C N K & Associates LLP

Analysis of

Budget 2019

Note:

1. Unless otherwise stated the amendments referred to in this e-publication are effective from AY 2020-21 onwards.
2. Unless otherwise stated, all non-tariff amendments relating to Indirect tax shall become effective from the date of enactment of the Finance Bill.

Foreword

The Budget spells out the vision of the Modi Government for a $ 5 trillion economy in the next 5 years. However, whether this is achievable or merely aspirational remains to be seen.

The Budget has set an ambitious target of GDP growth of 8%, while lowering the fiscal deficit target marginally to 3.3%. This is done despite slowing GST collections, pressure on Government expenditure on account of social welfare programs and worries of global slowdown and trade war. The Budget has announced investment of INR 100 lakh crores in infrastructure, without giving any specifics. An expert committee will be set up to determine how this will be funded.

Recapitalisation of the banks to the tune of INR 70,000 crores over 3 years should revive lending and hopefully boost private investment. Perhaps the most controversial decision is to borrow from overseas market through sovereign bonds to finance the budget deficit. This implies that the Government is optimistic in maintaining the Rupee exchange rate.

On the Direct tax front the super-rich have been targeted, with income over INR 5 crores being taxed at 43%, raising concerns over reintroducing a high tax regime. Of course, the super-rich must have heaved a collective sigh of relief as the much talked about inheritance tax was not introduced.

The welcome move is that companies with turnover upto INR 400 crores in 2017-18 will now pay tax at an effective rate of 29.12% as against the existing rate of 34.94%. Much has been mentioned about resolving long pending issues relating to start ups. But the devil is in the fine print, and several of the start-ups may discover that they actually do not benefit from the proposed measures. In an attempt to root out corruption, the Budget promises faceless electronic scrutiny. Will this actually benefit the tax payer or will it deprive him of his right to get a fair hearing; only time will tell.

The Budget proposal of increasing public holding in listed companies to 35% from the existing threshold of 25% is a good move for the long run, but the immediate stock market reaction is a thumbs down.

On the Indirect Tax front, the constitution of the National Appellate Authority for Advance Ruling for dealing with conflicting advance rulings is welcome. This would go a long way in bringing about uniformity in tax positions adopted across different States on identical issues. Further, the mechanism to settle legacy issues of Service tax and Excise law by introducing a dispute resolution cum amnesty scheme will allow businesses to unload this old baggage and move on.

The Budget has set ambitious targets and is high in intent, but falls low on content. Scrapping import duties on several products on the ground that it is not made in India runs the risk of perpetuating that deficit forever. Resource mobilisation through selling of PSU stocks is highly ambitious and relying on dividend from RBI for fixing the fiscal math is not a great idea.

The FM has thanked the honest taxpayers. However, the FM in the same breath has stated that if taxes are not paid honestly, the Government like a rampaging elephant may trample upon the tax payers. An ominous warning indeed.

The Budget was presented under the backdrop of the resounding electoral mandate of the BJP Government and hence, if ever, this was an opportunity to hit some boundaries. However, the FM has chosen to play steady, choosing to be incremental rather than radical in her approach.

As they say, good economics make bad politics!

Happy Reading!!

Income Tax Rates for AY 2020-21

The tax rates applicable to an individual, HUF, BOI and Artificial Juridical Person remain unchanged from AY 2019-20. As provided by the interim budget of February 2019, resident assessees with taxable income upto INR 5 lakhs are eligible for tax rebate under section 87A of upto INR 12,500 resulting in effectively NIL tax for such assessee. However, the rate of surcharge on tax has now been increased in case of high-income taxpayers as explained below:

Taxable Income	Rate of surcharge	Highest rate of tax on income exceeding INR 10 lakhs for AY 2020-21	Highest rate of tax on income exceeding INR 10 lakhs for AY 2019-20
Upto INR 50,00,000	Nil	31.20%	31.20%
INR 50,00,001 to INR 1,00,00,000	10%	34.32%	34.32%
INR 1,00,00,001 to INR 2,00,00,000	15%	35.88%	35.88%
INR 2,00,00,001 to INR 5,00,00,000	25%	39.00%	35.88%
Above INR 5,00,00,000	37%	42.74%	35.88%

Therefore, the maximum marginal rate would now be 42.74%.

There is no change in the rate of tax and surcharge for co-operative societies and firms (including LLP).

In case of companies, presently the headline rate of tax for domestic companies having turnover / gross receipts not exceeding INR 250 crores in FY 2016-17 is 25%. The headline rate of tax for other domestic companies is 30% and for foreign companies is 40%.

Now, the rate of tax for domestic companies having turnover / gross receipts not exceeding INR 400 crores in FY 2017-18 will be 25%. The rate of tax for other companies will remain the same. There is no change in the rate of surcharge for companies. The effective tax rates for companies are as under:

Particulars		DOMESTIC COMPANY (Having turnover / gross receipt not exceeding INR 400 Crores in FY 2017-18)	OTHER DOMESTIC COMPANY	FOREIGN COMPANY
Total Income Upto INR 1 Crore	Rate of surcharge	Nil	Nil	Nil
	Effective Tax rate	26%	31.20%	41.60%
Total Income Above INR 1 Crore and up to INR 10 Crores	Rate of surcharge	7%	7%	2%
	Effective Tax rate	27.82%	33.38%	42.43%
Total Income Above INR 10 Crores	Rate of surcharge	12%	12%	5%
	Effective Tax rate	29.12%	34.94%	43.68%

For AY 2020-21, the Health and Education Cess, continues to be levied at 4% on the amount of tax computed inclusive of surcharge, in all cases mentioned above (already considered in the above tables where highest / effective tax rates provided).

TDS

Individuals / HUF to deduct tax at source on payment to resident contractors and professionals under section 194M

Presently, as per section 194C and 194J , an individual or HUF making payments to resident contractors for any work or for professional fees is not required to deduct tax from these payments if the payment is made (a) exclusively for personal purposes; or (b) for business purposes but such individual or HUF was not liable for tax audit under section 44AB in the preceding FY.

W.e.f 1st September 2019, personal or business payments from an individual or HUF to resident contractors for any work or for professional fees will attract TDS of 5% under section 194M, if the payments are not liable for TDS under section 194C or 194J . The obligation to deduct tax will arise only if the sum or aggregate of sums of payment to the resident party exceeds INR 50 lakhs in a FY. To reduce compliance burden, the individual or HUF will not be required to obtain Tax Deduction Account Number (TAN) but pay TDS using its Permanent Account Number (PAN).

