of a document as for instance

when a given document seized from a person is a copy of the original document.

It is proposed to amend the aforesaid section to provide that notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, where the Assessing Officer is satisfied that any money, bullion, jewellery or other valuable article or thing belongs to, or any books of account or documents seized or requisitioned pertain to, or any information contained therein, relates to, any person, other than the person referred to in section 153A, then the books of account or documents or assets seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against each such other person and issue such other person notice and assess or reassess income of such other person in accordance with the provisions of section 153A.

This amendment will take effect from the June 1, 2015.

- Simplification of approval regime for issue of notice for re-assessment

Under certain specified circumstances, the Assessing Officer is required to obtain sanction before issue of notice under section 148. It is proposed to provide that no notice under section 148 shall be issued by an assessing officer upto four years from the end of relevant assessment year without the approval of Joint Commissioner and beyond four years from the end of relevant assessment year without the approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner.

This amendment will take effect from June 1, 2015.

- Amount of tax sought to be evaded for the purposes of penalty for concealment of income under clause (iii) of sub-section (1) of section 271

Tax paid under the provisions of section 115JB or 115JC over and above the tax liability arising under general



provisions is available as credit for set off against future tax liability. Understatement of income and the tax liability thereon under general provisions results in larger amount of such credit becoming available to the assessee for set off in future years. Therefore, where concealment of income, as computed under the general provisions, has taken place, penalty under clause (c) of sub-section (1) of section 271 should be leviable even if the tax liability of the assessee for the year has been determined under provisions of section 115JB or 115JC of the Act.

Accordingly, it is proposed to amend section 271 of the Act so as to provide that the amount of tax sought to be evaded shall be the summation of tax sought to be evaded under the general provisions and the tax sought to be evaded under the provisions of section 115JB or 115JC. However, if an amount of concealment of income on any issue is considered both under the general provisions and provisions of section 115JB or 115JC then such amount shall not be considered in computing tax sought to be evaded under provisions of section 115JB or 115JC. Further, in a case where the provisions of section 115JB or 115JC are not applicable, the computation of tax sought to be evaded under the provisions of section 115JB or 115JC shall be ignored.

This amendment will take effect from April 1, 2016.

SETTLEMENT COMMISSION

- It is proposed to amend clause (i) of the said Explanation to

provide that where a notice under section 148 is issued for any assessment year, the assessee can approach Settlement Commission for other assessment years as well even if notice under section 148 for such other assessment years has not been issued. However, a return of income for such other assessment years should have been furnished under section 139 of the Act or in response to notice under section 142 of the Act.

- It is proposed to amend clause (iv) of the Explanation to provide that a proceeding for any assessment year, other than the proceedings of assessment or reassessment referred to in clause (i) or clause (iii) or clause (iiia), shall be deemed to have commenced from the date on which a return of income is furnished under section 139 or in response to notice under section 142 and concluded on the date on which the assessment is made or on the expiry of two years from the end of relevant assessment year, in a case where no assessment is made.
- It is proposed to amend sub-section (6B) of section 245D of the Income tax Act to provide that the Settlement Commission may, with a view to rectifying any mistake apparent from the record, amend any order passed by it under sub-section (4) - (a) at any time within a period of six months from the end of month in which the order was passed; (b) on an application made by the Principal Commissioner or Commissioner before the end of period of six months from the end of month in which the order was passed, at any time within a period of six months from the end of month in which such application was made.
- It is proposed to amend sub-section (1) of section 245H of the Income-tax Act so as to provide that the Settlement Commission while granting immunity to any person shall record the reasons in writing in the order passed by it.
- It is proposed to amend sub-section (1) of section 245HA of the Income-tax Act to provide that where in respect of any application made under section 245C, an order under sub-section (4) of section 245D has been passed without providing the terms of settlement the proceedings before the Settlement Commission shall abate on the day on which such order under sub-section (4) of section 245D

was passed.

■ It is proposed to amend section 245K of the Income-tax Act to provide that any person related to the person who has already approached the Settlement Commission once, also cannot approach the Settlement Commission subsequently. The related person with respect to a person means,-

- Where such person is an individual, any company in which such person holds more than fifty percent. of the shares or voting power at any time, or any firm or association of person or body of individual in which such person is entitled to more than fifty percent of the profits at any time, or any Hindu undivided family in which such person is a karta;
- Where such person is a company, any individual who held more than fifty percent. of the shares or voting power in such company at any time before the date of application before the Settlement Commission by such person;
- Where such person is a firm or association of person or body of individual, any individual who was entitled to more than fifty percent of the profits in such firm, association of person or body of individual, at any time before the date of application before the Settlement Commission by such person;
- Where such person is a Hindu undivided family, the karta of that Hindu undivided family.

■ It is proposed to amend section 132B of the Income-tax Act to provide that the asset seized under section 132 or requisitioned under section 132A may also be adjusted against the amount of liability arising on an application made before the Settlement Commission under sub-section (1) of section 245C.

These amendments will take effect from June 1, 2015.

■ Revision of order that is erroneous in so far as it is prejudicial to the interests of revenue

Presently, if the Principal Commissioner or Commissioner

considers that any order passed by the assessing officer is erroneous in so far as it is prejudicial to the interests of the Revenue, he may, after giving the assessee an opportunity of being heard and after making an enquiry pass an order modifying the assessment made by the assessing officer or cancelling the assessment and directing fresh assessment. It is proposed to provide that an order passed by the Assessing Officer shall be deemed to be erroneous in so far as it is prejudicial to the interests of the revenue, if, in the opinion of the Principal Commissioner or Commissioner,—

- The order is passed without making inquiries or verification which, should have been made;
- The order is passed allowing any relief without inquiring into the claim;
- The order has not been made in accordance with any order, direction or instruction issued by the Board under section 119; or
- The order has not been passed in accordance with any decision, prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person.
- This amendment will take effect from June 1, 2015.

MISCELLANEOUS PROVISIONS

■ Exemption to income of Core Settlement Guarantee Fund (SGF) of the Clearing Corporations

Under the provisions of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC) notified by SEBI, the Clearing Corporations are mandated to establish a fund, called Core Settlement Guarantee Fund (Core SGF) for each segment of each recognized stock exchange to guarantee the settlement of trades executed in respective segments of the exchange. Income by way of contributions to the Investor Protection Fund set up by recognised stock exchanges in India, or by commodity exchanges in India or by a depository shall be



exempt from taxation.

