# Budget

# 2017

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# UNION BUDGET 2017

Indian Finance Minister Arun Jaitley today (1st February 2017) has presented the Union Budget for the year 2017-18. This is his fourth annual budget and the first budget after demonetization.

The Union Budget 2017 was broadly focused on 10 broad themes. They are — Farmers, Rural Population, Youth, Poor and Health Care for the Underprivileged; Infrastructure; Financial Sector for Stronger Institutions; Speedy Accountability; Public Services; Prudent Fiscal Management; Tax Administration for the honest. Prudent Fiscal Management; Tax Administration for the honest.


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## *Foreword*

Budget 2017 has proved to be path-breaking on several fronts, it has not only incorporated the railway budget but was also advanced to 1st February to help complete the legislative process for approval of annual spending plans and tax proposals before beginning of the new financial year on April 1.

Coming after a major path breaking move like demonization initiative, finance minister Mr. Arun Jaitely did a credible job of giving a balanced budget with a focus on inclusive growth. Allocation to rural and agriculture are commendable.

Despite increased spending by the central government, both fiscal and revenue deficits have been maintained. Fiscal reforms, enhanced focus on housing and rural development, encouragement to micro, small and medium enterprises (MSMEs), higher agricultural credit allocation to farmers, steps towards transparency in electoral funding and incentives for promoting digital economy are welcome measures.

The Budget has maintained a logical continuity from the previous year's and also with ongoing announcements. Hence, the focus on agriculture has continued with emphasis on agri-lending, agriculture insurance and implementation of core banking solutions in Primary Agriculture Credit Societies (PACS) with an aim to double the farm income.

Most of the announcements were unanticipated. The measure to tackle black money -such as capping the cash transition limit to Rs.

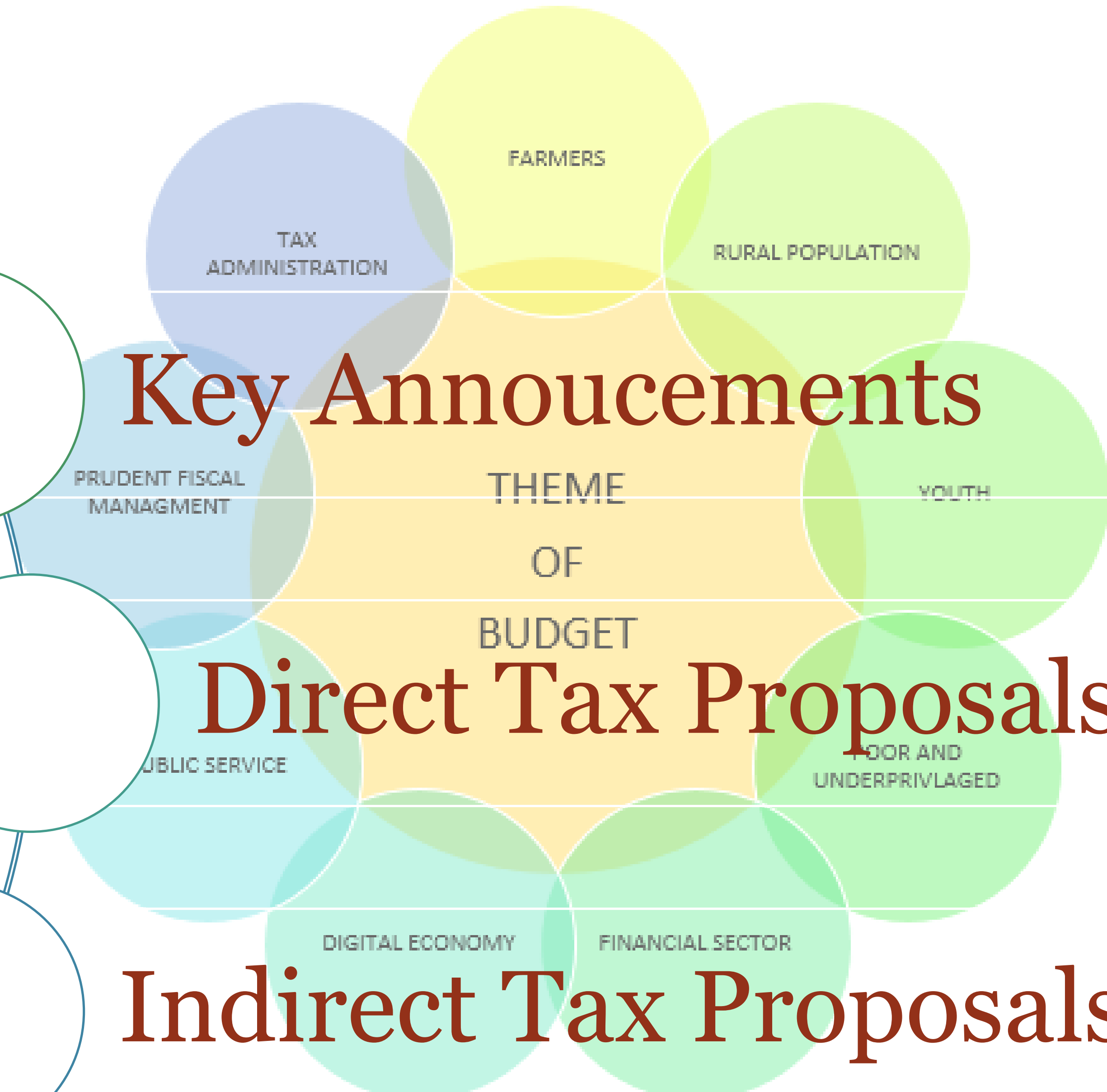
3 lakh -and reforms in political funding -such as reduction in minimum cash donation to political parties to Rs. 2,000 and novel ideas like electoral bonds -were in the surprise list. These measures are nonetheless a continuation of demonetization. The capping of cash transactions will help the banks reduce cash intensity. This, in turn, will help in freeing up manpower at branches for undertaking more value-added services.