The above provision has been inserted with a view to widen the tax base and close avenues of possible tax evasion due to non-disclosure of such payments/receipts. While the rate of tax under section 194C for contractors is 1% (individual / HUF payee) or 2% (other payees) and under section 194J for professional fees is 10%, the rate of tax under section 194M covering both these payments is 5%.

Meaning of 'consideration for immovable property' explained for TDS on purchase of immovable property under section 194-IA

Presently, payment or credit of 'consideration for immovable property' for transfer / purchase of such property (other than agricultural land) attracts TDS of 1% under section 194-IA . However, the term 'consideration for immovable property' has not been defined for the purposes of this section.

W.e.f 1st September 2019, 'consideration for immovable property" shall include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to the transfer of the immovable property.

This amendment aims to clarify that all incidental charges payable to the seller of the property would tantamount to consideration for purpose of TDS under this section whether forming part of the purchase agreement or otherwise, as clarified in the memorandum.

TDS on cash withdrawals from account with bank or post office under section 194N

Presently, withdrawal of cash from a bank or post office account by any person does not attract TDS under the Act.

W.e.f 1st September 2019, withdrawal of cash (at once or in aggregate throughout the FY) in excess of INR 1 crore from an account maintained with a bank or post office will attract TDS of 2% under section 194N. The TDS will be levied by the bank or post office on payments to all persons other than the Government, a bank, post office, business correspondents of banks in accordance with RBI guidelines, white label automated teller machine (ATM) operators of banks authorised by RBI or such other persons as may be notified by the GoI in consultation with RBI.

Generally, TDS provisions are applicable to transactions which have an element of income. This is an exception which has been inserted with a view to discourage cash transactions and probably monitor assessees having significant cash withdrawals. The threshold of INR 1 crore is required to be considered per account and not across accounts even with the same bank or post office. Further, the TDS applies only to the amount withdrawn in excess of INR 1 crore.

TDS of 5% on payment of income component of life insurance policy

Presently, payment of proceeds of life insurance policies which are not exempt from tax under section 10(10D), attract TDS of 1% under section 194DA on the entire amount paid.

W.e.f 1st September 2019, TDS of 5% will be levied only on the amount of income comprised in the payment of life insurance proceeds.

This amendment aims to reduce the burden on assessee as well as tax administration by ensuring that only income component is subject to TDS. While section 194DA does not define the meaning of 'income comprised', the Memorandum suggests that the net income would be computed after deducting the amount of insurance premiums paid from the policy proceeds.

Widening and Deepening of Tax Base

Deemed accrual of gift made to a non-resident

Section 9(1) has been amended by introducing clause (viii) to provide that income under section 56(2)(x), arising out of any money paid or property transferred by a person resident in India to a person outside India of any sum of money, or property situated in India on or after 5th day of July 2019, shall be deemed to accrue or arise in India.

Therefore, any resident gifting money (whether or not situated in India) or property situated in India to a non-resident would need to keep in mind the provisions of section 195 while making such gifts. While the above amendment is prospective in nature, the question arises is whether one can take a stand that such gift was not accruing or arising in India prior to the amendment and therefore, not taxable in earlier years.

Buy-back tax made applicable to listed companies

Presently, buy-back of shares by unlisted company is subject to buy-back distribution tax in the hands of the company, as per section 115QA. The amount received by a shareholder is exempt from tax. In case of listed companies there was no buy-back distribution tax payable by them but the shareholders were liable to tax on capital gains under section 46A.

Now, buy-back of shares of listed company will also attract buy-back distribution tax. Consequently, any income arising on buy-back of shares of a listed company would be exempt in the hands of shareholders as per section 10(34A) . These amendments will be applicable w.e.f. 5th July 2019.

Introduction of buy-back distribution tax in respect of listed company, where the shareholder may have purchased shares from the secondary market at higher price, may result into much higher tax incidence as compared to tax on capital gains payable by the shareholder on account of the quantum subject to tax as well as the applicable rate of tax.

Measures for promoting cashless economy

Widening the scope of Electronic mode of undertaking certain transactions

Presently, various sections require payments / receipts to be undertaken through banking channels i.e. including account payee cheques, account payee demand drafts, electronic transfers through bank account, as prescribed.

These sections will now be amended to include other electronic modes as may be prescribed in addition to already prescribed modes.

The amendment aims to promote cash less economy and curb black money.

Acceptance of payment through prescribed electronic modes

W.e.f 1st November 2019, section 269SU requires every person carrying on business and having total sales / turnover / gross receipts in excess of INR 50 crores during the preceding FY to provide facility for accepting payments through prescribed electronic modes. These modes would be in addition to the facility of other electronic modes of payment already provided.

Non-compliance with section 269SU will entail a penalty of INR 5,000 per day under section 271DB unless reasonable cause is substantiated for non-compliance.

The amendment, along with the amendment in the Payment and Settlement Systems Act, 2007 for non-levy of charges by the bank or system provider for such electronic mode of payments, aims to support the GoI's mission of moving towards a less cash economy to reduce generation and circulation of black money and to promote digital economy.

Tax Incentives

Relaxation in conditions of special taxation regime for offshore funds

Presently, section 9A provides that fund management activity carried out through an eligible fund manager located in India shall not constitute a business connection in India provided certain prescribed conditions are satisfied. Two of the conditions relates to the corpus size of the fund to be maintained for certain period of time and payment of remuneration payable to an eligible fund manager in respect of fund management activities. These two conditions have been liberalized considering the representation received from the fund managers. This amendment is retrospectively applicable from AY 2019-20 onwards.

Non-applicability of sections 50CA and 56(2)(x) in certain circumstances

Presently, section 50CA replaces the consideration received for transfer of shares with the fair market value of such shares for the purpose of computation of capital gains if the fair market value exceeds such consideration received. Further, section 56(2)(x) , taxes the recipient of immovable property and specified movable property(including shares) on the difference between the fair market value and the purchase consideration for such property if such propertyis acquired at a price lower than the fair market value.

Both the sections have been amended to provide for exemption in case of certain class of persons to be prescribed by the CBDT.

While the Memorandum refers to providing relief to those cases where the consideration is approved by certain authorities and the person transferring the share has no control in such determination, a possible relief for the same may be in case of shareholders of companies which are undergoing proceedings under the Insolvency and Bankruptcy Code, 2016.