It is proposed to exempt the income of the Core SGF arising from contribution received and investment made by the fund and from the penalties imposed by the Clearing Corporation subject to similar conditions as provided in case of Investor Protection Fund set up by a recognised stock exchange or a commodity exchange or a depository. However, where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part with the specified person, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is shared. The specified person for this purpose is defined to mean any recognized clearing corporation which establishes and maintains the Core Settlement Guarantee Fund and the recognised stock exchange being the shareholder of such clearing corporation.

This amendment shall take effect from April 1, 2016.

■ Tax neutrality on merger of similar schemes of Mutual Funds

Securities and Exchange Board of India has been encouraging mutual funds to consolidate different

schemes having similar features so as to have simple and fewer numbers of schemes. However, such mergers/consolidations are treated as transfer and capital gains are imposed on unitholders under the Income-tax Act. In order to facilitate consolidation of such schemes of mutual funds in the interest of the investors, it is proposed to provide tax neutrality to unit holders upon consolidation or merger of mutual fund schemes provided that the consolidation is of two or more schemes of an equity oriented fund or two or more schemes of a fund other than equity oriented fund.

It is further proposed that the cost of acquisition of the units of consolidated scheme shall be the cost of units in the consolidating scheme and period of holding of the units of the consolidated scheme shall include the period for which the units in consolidating schemes were held by the assessee. It is also proposed to define consolidating scheme as the scheme of a mutual fund which merges under the process of consolidation of the schemes of mutual fund in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and consolidated scheme as the scheme with which the consolidating scheme merges or which is formed as a result of such merger.



This amendment shall take effect from April 1, 2016.

■ Tax benefits for Swachh Bharat Kosh and Clean Ganga Fund

“Swachh Bharat Kosh” has been set up by the Central Government to mobilize resources for improving sanitation facilities in rural and urban areas and school premises through the Swachh Bharat Abhiyan. Similarly, Clean Ganga Fund has been established by the Central Government to attract voluntary contributions to rejuvenate river Ganga.

It is proposed to provide that donations made by any donor to the Swachh Bharat Kosh and donations made by domestic donors to Clean Ganga Fund will be eligible for a deduction of 100% from the total income. However, any sum spent in pursuance of Corporate Social Responsibility under sub-section (5) of section 135 of the Companies Act, 2013, will not be eligible for deduction from the total income of the donor. It is also proposed to amend section 10(23C) of the Act so as to exempt the income of Swachh Bharat Kosh and Clean Ganga Fund from income-tax.

These amendments will take effect from the assessment year 2015-16.

■ Amendments relating to Global Depository receipts (GDRs)

The current taxation scheme of income arising in respect of depository receipts under the Act is aligned with the earlier scheme which was limited to issue of Depository Receipts (DRs) based on the underlying shares of the company issued for this purpose (i.e. sponsored GDR) or FCCB of the issuing company and where the company was either a listed company or was to list simultaneously. Besides, the holder of such DRs was a non-resident only.

As per the new scheme, DRs can be issued against the securities of listed, unlisted or private or public companies against underlying securities which can be debt instruments, shares or units etc.; Further, both the sponsored issues and unsponsored deposits and acquisitions are permitted. DRs can be freely held and transferred by both residents and non-residents. Since the tax benefits under the Act were intended to be provided in respect of sponsored GDRs and listed companies only, it is proposed to amend the Act in order to continue the tax benefits only in respect of such GDRs as defined in the earlier depository scheme.

These amendments will take effect from the April 1, 2016.

A photograph of an industrial refinery or chemical plant at night. The scene is illuminated by numerous bright yellow lights, creating a stark contrast against the dark blue and purple twilight sky. Several tall, cylindrical smokestacks are visible, with one prominent one in the center-right and another with red and white horizontal stripes to its left. The foreground and middle ground are filled with a dense network of pipes, metal structures, and scaffolding, all glowing from the plant's lights. The overall atmosphere is one of intense industrial activity.

Indirect Tax Proposals

GOODS AND SERVICE TAX

Government reiterates its commitment to introduce the GST regime in India by 1 April 2016. GST to put in place a state of the art Indirect tax system in India.

EXCISE

■ CHANGES IN RATES

- Standard ad valorem rate of duty of excise increased to 12.5% from 12%.
- EC and SHEC leviable on excisable goods subsumed in Excise Duty.

■ FULL EXEMPTION

- Excise duty exempted on specified raw materials [battery, titanium, palladium wire, eutectic wire, silicone resins and rubbers, solder paste, reed switch, diodes,

transistors, capacitors, controllers, coils (steel), tubing (silicone)] for use in manufacture of pacemakers, subject to actual user condition.

- Pig iron SG grade and Ferro-silicon-magnesium for manufacture of Cast components of wind operated electricity generators, subject to certification by MNRE.
- Round copper wire and tin alloys for use in manufacture of Solar PV ribbon for manufacture of solar PV cells, subject to prescribed conditions.
- Parts, components and accessories (falling under any Chapter) for use in manufacture of tablet computers and their sub-parts for use in manufacture of parts, components and accessories, subject to actual user condition.
- The conditions prevailing for duty free import of goods supplied against ICB made applicable to goods manufactured domestically and supplied against ICB for the purpose of availing Excise Duty Exemption.

■ SPECIFIC CHANGES

Changes in BED on some key items are set below:

Sector/Commodity	Existing	New
High Speed Diesel (Tariff Item 27101930)	14% + INR 5 per litre	14% + INR 15 per litre
Wafers for manufacture of integrated circuit (IC) modules for smart cards (subject to actual user condition)	12 percent	6 percent
Inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and lamps	12 percent	6 percent
Chasis for Ambulance, subject to actual user condition	24 percent	12.5 percent
Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	12 percent	18 percent