For the banking sector, the thrust to digital economy will help banks expand their digital footprint as well as to meet the additional 10 lakh new point-of sale terminals target by March 2017. The agriculture lending target has been substantially revised to Rs. 10 lakh crore supported by further provisions for agriculture insurance.

On the conservative and careful element, this Budget scores quite well, and keeping the budget deficit at 3.2% of the GDP rather than 3% envisaged initially.

# CONTENTS




Key Annoucements

Direct Tax Proposals

Indirect Tax Proposals

# KEY POLICY ANNOUNCEMENTS

## INFRASTRUCTURE

- Rs 20,000-Crore for New Strategic Oil Reserves- strategic crude oil reserves -at Chandikhole in Odisha and Bikaner in Rajasthan

- Power for all, pet project of power, coal, renewable energy and mines minister Piyush Goyal, is progressing well and on track to achieve 100% village electrification by May 2018

- New Metro Rail Policy to be announced with a focus on innovative models of financing and implementation. The policy will focus on indigenisation and standardisation of hardware and software.

- Highway Construction- Rs. 64,900 crore to build new highways in the new fiscal year, 12% higher than the previous allocation.

- Airlines Get Tax Cuts for Small Towns - Waived service tax offering cheap tickets with the help of viability gap funding to help people at smaller airports that are not commercially attractive.

- Infrastructure status for affordable housing - Pledge to build one crore rural homes in two years to help provide housing for all by 2022.

- announcing another 20,000 mw of solar park development in phase II and a slew of duty reductions on components for fuel cell-based power generating and biogas systems, as well as wind energy equipment.

- solar power supply at about 7,000 railway stations in the medium term

- Telecom sector: Rs 10000 crore allocated to Bharat Net

# DIGITAL ECONOMY


- Mission to achieve a target of 2500 Cr digital transactions in 2017-18
- The government proposes to launch two schemes to promote the use of its payments app, BHIM, a referral bonus scheme for individuals and a cashback scheme for merchants
- Creation of Payments Regulatory Board within the RBI, replacing the Board for Regulation and Supervision of Payment & Settlement Systems.
- To Launch Biometrics-based Aadhaar Pay and cyber security mechanisms to secure digital payments to give a thrust to digitisation drive
- Cash Transaction limited to less than Rs. 3,00,000

# FINANCE & BANKING

- Another Economic traded funds with shares of new CPSEs
- Bill to curtail Illicit Deposit scheme to be introduced
- Expert panel to study operational framework to integrate commodity spot and derivatives trading
- Pradhan mantry mudra yojna loan doubled to Rs. 2.44 Lakh crore


- To amend the Negotiable Instruments Act so that the payments happen quickly
- Propose to increase allowable provision for non-performing assets (NPA) from 7.5% to 8.5%
- Rs 10k cr Set Aside to Recapitalise Banks

- Extended a concessional 5% withholding tax for three years even for Masala bonds

- Raised allocation for PMFBY to Rs. 9,000 crore in FY18, from Rs 5,500 crore last year

- Systematically important non-banking finance companies (NBFCs) above a certain net worth will be categorized as qualified institutional buyers by SEBI. This will help the initial public offering market become stronger and channelize more investments.