Deduction for interest on housing loan

Interest on housing loan for acquisition of residential property is deductible from the income under section 24 upto a limit of INR 2,00,000. Further, section 80EE provides a deduction for the additional interest on which deduction under section 24 has not been claimed upto a limit of INR 50,000 per year provided the loan is sanctioned during FY 2016-17 and certain other conditions are satisfied.

A new section, section 80EEA, applicable for taxpayers other than those eligible to claim deduction under section 80EE, has been introduced. Under the said section, interest on housing loan for acquisition of residential property, shall be deductible upto a limit of INR 1,50,000 provided the following conditions are satisfied:

a. loan has been sanctioned during FY 2019-20;
b. stamp duty value of the property does not exceed INR 45,00,000; and
c. the taxpayer does not own any residential house property on the date of sanction of the loan.

The deduction under section 80EEA would only be available for interest that has not been claimed as deduction under section 24.

Deduction of profits from affordable housing projects

Section 80-IBA presently provides a deduction of 100% of the profits of the business of developing and building housing projects approved between 1st June 2016 and 31st March 2019 and satisfying the conditions mentioned in the section.

The section has been amended to provide that even projects approved after 1st September 2019 shall be eligible for deduction provided certain specified conditions are satisfied. Further, the existing conditions have also been amended to include the following:

a. the cities of Bengaluru and Hyderabad along with the Delhi NCR Region (as compared to Delhi city only) and the Mumbai Metropolitan Region (as compared to Mumbai city only) have been added for lower threshold of size of land for the project and carpet area of the residential unit;
b. the maximum carpet area of the project has been increased to 60 square metres in the specified metropolitan areas (as against 30 square metres earlier) and to 90 square metres in other places (as against 60 square metres);
c. the stamp duty value of each residential property in the project should not exceed INR 45,00,000.

While the intention of the amendment is to align the definition of 'affordable housing project' with the GST, the section does not provide any deduction for projects approved between 1st April 2019 and 31st August 2019.

Deduction in case of purchase of electric vehicle

A new section 80EEB has been introduced to provide deduction of upto INR 1,50,000 in respect of interest paid on loan taken for purchase of electric vehicle by an individual.

The deduction shall be subject to the condition that the loan has been sanctioned by the banks/ certain NBFCs during the period from 1st April 2019 to 31st March 2023.

This section has been introduced with an aim to incentivise the purchase of electric vehicle and make it affordable for end consumers.

Deduction of interest payment on loan for purchase of electric vehicles is a welcome move towards attaining sustainable green mobility in India and providing attractive alternative to end consumers. Further, the benefit of the interest would be available for acquisition of all types of electric vehicles including 2-wheeler, 4-wheeler, etc.

Enhanced exemption on withdrawal or closure of account of NPS subscribers

Presently, payment from a NPS trust to an assessee on closure of account or opting out of NPS scheme, upto 40% of the total amount payable, is exempt from tax under section 10(12A) .

The limit of exemption will now be increased from 40% to 60% of the total amount payable at the time of closure or opting out of the scheme.

The amendment aims to provide more disposable funds to the assessee.

Exemption of interest on Rupee Denominated Bonds

Section 194LC provides for a lower rate of tax of 5% on interest paid by an Indian company to a non-resident on Rupee Denominated Bonds issued before 1st July 2020.

The section has been amended to provide that interest paid by an Indian company to a non-resident on Rupee Denominated Bonds issued between 17th September 2018 and 31st March 2019 shall be exempt from tax.

The above amendment merely incorporates the announcement made by the GoI vide Press Release dated 17th September 2018 in order to increase the flow of funds in India. Therefore, any Rupee Denominated Bonds issued between 17th September 2018 and 31st March 2019 shall be exempt from tax for AY 2019-20 and subsequent years as well. Further, the rate of 5% tax would continue to apply for Rupee Denominated Bonds issued during the other period.

Interest income of NBFCs

Presently, section 43D provides that interest income of specified financial institutions from specified categories of bad or doubtful debts shall be chargeable to tax in the previous year in which such interest is actually received (since the revenue recognition on such assets is postponed till their realization in line with RBI prudential norms). The section however did not extend this beneficial tax treatment to NBFCs regulated by the RBI.

Now, this beneficial tax treatment will also be extended to (a) deposit-taking NBFCs; and (b) systemically important non-deposit taking NBFCs (having assets not less than INR 500 crores as per the last audited balance sheet); which are regulated by the RBI.

The amendment is in line with the favourable judicial precedents in the matter. The Bombay High Court in case of *PCIT vs. Bajaj Finance Limited (2019) (309 CTR 28)* applied the real income theory and extended the benefit of section 43D to NBFCs. The Bombay High Court referred to the Supreme Court judgment in case of *Vasisth Chay Vyapar Ltd [(2018) 253 Taxman 401]*. The amendment will come as a much sought relief to the NBFC sector and boost their working capital and liquidity.

Deduction of interest paid to NBFC allowable on payment basis as per section 43B

Presently, as per section 43B, interest paid on loan or borrowing from public financial institutions or corporations or banks is allowable on payment basis, subject to certain conditions. However, interest payable on loan or borrowing from NBFCs was allowable as a deduction on accrual basis and was not covered by section 43B.

Now, to bring parity, in light of amendment in section 43D where interest of NBFCs from certain category of bad debts is effectively allowable on receipt basis, deduction for interest payable to NBFCs will also be allowed on payment basis as per section 43B, subject to certain conditions.

International Financial Service Centre (IFSC)

The Finance Minister in the Union Budget 2015 had announced the setting up of India's first IFSC at GIFT city in Gujarat. IFSC caters to customers outside the jurisdiction of domestic economy, dealing with the flow of finance, financial products and services across borders.

To further promote development of IFSC and bring them in par with similar IFSC in other countries, following additional tax benefit are provided:

- The exemption from the capital gains tax available under section 47(viiab) will be extended to such other securities, to be notified by the Central Government.
- Exemption under section 47(viiab) has been extended to certain specified funds. Specified fund isa trust/a company/a LLP/ a body corporate,established or incorporated in India and registered as Category III AIF regulated by SEBI, where all the unit holders are non-residents and satisfying other prescribed conditions.
- Deduction under section 80LA has been increased to 100% for 10 consecutive AYs. Further, deduction can now be claimed for any 10 consecutive AYs out of 15 years beginning with the year in which necessary permission was granted.
- In order to facilitate external borrowings by the units in IFSC, section 10(4C) has been inserted whereby any interest payable after 1st September 2019 by such unit in IFSC to a non-resident on rupee denominated bonds will be exempt from income tax.
- In order to incentivize relocation of mutual funds to IFSC, no DDT would be payable on any income distributed on or after 1St September 2019 by a specified mutual fund. Specified mutual fund would mean a Mutual Fund specified under clause 10(23D) located in IFSC, which derives income solely in convertible foreign exchange and of which all unit holders are non-residents.
- The exemption from payment of DDT only available for the dividend declared out of current income, has now been extended to dividend paid, out of accumulated income earned after 1st April, 2017. The said amendment will be applicable from 1st September 2019

Facilitating Resolution of Distressed Companies

Carry forward of loss in case of distressed companies

Section 79 provides that where there is a change of shareholding in a company by more than 49%, the losses shall not be carried forward for set-off. The adverse consequences of these provisions are not applicable to change in shareholding pursuant to a resolution plan approved under the Insolvency and Bankruptcy Code, 2016.