■ OTHER CHANGES IN RATES/ AMENDMENTS

- Schedule Rates of the Additional Duty of Excise (commonly known as Road Cess) levied on Petrol and High Speed Diesel Oil increased from INR 2 per litre to INR 8 per litre. The effective rates of the Additional Duty of Excise (commonly known as Road Cess) levied on Petrol and High Speed Diesel Oil increased from INR 2 per litre to INR 6 per litre.
- Excise duty structure of NIL without Cenvat credit or 12.5% with credit is being prescribed for solar water heater and system.
- Concessional excise duty of 6% on specified goods for use in the manufacture of electrically operated vehicles and hybrid vehicles, extended upto 31 March 2016
- Excise duty structure for mobiles phones changed from 1% without Cenvat credit or 6% with credit to 1% without Cenvat credit or 12.5% with credit. Levy of NCCD of 1% on mobile phones continues.
- Excise duty structure of 2% without Cenvat credit or 12.5% with credit extended to tablet computers. Schedule Rate of Clean Energy Cess, levied on coal, lignite and peat, increased from INR 100 per tonne to INR 300 per tonne. The effective rate of Clean Energy Cess increased from INR 100 per tonne to INR 200 per tonne.
- Exemption, available to railway or tramway track construction material of iron and steel from payment of excise duty on the value of rails, provided such rails have suffered excise duty and no credit of duty paid on them has been taken, given retrospective effect from 17 March 2012 to 2 February 2014.
- All goods falling under Chapter sub-heading 2101 20, including iced tea being notified under section 4A of the CEA for assessment of Excise duty with an abatement of 30%
- Goods, such as lemonade and other beverages being notified under section 4A of the CEA for assessment of Excise duty with an abatement of 35%
- Excise duty of 2% without CENVAT credit or 6% with CENVAT credit levied on condensed milk put up in unit containers. Condensed milk notified under section 4A of the CEA for valuation with an abatement of 30%.
- Excise duty of 2% without CENVAT credit or 6% with CENVAT credit is being levied on peanut butter.
- Additional Duty of Excise of 5% ad valorem on waters, including mineral waters and aerated waters containing added sugar exempted

■ POLICY CHANGES

- Recovery of duties not levied or not paid or short levied or short paid or erroneously refunded

Section 11A of the CEA amended so as to effect the following:

- ⤴ Category of cases where extended period of time applies but the transactions are recorded in the specified record removed from the statute;
- ⤴ Definition of 'relevant date' amended to include cases where a return is not filed on the due date and where only interest is required to be recovered.
- ⤴ Provisions section 11A not to apply to cases where the non-payment or short payment of duty is reflected in the periodic returns filed by the assessee. In such cases recovery of duty is to be made in such manner as may be prescribed in the rules.

- Penalty for short levy or non-levy of duty in cases not involving fraud, collusion suppression etc

Penalty under section 11AC of the CEA made applicable to the bonafide assessee in following manner:

- ⤴ Penalty restricted to 10 per cent of the duty determined or INR 5,000 whichever is higher
- ⤴ No penalty in case duty along with interest is paid within 30 days of issuance of the SCN
- ⤴ Reduced penalty of 25 per cent of total penalty imposed in case duty along with interest and reduced

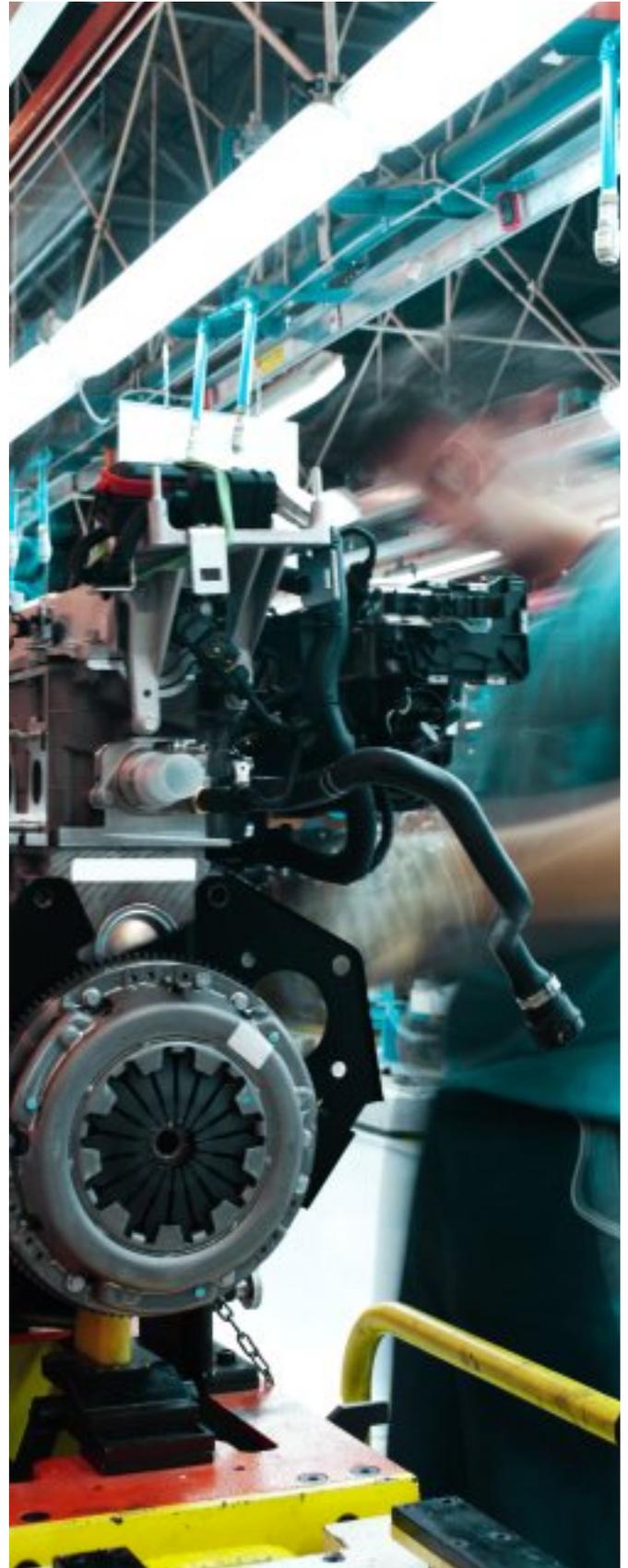
penalty is paid within 30 days of communication of the adjudication order

- ⤴ In case duty amount is reduced in any appellate proceeding, penalty amount shall also stand modified accordingly
- Penalty for short levy or non-levy of duty in cases involving fraud, collusion suppression etc

Penalty under section 11AC made applicable to the non-bona fide assessee in following manner:

- ⤴ Maximum penalty maintained at 100 percent of duty amount
- ⤴ Reduced penalty of 15 per cent of duty amount in case the duty along with interest and reduced penalty is paid within 30 days of the communication of the SCN
- ⤴ Reduced penalty 25 per cent of the duty amount in case duty along with interest and reduced penalty is paid within 30 days of communication of adjudication order
- ⤴ In case duty amount is reduced in any appellate proceeding, penalty amount shall also stand modified accordingly
- No reference to Settlement Commission where matter, in appeal or revision, referred back

CEA amended to provide that when any proceeding is referred back by any Court/ Tribunal/ Authority, to the adjudicating authority for a fresh adjudication or decision, the said proceeding not entitled for settlement.