- Online registration of financial market intermediaries such as mutual funds, brokers and portfolio managers, etc., will be implemented.

- Common applications for registration and opening of bank and demat accounts and the issue of a Permanent Account Number for foreign portfolio investors will be implemented.

- Foreign Investment Promotion Board (FIPB) to be abolished

- Resolution mechanism for financial firms

- Cyber-security: Computer emergency response team to be set up

## *REAL ESTATE AND HOUSING*

- Carpet Area of upto 60 Square meters, not built-up area, to be considered for concession

- Tax on notional rental income only after one year of completion certificate

- Holding period for Long term capital gains for immovable property reduced to two years

- 10 million homes to be built by 2019 for the homeless and those living in kutcha houses

# RURAL INDIA

- MGNREGA: Rs 48,000 crore has been allocated; participation of women now at 55%; using space technology in a big way


- Prime Minister Gram Sadak Yojana: Rs 19,000 crore allocated; along with states, Rs 27,000 crore will be spent in FY 18
- 100% village electrification by May 2018
- Rural livelihood mission: Rs 4,500 crore allocated
- Mason training to be provided to 5 lakh people
- Panchayat Raj: Human resource reform programme to be launched
- Rs 1,87,223 crore allocated for rural programmes
- Allocation to Pradhan mantra gramin awas yojna increased to Rs. 23,000 Crore

# AGRICULTURE

- Agriculture credit target for financial year 2017-18 fixed at Rs. 10 Lakh crore
- Soil health cards: Govt to set up mini-labs in Krishi Vigyan Kendras
- Model law on contract farming to be circulated
- Dairy processing infra fund with corpus of Rs 8,000 crore
- Long-term irrigation fund in NABARD—corpus at Rs 40,000 crore
- Dedicated micro-irrigation fund with Rs 5,000 crore corpus

- Crop Insurance cover to be upped to 40% of cropped area in FY 18 from 30 % in FY 2017

- National agriculture market to be expanded from 250 markets to 585 AMPC

## *YOUTH*


- Education: System of measuring annual learning outcomes, emphasis on science

- Innovation fund for secondary education

- Reforms in UGC: Colleges to be identified based on ranking and given more autonomy

- Propose to leverage information technology with launch of SWAYAM platform for virtual learning

- National testing agency to be established for all entrance exams, freeing up CBSE, AICTE and other bodies

- 100 Indian international skill centres to be established with courses in foreign languages

- Rs 4,000 crore allocated to launch skill acquisition and knowledge awareness

# DIRECT TAX PROPOSALS

## PERSONAL TAX

- Existing rate of tax for individuals between Rs. 2.5- Rs 5 lakh reduced to 5% from 10%.

- All other categories of tax payers in subsequent brackets will get benefit of Rs 12,500.

- Simple one-page return for people with annual income of Rs. 5 lakhs other than business income.

- People filing, I-T returns for the first time will not come under govt. scrutiny.

- 10% surcharge on individual income above Rs. 50 lakhs and up to Rs 1 crore.

- Rebate under section 87A is proposed to be reduced to Rs. 2,500 from the present limit of Rs. 5,000 and will be available only in case of income up to Rs. 3.5 lakhs.

- Under the existing provisions, loss from house property is allowed to be set off against any other income (without any limit). It is now proposed to limit such set off to Rs. 200,000. Any unabsorbed loss from house property can be carried forward to set off against income from house property up to eight years.

- In case of partial withdrawal from the NPS, it has been proposed to exempt withdrawal up to 25% of the contribution made by the individual.