The section has been amended to extend the benefit of the non-applicability of the section in case of change of shareholding in a company, its subsidiary and its step down subsidiary pursuant to a resolution plan approved by the National Company Law Tribunal under section 242 of the Companies Act, 2013 dealing with oppression and mismanagement.

While the extension of non-applicability of section 79 is a welcome move, the incorporation of the subsidiaries and step down subsidiaries in the exemption section may have unintended consequences, adding further fuel to the controversy existing on change in shareholding of ultimate holding company on account of divergent rulings by various courts such as the Delhi High Court in the case of *Yum Restaurants (India) Private Limited v. ITO (2016) (380 ITR 637),* the Karnataka High Court in the case of*CIT v. AMCO Power Systems (62 taxmann.com 350)*and the Mumbai Tribunal in the case of *Wadhwa & Associates Realtors (P.) Ltd. v. Assistant CIT (2018) (92 taxmann.com 37).*

Computation of book profit in case of distressed companies

Section 115JB presently allows the deduction of either the book loss or the unabsorbed depreciation, whichever is lower, in the case of computation of book profits for the purpose of MAT. In the case of companies undergoing proceedings under the Insolvency and Bankruptcy Code, 2016, the deduction permitted is the aggregate of book loss and unabsorbed depreciation.

This benefit of permitting the deduction of the aggregate of book loss and unabsorbed depreciation is further extended to companies whose directors have been changed on account of proceedings under section 242 of the Companies Act, 2013.

While this amendment is beneficial to a company which has undergone change as stated above, there is a lack of clarity as to how long would the benefit of this provision apply.

Taxation of Start-ups and their Investors

Extension of benefit of carry forward of loss for start-ups

Section 79, dealing with carry forward of losses in case of change of shareholding, provided that losses shall be carried forward for set off only in the following circumstances:

a. in case of a closely held company, if shareholders holding atleast 51% of the voting power in the company in the year of loss, continue holding atleast 51% in the year in which the loss is sought to be set-off; and

b. in case of an eligible start-up, if all the shareholders in the year of loss (being a loss for the first 7 years after incorporation) continue to hold such shares in the year in which such loss is sought to be set-off.

The section has now been amended to allow an eligible start-up (not being a company in which public are substantially interested) to carry forward the losses if they satisfy either of the conditions specified above.

This is a welcome boost to the start-up industry, wherein investors prefer to exit in a short period of time. While such change in shareholding arising due to exit of even 1 investor would have earlier led to initial losses lapsing in the year of change of shareholding, now such start-ups would continue to be able to carry forward the losses, provided atleast 51% of the voting power in the start-up remains unchanged. As this seems to be a clarificatory amendment, the question arises is whether the same should have been applicable retrospectively.

Exemption from capital gains on investment in start-up

Section 54GB exempts capital gains on sale of residential property provided that the net consideration is used to acquire atleast 50% of an eligible start-up and used by such start-up to acquire specified assets. Further, the section also provides that in case the assets acquired by the start-up are sold within a period of 5 years, the capital gains originally arising in the hands of the investor, shall be taxable in the year of sale of such assets. Lastly, the exemption was available only in case of gains arising upto 31st March 2019.

The sunset clause of the exemption has been extended from 31st March 2019 to 31st March 2021. The section has now been amended to relax the holding required in the eligible start-up to 25% instead of the earlier 50%. Further, in the case of sale of assets being computer or computer software, the earlier condition of holding the said asset for a period of 5 years has been reduced to 3 years.

This amendment, aimed to provide liquidity for investment in start-ups, is a welcome move and is in line with the policy of GoI to encourage investment in start-ups.

Rationalisation of exemption to start-up on angel taxation

Presently, section 56(2)(viib) brings to tax, consideration received by a company for issue of shares in excess of fair market value if such consideration also exceeds the face value of such shares. The tax on such difference, commonly known as angel tax, does not apply to investment in start-ups satisfying the conditions provided in the DIPP notification dated 19th February 2019. Some of the conditions include prohibition from investment in certain assets as well as prohibition from providing loans and advances for a period of 7 years from the end of the FY in which the shares are issued.

The section has now been amended to provide that in case a start-up claims exemption by virtue of the above notification, and if the conditions mentioned in the notification are not satisfied, the difference between the consideration received and the face value of shares issued shall be taxed in the hands of the start-up company in the year in which such conditions are breached.

While the amendment is sought to be a rationalisation measure, the amended section now taxes the start-up not satisfying the said conditions, on the difference between the consideration and the face value of the shares. This seems unfair as the tax, at best, should have been on the difference between the consideration received and the fair market value of the shares.

Extension of exemption of angel tax to Category – II AIF investors

Presently, income under angel tax provisions is exempt only for consideration for issue of shares received from venture capital funds registered as Category – I AIF under the SEBI

(Alternative Investment Fund) Regulations, 2012 or for investment in eligible registered start-ups.

The section has now been amended to provide exemption even for consideration for issue of shares from Category – II AIFs.

While this is a beneficial provision for consideration received for issue of shares from Category – II AIF such as Private Equity Funds and Debt Funds, the benefit has not been extended to Category – I AIFs other than venture capital funds such as SME Funds, social venture funds and infrastructure funds. even though the Memorandum states that the beneficial provisions are available to all Category – I AIFs.

Default in deducting tax at source on payments made to non-residents

Presently, as per section 201, any person who fails to deduct applicable tax from payment to non-resident is treated as an 'assessee in default'. Consequentially, not only is interest levied at the rate of 1% / 1.5% (as prescribed) but also the entire expenditure is disallowed under section 40(a)(i) . However, in case of default in deducting tax at source on payments to residents, similar disallowance under section 40(a)(ia) is not made if the resident payee has filed its tax return in India offering such income to tax and the payer has furnished Form 26A along with a CA certificate to the tax authorities to this effect.