SERVICE TAX

■ PROPOSED CHANGES IN RATES

Effective from the date to be notified after enactment of the Finance Bill

- Effective rate of service tax increased to 14% from 12.36%

- Education cess and secondary and higher education cess subsumed in the revised rate of service tax
- Proportionate revision of alternative rate of service tax in following cases -

Sector/Commodity	Existing	New
Air travel agent (Rate applicable on basic fare)		
- For domestic booking	0.6 per cent	0.7 per cent
- For international booking	1.2 per cent	1.4 per cent
Insurer carrying life insurance (Rate applicable on premium)		
- For first year	3 per cent	3.5 per cent
- For subsequent years	1.5 per cent	1.75 per cent
Money changer (Rate applicable on gross amount of currency exchanged)		
- For gross amount upto 0.1 million	0.12 per cent (subject to a min INR 30)	0.14 per cent (subject to a min INR 35)
- For gross amount exceeding 0.1 million upto 1 million	0.06 per cent + INR 120	0.07 per cent + INR 140
- For gross amount exceeding 1 million	0.012 per cent + INR 660 (subject to a max INR 6,000)	0.014 per cent + INR 770 (subject to a max INR 7,000)
Lottery distributor or Agent (Total service tax on every 1 million of aggregate face value of lottery tickets)		
- Prize payout more than 80 per cent	INR 7,000	INR 8,200
- Prize payout less than 80 per cent	INR 11,000	INR 12,800

- Enabling provision introduced for imposition of new cess called 'Swachh Bharat Cess' at the rate of 2 per cent on value of taxable services

■ PROPOSED EXCLUSIONS FROM THE NEGATIVE LIST

Effective from the date to be notified after enactment of the Finance Bill

- Admission to entertainment event or access to amusement facility

- Any processes for production or manufacture of alcoholic liquor for human consumption
- All services provided by Government or a local authority to business entities

■ INCLUSION/ EXCLUSION IN EXEMPTIONS

- Exemption Introduced

Effective from the date to be notified

- ▲ Service by way of right to admission to –

- ★ Exhibition of cinematographic films, circus, dance, theatrical performance
- ★ Recognized sporting event
- ★ Award function, concerts, pageants, musical performance or any sporting event other than the recognized sporting event where amount charged in less than INR 500 per person

Effective from April 1, 2015

- ▲ Transportation of a patients in an ambulance
 - ▲ Life insurance service provided by way of Varishtha Pension Bima Yojna
 - ▲ Service provided by a Common Effluent Treatment Plant operator for treatment of effluent
 - ▲ Pre-conditioning, pre-cooling, ripening, waxing, retail packing, labeling of fruits and vegetables
 - ▲ Service provided by way of admission to a museum, zoo, national park, wild life sanctuary and a tiger reserve
 - ▲ Exhibition of movie by the exhibitor (theatre owner) to the distributor or AOP where exhibitor is a member
 - ▲ Transportation of export goods by road by GTA from the place of removal to a land customs station
- Exemption Withdrawn

Effective from April 1, 2015 (unless otherwise specified)

- ▲ Construction, installation, repair, renovation and maintenance related services provided to the Government or a local/ government authority in relation to –
 - ★ Civil structure meant for use of non-commercial/ business purposes
 - ★ Structure meant for use as an educational, clinical or an art or cultural establishment
 - ★ Residential complex for self-use or the use of their employees

- ▲ Construction, erection or installation related services in relation to airport and port
 - ▲ Services provided by a mutual fund agent or distributor to a mutual fund or assets management company
 - ▲ Services provided by a selling or marketing agent of lottery ticket to a distributor or selling agent
 - ▲ Services by way of making telephone calls from -
 - ★ Departmentally run public telephone
 - ★ Guaranteed public telephone operating only for local calls
 - ★ Free telephone at airport and hospital where no bills are being issued
 - ▲ Intermediate production process in relation to alcoholic liquor for human consumption from such date as may be notified
- Rationalization of Exemptions
 - ▲ General exemption to transportation of food stuff by rail, or vessels or road limited to food grains including rice and pulses, flour, milk and salt as transportation of food items separately exempted under separate entry of agricultural produce
 - ▲ Specific exemption to service provided by a commission agent located outside India withdrawn as the same being non taxable

■ ABATEMENT

Effective from April 1, 2015

- A uniform abatement of 70 per cent available in relation to transportation by rail (presently 70 per cent), road (presently 75 per cent) and vessel (presently 60 per cent) subject to condition of non-availment of cenvat credit
- Abatement reduced from 60 percent to 40 per cent for transport of passengers by air in other than economy class

- Abatement of 30 per cent withdrawn on services provided in relation to chit

■ PROPOSED LEGISLATIVE CHANGES

Effective from the date on which the Finance Bill receives the assent of the President

- Explanation Introduced/ Amended
 - ▲ Explanation inserted in the definition of 'service' to include activities undertaken for consideration by chit fund foremen, lottery distributors and agents in their respective capacity
 - ▲ Explanation in relation to consideration amended to include the following:
 - ★ All reimbursable expenditure or cost incurred or charged by the service provider in the course of providing or agreeing to provide taxable services, subject to prescribed conditions
 - ▲ Amount retained by the lottery distributor or selling agent from gross sale amount of lottery ticket
- Rationalization of Penalty Provisions
 - ▲ Penalty under section 76 made applicable to the bonafide assessee in following manner:
 - ★ Maximum penalty restricted to 10 per cent of service tax amount
 - ★ No penalty in case service tax along with interest is paid within 30 days of receipt of SCN
 - ★ Reduced penalty of 25 per cent of total penalty imposed in case service tax along with interest and reduced