  *It is proposed to increase the deduction up to 20% of the gross total income (earlier 10%) for a non-employee contributing to NPS. This has been proposed to bring parity in the deduction available to employees (10% of employer and 10% of employee contribution) shall be subject to the overall ceiling limits.*

- It is proposed to phase out equity savings schemes

# *CORPORATE TAX*

- *Corporate tax rate reduced to 25% (plus applicable surcharge and education cess) for domestic companies having total turnover/ gross receipts in the previous year (2015-16) not exceeding Rs. 500 million. In other cases, the tax rates remain unchanged at 30% (plus applicable surcharge and education cess).*

- Section 80-IBA provides for 100% deduction in respect of income derived from developing and building certain housing projects. A few conditions, specified in the section for allowing this deduction, have been relaxed, which are as under:

  (a) *The restriction of 30 square meters, in a project located within 25 kms from municipal limits of Chennai, Delhi, Kolkata and Mumbai has been removed.*

  (b) The assessee was eligible to claim deductions, provided the project is completed within a period of three years.

  *The period of completion of project is now increased to 5 years.*

  (c) The size of residential unit shall now be measured by taking into account the 'carpet area', earlier it was 'built-up area'.

# *TRANSFER PRICING*

- Taxpayers would now need to make a corresponding secondary adjustment to their books of accounts to give effect to any primary adjustment made to their transfer price (either sue moto by the taxpayer himself, made by the Assessing Officer and accepted by the taxpayer; or determined by way of advance pricing agreement/ Safe Harbour Rules/Mutual Agreement Procedure).

  - *In cases where there is an increase in income or decrease in losses to the Indian taxpayer on account of primary transfer pricing adjustment and the excess money is not repatriated to India, the same would be treated as an advance made to the Associated Enterprise on which an* *arm's length interest has to be charged. The move is aligned with international best practices and the OECD Transfer Pricing Guidelines.*

- *Secondary adjustments would be applicable prospectively and only if the quantum of primary adjustment is greater than Rs. 10 million.*

- The FM has proposed to amend the definition of Specified Domestic Transaction (SDT) which will substantially reduce the compliance burden for domestic taxpayers across industries.

  *The provisions of SDT would be only applicable to domestic transactions between related parties, where one of the entities is availing certain tax benefits.*

- It is proposed to amend section 90 and 90A of the act to clarify that where any term is defined in the DTAA, it shall be assigned meaning as provided in the said agreement and where it is not defined in the agreement it shall be assigned meaning as defined in the Act.

# *PUSH FOR CASH LESS ECONOMY & CURB BLACK MONEY*

- The maximum limit of cash donations deductible under section 80G has been proposed to be reduced to Rs. 2,000 from Rs. 10,000.

- A new Section 269ST is proposed to prohibit the receipts of cash in excess of Rs. 3,00,000 from a person

  - *in a single day or*
  - *in respect of any single transaction or*
  - *in respect of transaction relating to one event or occasion from a person.*

  However, this restriction shall not apply to Government, any banking company, post office savings bank or co-operative bank or any other notified person.

*Contravention of this provisions would result in levy of penalty under Section 271DA which shall be equivalent to the amount received.*

Transactions of the nature of loans, deposits and specified sum referred to in section 269SS are proposed to be excluded from the scope of the said section.

*TCS provisions in respect of sale of Jewellery has been withdrawn.*

*Provisions enforced retrospectively with effect from AY 2017-18.*

- To encourage small unorganized business to accept digital payments, *it is proposed that the presumptive income under Section 44AD shall be deemed to be 6% (instead of 8%) in respect of amount received through banking channel during the previous year or before the due date for filing of return of income.*

  *The benefit of reduced presumptive income rate shall be available even for the revenue generated during the whole current year 2016-17.*

- *It has been proposed that any cash payments of capital expenditure above Rs. 10,000 shall not be considered to determine actual cost of asset*

- *No deductions shall be available under section 35AD for any capital expenditure in cash in excess of Rs. 10,000.*

- *The monetary threshold for disallowing revenue expenditure incurred in cash under section 40A of the Act has been reduced from Rs. 20,000 to Rs. 10,000.*

# *MINIMUM ALTERNATE TAX (MAT)*

- Timeline to claim MAT credit enhanced to 15 years

  similar amendment proposed for alternate minimum tax.

- In case of companies paying tax under MAT and claiming FTC, the amount of MAT credit shall be computed after considering the lower of the FTC as per MAT provisions and normal provisions.

- MAT provisions aligned with Ind AS requirements

# *CAPITAL GAIN*

- The holding period in respect of immovable properties to qualify as long-term capital asset has been proposed to be reduced to 24 months from 36 months.