W.e.f 1 September 2019, the expenditure will not be disallowed under section 40(a)(i) even in cases of defaults made in deducting tax on payments made to non-residents. This would be subject to the non-resident payee filing its tax return in India offering such income to tax and the payer furnishing Form 26A along with a CA certificate to the tax authorities. The interest on default in deducting tax will be charged @ 1% from the date on which tax was deductible to the date of filing the tax return by such non-resident.

The amendment aims to bring parity in consequences arising from default in deducting tax on payments whether made to residents or non-residents. However, the benefit of this amendment will depend on whether the non-resident has filed tax return in India and would be willing to share the information regarding the same with the payer.

Investment losses of Category I and Category II Alternative Investment Fund (AIF) given pass-through status in hands of investors

Presently, as per section 115UB , investment income of a Category I and Category II AIF is given pass-through status in the hands of investors. However, investment losses of such AIFs are retained with the AIF for carry forward and set-off against future income. Business profits and losses of such AIFs are taxable / retained at the level of the AIFs itself and are exempt in hands of investors i.e. both business profits and losses are not given pass-through status in hands of investors.

Now, while business loss would continue to be retained at the level of such AIFs, the investment losses would be given pass-through treatment in the hands of the investors. Investment losses accumulated at the level of AIF till 31st March 2019 shall get unconditional pass-through in the hands of holders of units as on 31st March 2019 for the remaining period. Investment losses from 1st April 2019 onwards would be given pass-through status in hands of investors, provided the unit on which such loss arises will be held by the unit holder for at least 12 months.

The amendment aims to provide benefit of losses (other than business losses) of such AIFs in the hands of its investors. However, there is ambiguity regarding who will be entitled to claim investment losses pertaining to units not held by an investor for at least 12 months. There could be situations of newly set-up Category I and II AIFs (which are close-ended) where the units may not be held by investors for at least 12 months at the time when the losses accrue / are eligible for pass-through. This situation needs to be clarified.

Short-term capital gains from transfer of units held in equity oriented funds of funds to be taxed at concessional tax rate of 15% under section 111A

Presently, long-term capital gains from transfer of units held in equity oriented funds of funds is taxed at a concessional rate @ 10% under Section 112A. An equity oriented fund of funds is defined to mean a mutual fund which invests 90% of its total proceeds in units of another fund which in turn invests 90% of its total proceeds in listed equity shares of domestic companies. However, the concessional tax rate @ 15% on short-term capital gains under section 111A is presently not available on transfer of units of such funds of funds.

It is now provided that short-term capital gains on transfer of units of such fund of funds will be eligible for concessional tax rate of 15% under section 111A.

This amendment aims to incentivise fund of funds set up for disinvestment of Central Public Sector Enterprises (CPSEs). It also brings tax treatment of such units at par with other units which enjoy similar tax treatment.

Relaxation of specified condition in respect of demerger of Ind-AS companies

Presently, in order to qualify for tax neutral demerger, section 2(19AA) provides that the resulting company should record the assets and liabilities, at a value appearing in books of demerged company. As per Ind-AS 103 dealing with Business Combination, in case of a demerger of an undertaking to an unrelated company, the resulting company is required to record the assets and liabilities at fair value. In case of Ind-AS companies, the said condition would not get satisfied and therefore, the issue as to whether such demerger would be tax neutral was debatable.

In order to remove difficulties faced in case of such demerger, section 2(19AA) has relaxed the said condition whereby the resulting company can record the assets and liabilities in compliance with Ind-AS at values, different from value appearing in the books of demerged company.

Since this amendment is not retrospective, demerger of the company into a resulting company to whom Ind-AS is applicable, prior to 1st April, 2019 may lead to litigation.

Rationalisation of Penal Provisions

Conditions for initiating prosecution for failure to furnish tax return rationalized

Presently, section 276CC provides that prosecution proceedings shall be initiated in case of a person (other than company) for failure to furnish tax returns only if tax payable determined on regular assessment exceeds INR 3,000. While computing the threshold of INR 3,000, credit will be granted for advance tax and TDS paid. However, the section did not provide credit for TCS and self-assessment tax paid by the assessee.

Now, in addition to advance tax and TDS, credit will also be provided for self-assessment tax paid before the expiry of the AY and for TCS. Further, the threshold will be increased from INR 3,000 to INR 10,000.

The amendment aims to rationalise the provisions of the section to give credit for pre-paid taxes and update the threshold in line with current times.

Rationalization of penalty provisions related to under-reporting of income in cases where tax return is filed under section 148

Presently, as per section 270A, under-reporting of income entails a penalty of 50% of the tax payable on under-reported income. In cases where the income is assessed for the first time, if a return has been filed, under-reported income would be the difference between assessed income and income determined in intimation issued under section 143(1). However, where a tax return has not been filed, under-reported income would be the entire assessed income subject to reduction of amount of maximum income not chargeable to tax, as applicable to the assessee.

W.e.f AY 2017-18 i.e. retrospectively, cases where assessment is made for the first time on account of return filed under section 148, the amount of under-reported income will be (a) the amount assessed in case of a company, firm or local authority; (b) difference between assessed income and maximum income not chargeable to tax in other cases.

Since the return filed under section 148 is filed in cases where the AO believes that there has been an escapement of income, such cases will be treated at par with cases where tax return was not filed. Accordingly, in these cases, the under-reported income will not be the difference between assessed income and income determined in intimation issued under section 143(1) against the return filed pursuant to notice issued under section 148.

Transfer Pricing

Clarification regarding Secondary adjustment

The provision relating to secondary adjustment on the specified primary adjustment was introduced by the Finance Act, 2017 w.e.f. AY 2018-19. There were concerns with regards to implementation of secondary adjustments for years prior to AY 2017-18. It has now been clarified that the secondary adjustment would not get triggered, when the primary adjustment does not exceed INR 1 crore or primary adjustment is made for the period prior to AY 2017-18. Accordingly, secondary adjustment cannot be made in respect of primary adjustment for AY 2016-17 and earlier AYs, even if the threshold of INR 1 crore is breached.

As per existing provision, if there is any increase in total income/ reduction of loss on account of primary adjustment, the excess money is deemed to be available with the AE which was required to be repatriated to India with the prescribed time. Where the excess money has not been brought into India within the specified time, the same shall be deemed to be an advance and interest on such advance shall be computed in the manner prescribed and taxed as secondary adjustment.