penalty is paid within 30 days of receipt of the adjudication order

- ★ In case service tax amount is reduced in any appellate proceeding, penalty amount shall also stand modified accordingly
- ▲ Penalty under section 78 made applicable to the non-bonafide assessee in following manner:
 - ★ Maximum penalty maintained at 100 percent of service tax amount
 - ★ Reduced penalty of 15 per cent of service tax amount in case service tax along with interest and reduced penalty is paid within 30 days of receipt of SCN
 - ★ Reduced penalty 25 per cent of service tax amount in case service tax along with interest and reduced penalty is paid within 30 days of receipt of adjudication order
 - ★ In case service tax amount is reduced in any appellate proceeding, penalty amount shall also stand modified accordingly
- ▲ New section 78B introduced by way of transition provision, to provide the benefit of rationalized penalties in following cases:
 - ★ Where SCN or adjudication order has not been issued before the date of enactment of the Finance Bill, 2015; and
 - ★ Benefit of reduced penalty under section 73(4A) has not been availed
- ▲ Benefit of reduced penalty under section 73(4A) when true and complete details of transaction available on specified records withdrawn
- ▲ Section 80 granting waiver of penalty to bonafide assessee having reasonable cause omitted
- Matter involving grant of Rebate relating to exported services
 - ▲ Adverse order passed in the matter involving rebate not appealable before CESTAT

- ⤴ Application for revision of the said order to be filed before a revisionary authority under the CE Act
- ⤴ All appeals filed before CESTAT after the date of enactment of Finance Act 2012 would be transferred to the revisionary authority
- Other Legislative Changes
 - ⤴ Section 73(1B) introduced to recover unpaid service tax liability self-assessed and declared in the return without issuance of SCN

■ POLICY CHANGES

Effective from the date on which the Finance Bill receives the assent of the president

- Benefit of advance ruling extended to the resident firm
 - ⤴ Relevant definitions assigned from the IP Act, IT Act and the CA Act
- Inclusion of services and other changes under reverse charge mechanism

Effective from April 1, 2015

- ⤴ Body corporate to pay entire service tax liability on manpower supply and security services provided by individual, HUF, or partnership firm
- ⤴ Mutual fund or asset management company to pay service tax on services provided by mutual fund agent or distributor

Effective from March 1, 2015

- ⤴ Definition of aggregator introduced to mean a person, who owns and manages a web based software application, and by means of the application and a communication device, enables a potential customer to connect with persons providing service of a particular kind under the brand name or trade name of the aggregator
- ⤴ Aggregator or its representative or agent located in India to pay service tax in respect of service provided

by a person involving the aggregator

- Other procedural changes

Effective March 1, 2015

- ⤴ Registration certificate for single premise to be granted within 2 days of submission of prescribed documents
- ⤴ Provision for issuance of digitally signed invoices and maintenance of records in electronic form introduced subject to prescribed conditions

■ CENVAT CREDIT

Unless otherwise specified, effective from March 1, 2015

- Cenvat credit available on input and capital goods sent directly to the job worker
- Time limit for return of Capital Goods from a job worker increased from 6 months to 2 years
- Time limit for availing cenvat credit extended from 6 months to 1 year
- Effective April 1, 2015 Cenvat credit of service tax paid under partial reverse charge would be available after payment of service tax
- For the purpose of refund, export goods defined as goods which are to be taken out of India to a place outside India
- Provision of reversal under Rule 6(1) applicable on non-excisable goods cleared for a consideration from the factory
- Provision of maintaining proper records for input and capital goods etc and power to impose restrictions in case of misuse of cenvat credit made applicable to importer issuing cenvatable invoice
- Provision introduced for –
 - ⤴ Recovery of cenvat credit taken but not utilized
 - ⤴ Determining manner of utilization of cenvat credit



CUSTOMS

Rate of BCD remains at 10 percent

■ EXEMPTIONS

- Full exemption from BCD on import of following goods:
 - ⤴ Evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system, subject to actual user condition
 - ⤴ High Density Polyethylene for use in the manufacture of telecommunication grade optical fibre cables, subject to actual user condition
 - ⤴ Black Light Unit Module for use in manufacture of LCD/LED TV panels
 - ⤴ Organic LED (OLED) TV panels
 - ⤴ Artificial heart (left ventricular assist device)
 - ⤴ Parts, components and accessories (falling under any Chapter) for use in the manufacture of tablet computers and their sub-parts for use in the manufacture of parts, components and accessories, subject to actual user condition
 - ⤴ Digital Still Image Video Cameras capable of recording video with minimum resolution of 800x600 pixels
 - ⤴ Parts and components for use in the manufacture of such Digital Cameras
 - ⤴ Magnetron (upto 1 KW) used for the manufacture of domestic microwave oven

- Full exemption from CVD on import of following goods:
 - ⤴ Parts, components and accessories (falling under any Chapter) for use in the manufacture of tablet computers and their sub-parts for use in the manufacture of parts, components and accessories, subject to actual user condition
 - ⤴ Specified raw materials for use in the manufacture of pacemakers, subject to actual user condition
 - ⤴ Artificial hearts (left ventricular assist device)

- Full exemption from SAD on import of following goods:
 - ⤴ IT and electronic hardware, except populated printed circuit boards, falling under any Chapter of Customs Tariff, for use in the manufacture of ITA Bound Items, subject to actual user condition
 - ⤴ Inputs for use in the manufacture of LED drivers and MCPCB for LED lights, Fixtures & LED Lamps, subject to actual user condition
 - ⤴ Specified raw materials for use in the manufacture of pacemakers, subject to actual user condition
 - ⤴ Parts, components and accessories (falling under any Chapter) for use in the manufacture of tablet computers and their sub-parts for use in the manufacture of parts, components and accessories are being fully exempted, subject to actual user condition

■ REDUCTION/INCREMENT IN RATE OF DUTY

- SAD on Naphtha ethylene dichloride, vinyl chloride monomer and styrene monomer for manufacture of excisable goods reduced from 4% to 2%
- SAD on melting scrap of iron or steel, stainless steel scrap for the purpose of melting, copper scrap, brass scrap and aluminium scrap is being reduced from 4% to 2%
- Scheduled and effective rate of Additional Duty of Customs levied on imported Motor Spirit (Petrol) and

High Speed Diesel Oil (commonly known as Road Cess) increased from INR2 per litre to INR8 per litre and INR 6 per litre respectively