  *The base year for computation of capital gains for old capital assets acquired before 1 April, 1981 has been proposed to move to 1 April, 2001. The cost of acquisition of assets acquired before 1 April, 2001 shall be allowed to be taken at fair market value as of 1 April, 2001.*

- It has been noticed that exemption provided under Section 10(38) is being misused by certain persons for declaring their unaccounted income as exempt long-term capital gains by entering into sham transactions.

  *It is proposed to amend Section 10(38) so as that the Equity shares in a company or a unit of an equity-oriented fund acquired on or after 1 October, 2004, on which STT has not been paid on purchase, is proposed to be taxed as long-term capital gains*

- The existing provision of section 54EC provides that capital gain to the extent of Rs. 50 lakhs shall be exempt if the assessee invests in National Highways Authority of India or by the Rural Electrification Corporation Limited

  *In order to widen the scope of the section it is proposed to amend section 54EC so as to provide that investment in any bond redeemable after three years which has been notified by the Central Government in this behalf shall also be eligible for exemption.*

- *Transfer of Rupee Denominated Bond from Non-resident to Non-Resident outside India is proposed to be exempt as it would not be regarded as transfer*

- *Conversion of Preference share of a company into its equity share shall not be regarded as transfer, as per section 47 of the Act*

- *Section 49 proposes to include Cost of acquisition of shares of the Indian Company referred to in Section 47(vi)(c) in the hands of the resulting foreign company shall be the same as it was in the hands of the demerged foreign company;*

- Under the existing provisions, transfer of shares of an Indian company in a demerger of a foreign company to another foreign company is exempt from tax.

  *With a view to rationalize the provisions, it is proposed that the cost of acquisition of shares of the Indian company in the hands of the demerged foreign company shall be considered as the cost in the hands of the resulting foreign company.*

- Under the current provisions, the value adopted for stamp duty purposes can be substituted as the full value of consideration for computing capital gains on transfer of immovable property where the consideration received or accruing is less than such value.

  *A similar provision is proposed to be introduced for transfer of shares other than quoted shares (as defined) under which the fair market value of such shares will be substituted as full value of consideration in case the consideration received or accruing is less than the fair market value*

- A new sub-section (5A) is proposed to be inserted in Section 45, which provides that capital gain arising in case of Joint Development agreement (JDAs) *shall be taxable in the hands of an individual or HUF in the previous year in which certificate of completion for the whole or part of the project is issued by the competent authority.*

  *The deferment of tax shall not be allowed if owner transfers his share in the project on or before the date of issue of said certificate of completion.*

  *The full value of consideration in case of JDAs shall be stamp duty value of owners' share, being land or building or both, in the project on the date of issuing of said certificate of completion as increased by any monetary consideration received by him.*

# ***WITHHOLDING TAX***

- *In order to widen the scope of tax deduction at source, it is proposed to insert a new section 194-IB in the Act to provide that Individuals or a HUF (other than those covered under 44AB of the Act), responsible for paying to a resident any income by way of rent exceeding fifty thousand rupees for a month or part of month during the previous year, shall deduct an amount equal to 5 %. of such income as income-tax thereon.*

  *It is further proposed that tax shall be deducted on such income at the time of credit of rent, for the last month of the previous year or the last month of tenancy if the property is vacated during the year, as the case may be.*

  *Deductor shall not be required to obtain tax deduction account number (TAN)*

  Such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of the tenancy

- Payment of monetary consideration (i.e., not in kind), if any, to an individual or HUF under a Joint Development Agreement [referred to in proposed section 45(5A)] shall attract withholding tax of 10 % such sum.

- *Payment or credits covered under section 194J of the Act to a person engaged only in the business of operation of call centre shall attract reduced withholding tax of 2 %.*

- It is proposed to amend section 194LA to provide that no deduction shall be made where such payment is made in respect of any award or agreement which has been exempted from levy of income-tax under section 96 (except those made under section 46) of the RFCTLARR Act.

- If borrowings in foreign currency is made under a loan agreement entered into between 01-07-2012 and 01-07-2017 or by way of long-term bonds issued between 01-10-2014 and 01-07-2017, tax is deducted at the rate of 5% in respect of interest payable to non-residents.