It has now been clarified that

- The assessee will be required to calculate interest on excess money or part thereof.
- Excess money to be repatriated back to India can be received from any of the non-resident AEs of the assessee.
- Secondary adjustment applicable only in case of APA signed on or after 1 April 2017. However, no refund of taxes already paid under the pre amended section would be allowed.

Option to make one-time payment on Secondary adjustment

Provision relating to Secondary adjustment now provides an option to make one-time payment of additional tax to stopsecondary adjustment.

- If the excess money or the part thereof is not repatriated within time, the assessee has been granted an option to pay one time additional tax at 20.16% (18% tax plus surcharge of 12%)
- This additional tax so paid by the assessee would be the final tax, non-deductible in nature. No credit of such additional tax paid can be claimed by the assessee against any other tax liability.
- Once the taxpayer pays additional tax, he will not be required make secondary adjustment or compute interest from the date of payment of such tax.

Clarification regarding accounting year for the purpose of CBCR filing

The term "accounting year" as per section 286(9) means a previous year in case, where a parent entity or alternate reporting entity is a resident in India. There were certain concerns in relation to the accounting year to be followed, in case of an alternate reporting entity in India with a parent entity outside India.

It has now been clarified that the reporting accounting year to be followed by such alternate reporting entity would be the previous year applicable to parent entity

The above amendment will take effect retrospectively from AY 2017-18.

Master file to be filed by every Indian constituent entity

Presently, proviso to section 92D(1) requires every person being a constituent entity of an international group to keep and maintain prescribed documents relating to master file. Accordingly, some of the Indian companies, even though constituent entities of an international group, were not complying with provisions relating to Master file, on the ground that they had not entered into any international transaction or Specified Domestic transaction.

It is now provided that the information and documents relating to Master file are to be kept and maintained by all Indian constituent entities of an international group, and filing of required form shall be applicable even when there is no international transaction undertaken by such constituent entities.

Powers of AO in respect of modified Tax Return filed pursuant to signing of APA

Section 92CD provides for mechanism for filing of modified tax return on signing of APA and manner of completion of assessment or reassessment by the AO. Presently, the wording of section 92CD(3) suggest that the AO has powers to start fresh assessment or reassessment even in respect of assessment which were completed before the signing of the APA, once modified tax return is filed by the assessee in pursuance to APA.

Section 92CD(3) is modified so as to provide that the AO can only pass an order modifying the total income consequent to modification of tax return in pursuance to APA and cannot start fresh assessment or reassessment.

Inter-changeability of PAN and Aadhaar

Section 139A provides mandatory quoting of PAN for certain transactions. Further, PAN is also required for filing the return of income.

The section has now been amended to allow the quoting of the Aadhaar number where PAN is not available or allotted.

This amendment, along with the provision of Aadhaar to NRIs, without the need to stay in India for 180 days, is a welcome move and may ease convenience.

Mandatory linking of PAN and Aadhaar

The linking of PAN and Aadhaar has been made compulsory by providing that PAN not linked to Aadhaar is to be considered as invalid.

Widening purview of persons mandatorily required to file returns

Presently, as per section 139, return of income is required to be furnished by a person other than a company or firm only if total income exceeds the basic exemption limit, subject to certain exceptions.

However, in order to ensure that persons who enter into certain high value transactions do furnish their return of income, section 139 has been amended to provide that a person shall be mandatorily required to file the return of income if during the previous year, such person:

- (i) deposited an amount or aggregate amounts exceeding INR 1,00,00,000 in one or more current account maintained with a banking company or co-operative bank; or
- (ii) incurred expenditure of an amount or aggregate amounts exceeding INR 2,00,000 for himself or any other person for travel to a foreign country; or
- (iii) incurred expenditure of an amount or aggregate amounts exceeding INR 1,00,000 towards consumption of electricity; or

(iv) fulfilled such other conditions, as may be prescribed.

Further, a person claiming exemption under sections 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB , was not required to furnish return of income if the total income, after claiming such rollover benefits, was below the basic exemption limit.

In order to widen the base, the section is amended to provide that a person who is claiming such rollover benefits shall be required to furnish a return, if before claim of the rollover benefits, the total income is more than the maximum amount not chargeable to tax.

Charitable and Religious Trusts- Cancellation of registration

Income of a charitable trust or institution is exempt provided the same is registered under section 12AA. For the purpose of granting registration under the section, the Principal Commissioner or Commissioner shall call for documents relating to the trust in order to satisfy himself about the genuineness of the activities of such trust.

The section has been amended to empower the Principal Commissioner or Commissioner to also call for documents relating to compliance of trust to the requirements of any other law, material for achieving its object.

Further, the amended section also provides that where on satisfying with the above compliance, a trust or an institution has been granted registration under section 12AA and subsequently it is noticed that the trust or institution has violated requirements of any other law which was material for the purpose of achieving its objects, and proceedings for such violation are pending, the Principal Commissioner or Commissioner may cancel the registration of such trust or institution after affording a reasonable opportunity of being heard.

This amendment shall be effective from 1stSeptember 2019.

This amendment seems to provide wide power to the Principal Commissioner or Commissioner in interpreting various laws relating to the charitable trust other than the Act and to cancel the registration if there is an alleged violation under any other laws. Cancellation of registration under the section would lead to significant tax repercussions.

Widening the scope of Statement of Financial Transactions

Any person undertaking specified financial transactions such as issue of shares or debentures or having receipts in case exceeding a prescribed amount in cash is required to furnish a statement of financial transactions in the specified form.

The furnishing of statement of financial transactions (SFT) has been extended to certain prescribed persons.

In order to ensure pre-filling of information relating to small amount of transactions as well, the current threshold of INR 50,000 on aggregate value of transactions during a FY has been removed.

In case of defective statement, if the defect in the statement is not rectified within the time specified therein, it would be considered as if such person had furnished inaccurate information in the statement.

Consequently, furnishing inaccurate statement of financial transaction may lead to levy of penalty under section 271FAA of INR 50,000. Under the existing provisions, penalty shall be levied only to a prescribed reporting financial institution; the penal provisions have now been extended to all persons who are obligated to file SFT.

These amendments will take effect from 1stSeptember 2019.

Allied laws

Rationalisation of provisions of BMA

Presently, the definition of assessee under section 2(2) of BMA only covers an ordinary resident of India by whom tax is payable in India under the BMA on undisclosed foreign income and assets. As a result, non-residents and not ordinarily residents are not covered under definition of assessee under BMA. Further, section 72 of BMA provides that where an undisclosed / undeclared foreign asset is acquired prior to commencement of the BMA, the date of acquisition of such asset would be deemed to be the year in which notice is issued by AO under BMA.