■ SPECIFIC CHANGES IN CUSTOMS DUTY RATE

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

Sector/Commodity	Existing	New	Change
Increase (per cent)			
Metallurgical coke	2.5	5	2.5
Tariff rate on iron and steel and articles of Iron and Steel	10	15	5
Tariff rate on commercial vehicles for the transport of ten or more persons	10	40	30
Decrease (percent)			
Ulexite Ore	2.5	Nil	2.5
Tariff rate on bituminous Coal	55%	10%	45%
Liquefied butane	5	2.5	2.5
Sulphuric acid for the manufacture of fertilizers	7.5	5	2.5
Isoprene	5	2.5	2.5
Styrene Monomer, Ethylene dichloride and Vinyl Chloride Monomer	2.5	2	0.5
Anthraquinone	7.5	2.5	5
Butyl acrylate	7.5	5	2.5
Antimony waste and scrap	5	2.5	2.5
C- Block Compressor, Crank Shaft and Over Load Protector & Positive thermal co-efficient for use in the manufacture of Refrigerator compressors	7.5	5	2.5
Metal parts for use in manufacture of electrical insulators	10	7.5	2.5



■ EXPORT DUTY

- Export duty on ilmenite, upgraded (beneficiated ilmenite including ilmenite ground) reduced from 5% to 2.5%

■ POLICY CHANGES

- Recovery of duties not levied or not paid or short levied or short paid or erroneously refunded

Penalty under section 28 of the Customs Act made applicable in following manner:

- ⤴ No Penalty leviable in cases other than fraud or collusion, wherein amount of duty alongwith interest is paid in full within 30 days from the date of receipt of the SCN
- ⤴ Reduced penalty of 15 per cent in cases involving fraud or collusion
- ⤴ Where a SCN has been served but an adjudication order determining duty has not been passed before the enactment of the Finance Bill, 2015, then, proceedings would be deemed to be concluded if the

payment of duty, interest and penalty is made in full within 30 days from the date on which such assent is received.

- Penalty for improper importation of goods

Section 112 of the Customs Act amended to provide as follows:

- ⤴ Any person who acquires possession of/ is in any way concerned with/ in any other manner deals with any dutiable goods, other than prohibited goods, which he knows or has reasons to believe are liable to confiscation, would, subject to the provisions of section 114A, be liable to a penalty not exceeding 10% of the duty sought to be evaded or INR 5000, whichever is higher.
- ⤴ In cases of short levy or non-levy or short payment or non-payment and erroneous refund of duty for reasons of collusion or any willful misstatement or suppression of facts and the duty and interest is paid within 30 days from the date of communication of the order of the Authorities, the amount of penalty liable to paid by such person would be 25% of the



penalty so determined.

- Penalty for attempt to export goods improperly

Section 114 of the Customs Act amended to provide as follows:

- ⤴ Any person who, in relation to any dutiable goods, other than prohibited goods, does or omits to do an act which renders such goods liable to confiscation, or abets the doing or omission of such an act, would, subject to the provisions of section 114A, be liable to a penalty not exceeding 10% of the duty sought to be evaded or INR 5000, whichever is higher.
 - ⤴ In cases of short levy or non-levy or short payment or non-payment and erroneous refund of duty for reasons of collusion or any willful misstatement or suppression of facts and the duty and interest is paid within 30 days from the date of communication of the order of the Authorities, the amount of penalty liable to paid by such person would be 25% of the penalty so determined.

- No reference to Settlement Commission where matter,

in appeal or revision, referred back

Section 127A(b) of the Customs Act amended to provide that when any proceeding is referred back, whether in appeal or revision or otherwise, by any court, Appellate Tribunal Authority or any other authority to the adjudicating authority for a fresh adjudication or decision, then a such case will not be entitled for settlement.

APPENDICES

PARTICULARS EFFECTIVE

DATE FROM WHICH CHANGES WILL BE

Legislative changes in Customs and Excise

Date of enactment of the Finance Bill, 2015

New rates of Customs Duty

Midnight of February 28, 2015/ March 1, 2015

New rates of Excise Duty

Midnight of February 28, 2015/ March 1, 2015



**Sectorwise
Impact**

AGRICULTURE SECTOR

■ Growth & Development Proposals

- Major steps have been taken to address the two major factors critical to agricultural production, that of soil and water.
- In order to improve soil fertility the Government launched Soil Health cards for better productivity.
- To improve soil health it has been further proposed to support Agriculture Ministry's organic farming scheme – "Paramparagat Krishi Vikas Yojana".
- Pradhanmantri Gram Sinchai Yojana - aimed at irrigating the field of every farmer and improving water use efficiency to provide 'Per Drop More Crop'.
- Provision of INR 53 billion to support micro-irrigation, watershed development and the 'Pradhan Mantri Krishi Sinchai Yojana'.
- To focus on improving the quality and effectiveness of activities under MGNREGA an initial allocation of INR 346.99 billion has been proposed.
- Government to work for the creation of a Unified National Agriculture Market for the benefit of farmers, which will also have the incidental benefit of moderating price rises.

■ Agriculture Credit

- To support agriculture credit, with a special focus on small and marginal farmers it has been proposed to invest INR 250 billion to the corpus of Rural Infrastructure Development Fund (RIDF), INR 150 billion for Long Term Rural Credit Fund, INR 450 billion for Short Term Co-operative Rural Credit Refinance Fund and INR 150 billion for Short Term RRB Refinance Fund.
- It is proposed to target INR 8500 billion of agricultural credit during the year 2015-16.

INFRASTRUCTURE & REAL ESTATE

- Commensurate with the growth ambitions, increase of INR 140.31 billion and INR 100.5 billion in the outlays on both roads and railways respectively has been proposed.
- In order to raise investment in infrastructure finance companies like IRFC and NHB, National Investment and Infrastructure Fund (NIIF) is proposed to be established with an annual flow of INR 200 billion. Introduction of tax free infrastructure bonds for the projects in the sectors of rail, road and irrigation.
- It is proposed to revitalise PPP mode of infrastructure development.
- A sum of INR 1.5 billion will be earmarked to Atal Innovation Mission (AIM) to be established in National Institution for Transforming India (NITI).
- Self-Employment and Talent Utilization (SETU) to be established as Techno-financial, incubation and facilitation programme to support all aspects of start-up business for which, an initial investment of INR 10 billion in NITI Aayog to be set aside.
- To attract investment and leverage the huge land resources, Ports in public sector encouraged to privatize.
- Multiple prior permission for doing business in India to be substituted by a pre-existing regulatory mechanism.
- Five new Ultra Mega Power Projects to be set up, each of 4000 MW, in the Plug-and-Play mode. Similar plug-and-play projects to be considered in other infrastructure projects such as roads, ports, rail lines, airports etc.
- Second unit of Kudankulam Nuclear Power Station to be commissioned in 2015-16.
- Part of Delhi-Mumbai Industrial Corridor (DMIC); Ahmedabad-Dhule Investment region and Shendra-Bidkin Industrial Park are now in a position to start work on basic infrastructure for which INR 12 billion has been

allocated.