*It is proposed that the concessional rate of 5% TDS on interest payment under this section will be available in respect of borrowings made before the 01-07-2020.*

*The benefit of concessional TDS rate is also proposed to be extended to rupee denominated bonds issued outside India before 01-07-2020.*

- It is proposed that any person paying any sum or amount, on which tax is collectable at source under Chapter *XVII BB shall furnish his* ***permanent account number*** *to the person responsible for collecting such tax, failing which tax shall be collected at the twice the rate mentioned in the relevant section under Chapter XVII BB or at the rate of 5%, whichever is higher.*

  *A non-resident not having a permanent establishment in India is exempted from this requirement.*

- *The existing provisions provide for a lower TDS rate of five per cent in the case of interest payable at any time before the 1 July, 2017 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 behalf.*

  *Considering the representations received from stakeholders, it is proposed to amend section 194LD to provide that the concessional rate of five per cent TDS on interest will now be available on interest payable before the 1 July, 2020.*

- Scope of section 197A has been widened to exempt tax deduction on payment of insurance commission, on the basis of a self-declaration certificate for nil tax liability, under Form 15G/H by the recipient

# *PROCEDURAL PROVISIONS*

- In order to expedite assessment, the above time frame for filing revised return has been curtailed.

  *It is now proposed that the taxpayer would be eligible to revise its tax return only up to the end of the assessment year or before the completion of assessment, whichever is earlier.*

- To ensure filing of returns within due date, fee for delayed filing of return is proposed to be levied.

*If the return is filed after the due date but on or before the December 31 of the assessment year, assessee shall be liable to pay Rs. 5,000.*

*If return is filed after December 31 of the Assessment year, the charges shall be Rs. 10,000.*

*However, in a case where the total income does not exceed five lakh rupees, it is proposed that the fee shall not exceed Rs. 1,000.*

- *For returns related to AY 2017-18 onwards, it is now proposed that there would be no debar for processing of a tax return on the ground that a notice for scrutiny assessment has been issued.*

  However, the authorities have been empowered to withhold the refund arising out of such processing till the completion of assessment by recording reasons and with the prior approval of the Principal Commissioner or Commissioner.

  The time limit for completion of assessment and re-assessment proceedings revised:

  - *From 21 months to 18 months from the end of the relevant assessment year for AY 2018-19*
  - *From 18 months to 12 months from the end of the relevant assessment year for AY 2019-20 and onwards*
  - *From 9 months to 12 months from the end of FY in which re-opening notice is issued in the cases where such notice is served on or after 1 April 2019*
  - For all of the above, an additional 12 months allowed if reference has been made to TPO.
  - Similar changes in timelines to apply for search and seizure cases
  - *For assessments of other persons based on the evidence gathered during search, time limits of 21 months reduced by 3 months from FY commencing on 1 April 2018 and further 3 months for FY commencing on 1 April.*

- The time limit for completion of assessment for order giving effect, etc. revised as under:
  - Time limit increased from 9 months to 12 months from the end of the relevant FY for orders passed on or after 1 April 2019.

- For uncompleted proceedings relating to notice for assessment, re-assessment or re-computation issued before 1 June 2016, earlier applicable timelines to continue.

- Currently Income-tax Act does not contain any provision to allow the assesse to file for rectification of assessment if Assessing Officer disputed the foreign tax credit in absence of any documentary evidence and assessee subsequently furnishes the same.

  *The Finance Bill, 2017 proposes that the Assessing Officer shall rectify the assessment order, if assessee, within six months from end of the month in which dispute is settled, furnishes proof for payment of foreign tax liability along with an undertaking that credit of such foreign tax has not been claimed or shall not be claimed for any other assessment year.*

  It is proposed to expand the scope of the appealable orders before the Tribunal to now cover orders passed by the prescribed authority in case of any funds, institutions established for charitable purpose or any trust or institutions established for religious purposes under section 10 (23C).

# *ADOPTION OF BEPS RECOMMENDATIONS*

*New Section 94B is proposed to be inserted. This new provision aims to restrict the deduction claimed by an entity in respect of interest charges paid to its associated enterprises.*

*If Indian company or PE of a foreign company pays interest in excess of Rs 1 crore to the associated enterprise, the deduction for interest shall be restricted to 30% of its earnings before interest, taxes, depreciation and amortization (EBITDA).*

*Any excess interest disallowed by virtue of the aforesaid provision, shall be allowed to be carried forward for a period of eight years and allowed as deduction to the extent of maximum allowable interest expenditure as aforesaid.*

*This section will not be applicable to banking and insurance companies.*

# *START UPS*

- As per existing provisions of Section 79, a closely held company is not allowed to carry forward and set-off of losses of earlier years if its shareholding changes by more than 50%.