The provisions of BMA are now applicable, with retrospective effect from 1 July 2015, not only to residents but also non-residents and not ordinarily residents who were resident at the time when undisclosed foreign income or assets were acquired.

The amendment mainly appears to cover situations where defaulting residents may have subsequently become non-residents or not ordinarily residents in India and could challenge the application of BMA.

Amendments in FEMA

- GoI to consider opening up FDI in aviation, media (animation, AVGC) and insurance sectors
- 100% FDI to be permitted for insurance intermediaries
- Local sourcing norms to be eased in case of FDI in Single Brand Retail sectors
- FPI investment limit increased from 24% to the sectoral foreign investment limit with option provided to concerned corporates to lower the threshold
- FPI permitted to subscribe to listed debt securities issued by ReIT and InvITs
- NRI-Portfolio Investment scheme merged with the FPI scheme

INDIRECT TAXES

Key Highlights:

- Golden opportunity to settle past litigations under pre-GST regime (covering service tax, excise duty and other indirect tax laws subsumed under GST) by paying ***30% to 60% of Tax only*** - complete waiver from interest and penalties
- Customs Duty rates have been rationalized – duties on raw materials have been reduced and duties on finished products have been increased with the twin objective of reducing dependency on imports and incentivize domestic manufacturers so as to give a fillip to the "Make in India" movement
- GST return filings set to become simpler in line with the Government's motto of 'ease of doing business in India'
- Strong measures introduced to curb smuggling, including empowering Officers to screen or scan the bodies of suspected persons for detecting goods liable for confiscation
- Huge sigh of relief for tax payers as interest on delayed payments would only be attracted on net tax liability (i.e. post-input tax credit) and not on gross tax liability (pre-input tax credit). Amendment would however only ***apply prospectively*** and ***not retrospectively***
- National Appellate Authority for Advance Ruling constituted for dealing with conflicting Advance Rulings, so as to bring about uniformity in tax positions adopted across States on identical issues
- Balances lying in electronic cash ledger now fungible – cash balances can be seamlessly transferred across CGST/SGST/IGST/UTGST without any approvals

SABKA VISHWAS (LEGACY DISPUTE RESOLUTION) SCHEME, 2019

General:

A Dispute Resolution-cum-Amnesty Scheme ("Scheme") has been introduced for faster settlement of past litigations under the pre-GST regime (covering Service Tax, CED and 26 other enactments subsumed under GST)

Scheme Relief:

Sr. No.	Particulars *	Tax Dues	Relief in Tax Dues			
			> 50 lakhs		< 50 lakhs	
			Tax Relief#	Tax to be Paid^	Tax Relief#	Tax to be Paid ^
(i)	SCN/Appeals arising out of SCN	Disputed Tax	50%	50%	70%	30%
(ii)	SCN for late fee/penalty only - Tax dues paid in full	Late Fee/ Penalty	100%	0%	100%	0%
(iii)	Arrears (as per return/order in appeal attaining finality/ non-filing of appeal)	Tax in Arrears	40%	60%	60%	40%
(iv)	Enquiry/ Investigation/ Audits	Tax Quantified by Authorities	50%	50%	70%	30%

* Stages of dispute/pendency is to be evaluated as on June 30, 2019 for determining eligibility under Scheme

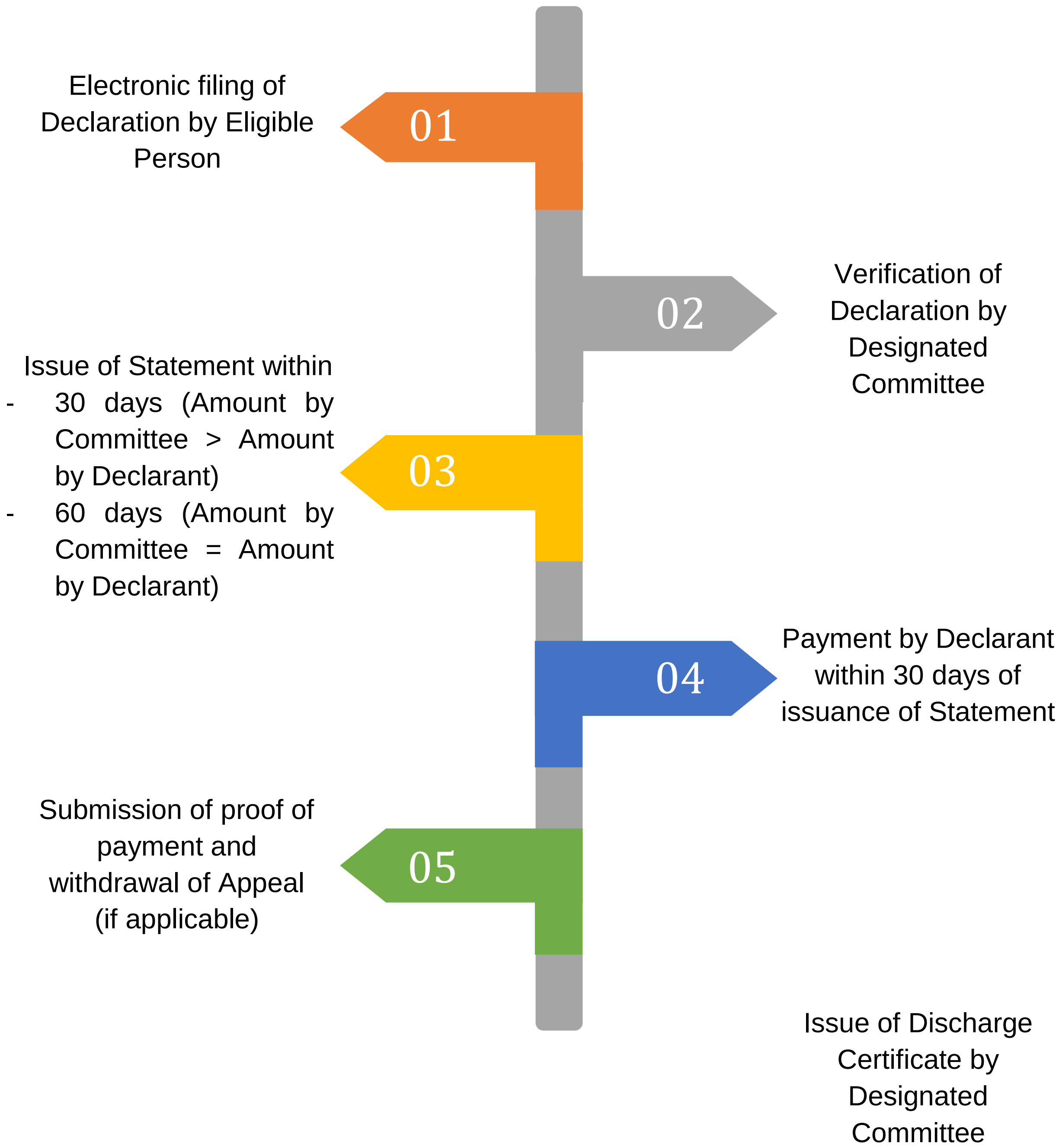
Complete waiver from interest and penalties