- It is proposed to introduce a regulatory reform law that will bring about a cogency of approach across various sectors of infrastructure.
- The first phase of Gujarat International Finance Tec-City (GIFT) to become a reality very soon. Appropriate regulations to be issued in March.
- It is proposed to provide housing to all by 2022- 20 million houses to be set up in Urban areas and 40 million houses in Rural areas
- Allocation of INR 750 million for scheme of Faster Adoption and manufacturing of Electric Vehicles (FAME).
- Revision of total renewable energy capacity of New Renewable Energy to 175,000 MW till 2022 comprising 100,000 MW Solar, 60,000 MW Wind, 10,000 MW Biomass and 5000 MW Small Hydro.

FINANCIAL SECTOR

- Gold monetisation scheme to be introduced which will replace present Gold Deposit and Gold Metal Loan Schemes.
- The scheme to allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans.
- Sovereign Gold Bond, as an alternative to purchase metal gold scheme to be developed.
- An Indian gold coin which will carry the Ashok Chakra on its face to be developed.
- Capital Market
- Gold monetisation scheme to be introduced which will replace present Gold Deposit and Gold Metal Loan Schemes.

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- Banking
 - ▲ Micro Units Development Refinance Agency (MUDRA) Bank has been proposed to be set up for MSMEs.
 - ▲ Government is committed to increasing access of the people to the formal financial system by utilizing vast Postal network.
 - ▲ In the matters related to recovery, NBFCs registered with RBI and having asset size of INR 5 billion and above may be considered as 'Financial Institution' in terms of the SARFAESI Act, 2002.
 - ▲ In order to improve the Governance of Public Sector banks, an autonomous bank Board Bureau is proposed to be set up which will search and select heads of Public Sector banks and assist them in developing differentiated strategies and capital raising plans.

SOCIAL SECURITY

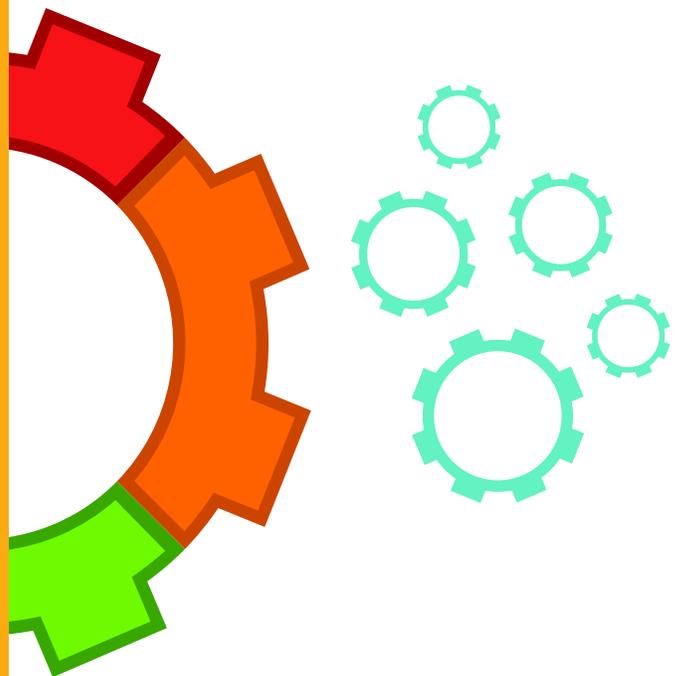
- Proposal for universal social security system especially for the poor and under-privileged to be developed.
- Launch of 'Pradhan Mantri Suraksha Bima Yojna' scheme to provide insurance cover for accidental death risk of INR 2 hundred thousand for an annual premium of mere INR 12. It has been further proposed to cover natural and

accidental death risk of INR 2 hundred thousand at an annual premium of just INR 330 for the age-group of 18-50 under the scheme of 'Pradhan Mantri Jeevan Jyoti BimaYojna'.

- Introduction of Atal Pension Yojana to provide a defined pension based on the contribution and the period of contribution. Government proposes to contribute 50% of the beneficiary's premium restricted to INR 1000 per year for five years to the new accounts opened till December 31, 2015.
- In order to subsidize the premiums on these social security plans, a detailed scheme for Senior Citizen Welfare Fund would be introduced. The unclaimed amounts of INR 30 billion in PPF and INR 60 billion in EPF scheme would be appropriated to the corpus of the fund.
- Proposal of a new Scheme for providing Physical Aids and Assisted Living Devices for senior citizens, living below the poverty line.
- To boost employment for Minority Youth not having a formal school leaving certificate an Integrated Education and livelihood scheme- 'Nai Manzil' to be launched.

DEFENCE & INTERNAL SECURITY

- Allocation of an amount of INR 2467.27 billion for current financial year for defense.
- In order to achieve greater self-sufficiency in the area of defence equipment including air-craft the Government is pursuing Made in India and the Buy and the make in India policy.
- Allocation of INR 10 billion for Nirbhaya Fund to support Women safety and security.



CULTURE & TOURISM

- Proposed to provide resources for the restoration work and other amenities for certain Cultural World Heritage Sites in India.
- Visas on arrival facility presently available for 43 countries to be extended to 150 countries in a phased manner.
- 'The Everlasting Flame' exhibition on the civilization and culture of 'Parsis' to be held in 2015-16.

INDUSTRY

■ Information Technology and Telecom

- Issues concerning the IT industries like liberal system of raising global capital, incubation facilities, funding for seed capital and growth, and ease of doing Business etc. to be addressed for job creation and adding value to the business.
- National Optical Fibre Network Programme (NOFNP) to be further speeded up by allowing willing States to undertake its execution on opting for reimbursement of cost as determined by the Department of Telecommunication.