  *In order to facilitate ease of doing business and to promote start up India, it is proposed that losses, incurred by an eligible start-up, can be carried forward and set off against the income of the previous year, if all shareholders of such company (as existed in the year of loss) continue to hold the shares on last day of the previous year.*

- Section 80-IAC provides a deduction of 100% in respect of income derived by eligible start-up for three consecutive assessment years out of five years beginning from the year in which such eligible start-up is incorporated.
  *It is proposed that this deduction can be claimed by an eligible start-up for any three consecutive assessment years out of seven years beginning from the year in which such eligible start-up is incorporated.*

# *OTHERS*

- Monetary limits for maintenance of books of accounts for the professionals under section 44AA has been increased from Rs. 1.2 Lakhs to Rs. 2.5 Lakhs in regards to income from business and profession, and from Rs. 10 lakhs to Rs. 25 Lakhs in regards to sales/turnover or gross receipt.

- The Finance Act, 2016 had increased the threshold limit under Section 44AD for presumptive taxation scheme from Rs. 1 Crore to Rs. 2 Crore.

  As per proposed amendment, an eligible person opting for presumptive taxation scheme as per section 44AD(1) shall not be required to get his accounts audited if the total turnover or gross receipts of the relevant previous year does not exceed two crore rupees.

- Presently, assessees claiming benefits of presumptive taxation scheme under Section 44AD are allowed to deposit advance tax in single instalment.

*To bring parity among the provisions, the option to pay advance tax in single instalment is also extended to the professionals opting for presumptive taxation under section 44ADA.*

- Simple interest at one-half percent is proposed on refund due to any deductor.

- A new section has been proposed to levy penalty of Rs. 10,000 on specified persons (i.e. accountant, registered valuer or merchant valuer) for furnishing incorrect information in any report or certificate furnished by them under any provision of the Act or the Rules.

- New section 115BBG is proposed to be inserted to provide that any income from transfer of carbon credit shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess). No expenditure or allowance shall be allowed from such income.

- The existing provisions of Section 56(2)(vii) is applicable to an individual and HUF only. It provides for taxability of any sum of money or any property received by an individual or HUF without consideration or for inadequate consideration (in excess of the specified limit of Rs. 50,000).

  *The scope of this provision is proposed to be widened by introducing a new clause Section 56(2)(x) so as to cover all taxpayers within its ambit.*

# INDIRECT TAX PROPOSALS

## SERVICE TAX

- Scope of exemption for services provided by Indian Institutes of Management by way of 2-year full-time post-graduate programmes has been widened – earlier, only residential programs were exempted; however, all 2-year full-time post-graduate programmes would now be exempted.

- Services provided by airline operators to government in relation to transport of passengers by air, embarking from or terminating in a RCS airport for which consideration is received by way of viability gap funding, for a period of one year from the date of commencement of operations of RCS.

- Exemption from service tax for services by way of carrying out any process amounting to manufacturing or production of goods (excluding liquor for human consumption) shifted from Negative List to Mega Exemption Notification. There is no change in effective taxability.

  Exemption for intermediate production process as job worker has been restricted to cases where such process does not amount to manufacture. In case the process amounts to manufacture, exemption is already covered in another clause.

- Advance ruling machinery for excise duty merged with income tax. Consequently, the pending applications to be transferred to such authority.

- Time to pronounce advance ruling increased from 90 days to six months from date of receipt of application

- Retrospective exemption to life insurance services provided by Army, Naval and Air Force Group Insurance Funds to members of defence forces. The amendment is effective from 10 September 2004. refund claim to be filed in six months of enactment of the Finance Bill, 2017 of the service tax paid for the prior period.

- Retrospective amendment with effect from 1 July 2010 to exclude value of land/undivided share of land, in addition to the value of goods, for computing service portion in execution of works contract (involving transfer of goods and land/ undivided share of land).

# *R&D CESS*

- R&D Cess Act is proposed to be repealed from 1 April, 2017. In such case, w.e.f April 2017, no R&D Cess would be paid on import of technology under a foreign collaboration.

- In such case, no adjustment from service tax would be required w.e.f 1 April, 2017. service tax on import of technology is to be paid on full value without any exemption

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