■ Micro Small and Medium Enterprises

- Establishment of Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of INR 200 billion, and credit guarantee corpus of INR 30 billion to boost MSME. While lending, priority to be given to SC/ST enterprises.
- MUDRA Bank will refinance Micro-finance Institutions engaged in the business of lending to MSMEs through a Pradhan Mantri Mudra Yojana.

- For improving the liquidity in the MSME sector, Trade Receivables Discounting System (TReDS) to be established for facilitating financing of trade receivables.
- Comprehensive Bankruptcy Code in line with global standards to be introduced in fiscal 2015-16.

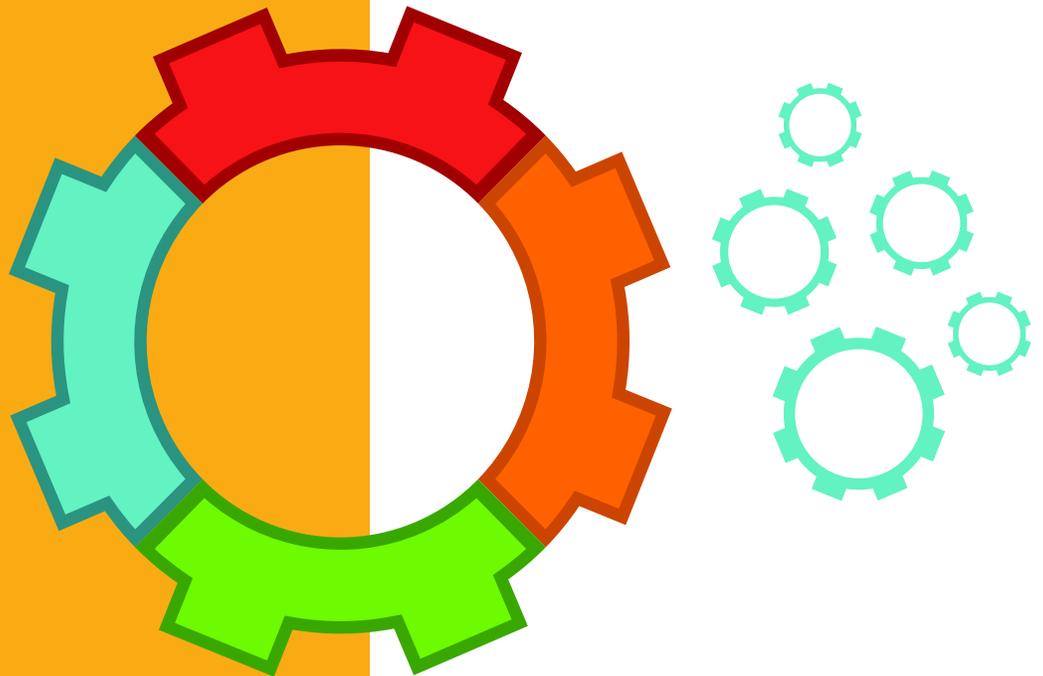
■ Health

- Allocation of INR 331.52 billion to the health sector.
- Proposed to set up All India Institute of Medical Science (AIIMS) in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Further, another AIIMS like institutions to be set up in Bihar.
- A post graduate institute of Horticulture Research & Education to be set up in Amritsar.
- Three new National Institute of Pharmaceuticals Education and Research in Maharashtra, Rajasthan & Chattisgarh and one institute of Science and Education Research has been proposed to be set up in Nagaland & Orissa each.

■ Education

- Allocation of INR 689.68 billion to the education sector including mid-day meals.
- To bring various skill initiatives spread across various Ministries and to standardize procedures across 31 Sector Skill Councils, 'National Skill Mission' to be launched.
- To enhance the employability of rural youth, disbursement of funds from Deen Dayal Upadhyay Gramin Kaushal Yojana will be made directly into student's bank account.

- Proposed to set up an IT-based Financial Aid Authority to administer and monitor the front-end scholarships as well as Educational Loan Schemes through Pradhan Mantri Vidya Lakshmi Karyakram for the poor and middle class student.
- IIMs to be set up in J&K and Andhra Pradesh.
- An IIT to be set up in Karnataka and Indian School of Mines, Dhanbad to be upgraded in to a full-fledged IIT.
- An autonomous Bank Board Bureau to be set up to improve the governance of public sector bank.
- Centre for Film Production, Animation and Gaming in Arunachal Pradesh, for the North-Eastern States; and Apprenticeship Training Institute for Women in Haryana and Uttrakhand to be set-up.



GLOSSARY

AOP	Association of Persons	IIM	Indian Institute of Management
BCD	Basic Customs Duty	IIT	Indian Institute of Technology
BED	Basic Excise Duty	IP Act	Indian Partnership Act, 1932
CEA	Central Excise Act, 1944	IT Act	Income Tax Act, 1961
CPSE	Central Public Sector Enterprise	INR	Indian Rupee
CREDIT RULES	Cenvat Credit Rules, 2004	IT	Information Technology
CA Act	Companies Act, 2013	INVIT	Infrastructure Trust
CGA	Comptroller General of Accounts	ICB	International Competitive Bidding
CPI	Consumer Price Index	MW	Mega Watt
CVD	Countervailing Duty	MSME	Micro Small and Medium Enterprise
CAD	Current Account Deficit	MAT	Minimum Alternate Tax
CESTAT	Custom, Excise & Service Tax Tribunal	PMLA	Prevention of Money Laundering Act, 2002
CUSTOMS ACT	Customs Act, 1962	PPP	Public Private Partnership
CENVAT	Duty of Excise and Service Tax	PPF	Public Provident Fund
EC	Education Cess	REIT	Real Estate Investment Trust
EPF	Employees Provident Fund	RBI	Reserve Bank of India
FTS	Fee for Technical Services	SC	Scheduled Caste
EG.	For Example	ST	Scheduled Tribe
FDI	Foreign Direct Investment	SHEC	Secondary Higher Education Cess
FII	Foreign Institutional Investor	SEBI	Securities Exchange Board of India
GAAR	General Anti-Avoidance Rule	STT	Securities Transaction Tax
GST	Goods & Service Tax	SCN	Show Cause Notice
GTA	Goods Transport Agency	SAD	Special Additional Duty
GDP	Gross Domestic Product	SPV	Special Purpose Vehicle
GTR	Gross Tax Revenue	FEMA	The Foreign Exchange Management Act, 1999
GVA	Gross Value Added	WPI	Wholesale Price Index
IT Act	Income-tax Act, 1961	WEF	With Effect From

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