^ Pre-deposits/deposits paid by tax-payers would stand reduced from the aforesaid Tax Dues payable under Scheme. No refunds would be allowed, if amount of pre-deposit/deposit exceeds Tax Dues payable under Scheme

Scheme Exclusions:

- Final hearing of SCN/Appeal proceedings by Adjudicating/Appellate Authority has taken place on or before June 30, 2019
- Disputed tax amount not quantified as on June 30, 2019 in case of pending enquiry/audit/investigation proceedings
- Persons convicted of any offence relating to the matter for which the relief is sought under the Scheme
- SCN's pertaining to refund matters (including erroneous refunds)
- Application for settlement of case has been filed before the Settlement Commission

PROCEDURE


Electronic filing of Declaration by Eligible Person
01
02
Verification of Declaration by Designated Committee
Issue of Statement within
- 30 days (Amount by Committee > Amount by Declarant)
- 60 days (Amount by Committee = Amount by Declarant)
03
04
Payment by Declarant within 30 days of issuance of Statement
Submission of proof of payment and withdrawal of Appeal (if applicable)
05
Issue of Discharge Certificate by Designated Committee

LEGISLATIVE AMENDMENTS:

- Provisions have been introduced for charging interest only on the net cash tax liability, except in those cases where returns are filed subsequent to initiation of any proceedings under Section 73 or 74 of the GST Act
- Provisions have been made to transfer any amount of tax, interest, penalty, fee or any other amount lying in the electronic cash ledger under the head CGST/SGST/UTGST/IGST to the electronic cash ledger for CGST/SGST/IGST/UTGST/Cess, subject toprescribed conditions
- Constitution of the National Appellate Authority for Advance Ruling ("NAAAR") for hearing appeals against conflictingadvance rulings pronounced on the same question by theAppellate Authorities of two or more States or Unionterritories
    - Appeal before the NAAAR is required to be filed within a period of thirty days (extendable for further thirty days) from the date of the communication of the ruling sought to be appealed against
    - Department appeals (duly authorized by the Commissioner) is required to be filed within a period of ninety days from the date of the communication of the ruling sought to be appealed against
    - NAAAR shall pass an order within a period of ninety days from the date of filing of the appeal
- Imposition of penalty equivalent to 10% of the profiteered amount if such amount is not deposited within a period of thirty daysof the date of passing of the order by the National Anti-Profiteering Authority
- To promote electronic payment, provisions have been introduced to mandate specified class of suppliers to provide prescribed modes of electronic payment to the recipient of supply of goods/ services

- **Compliances:**
    - Composition taxpayers have been allowed to furnish annual return along with quarterly payment of taxes
    - Other specified taxpayers have an option to opt for quarterly or monthly filing of returns and payment of taxes under the proposed new return system
    - Powers have been given to the Commissioner to extend the due date for furnishing the annual return by registered persons and for furnishing of monthly and annual statement by persons collecting tax at source
    - Powers have been given to the Central Government at the request of the State and on the recommendations of the Council to increase the threshold exemption limit from INR 20 lakhs to such amount not exceeding INR 40 lakhs in case of a supplier who is exclusively engaged in the supply of goods and is also rendering services by way of extension of deposits, loans or advances (where the consideration is represented by way of interest or discount)
    - Aadhaar authentication has been made mandatory for specified class of new taxpayers and failure to undergo such authorization will invalidate the allotted registration

- **Composition Levy:**
    - Provisions have been introduced to allow the supplier of services or mixed suppliers (i.e. suppliers of goods/services) having an annual turnover in the preceding financial year of up to INR 50 lakhs to opt for the composition scheme and pay GST at the prescribed rate not exceeding 6% of the turnover. It has been clarified that interest income on loans/advances would not be considered for computing the turnover limits
    - Restriction has been imposed on casual taxable person and a non-resident taxable person from opting for the composition scheme
    - For the purposes of GST computation, the turnover for the period commencing from the 1st day of April of a FY till the date when the composite supplier becomes liable for registration would have to be excluded

- **Supply of Uranium Ore Concentrate – Retrospective Amendment:**
  - Retrospective exemption from CGST/SGST/IGST has been given on supply of "Uranium Ore Concentrate" during the period July 1, 2017 to November 14, 2017

LEGISLATIVE AMENDMENTS:

Anti-Smuggling Measures:

- *Powers to Screen/Scan Persons:*

  Proper Officers empowered to screen/scan any person, if he has reasons to believe that goods liable for confiscation are secreted inside the body

  - Prior approval of higher authorities (AC/DC) is necessary
  - Screening/Scanning can be conducted without prejudice to persons rights under any law, including the necessity of obtaining the person's content
  - Report to be forwarded to nearest Magistrate, if goods appear to be secreted inside a person's body
  - Person to be produced before magistrate without any unreasonable delay
  - Curb on powers of Proper Officers to arrest an offender only an Indian soil has been done away with - offenders can now even be arrested on foreign soil

- *Authentication/Verification of Aadhaar No.:*

  - Identification of persons will now be linked with Aadhaar/others prescribed documents
  - Failure to comply with identification documents or incorrect submission of documents could result in suspension of:
    - ✓ Clearance of imported goods
    - ✓ Sanction of refunds/duty drawback
    - ✓ Duty exemptions
    - ✓ Licence/registrations under Customs
    - ✓ Any benefit, monetary or otherwise, in relation to imports/exports

- *Attachment of Bank Accounts:*

- Proper Officers have been empowered (with prior permission of Principal Commissioner/ Commissioner) to freeze the accounts of persons where goods have been seized for a period of 6 months (extendable by another 6 months)
- Frozen bank accounts can be released (pending adjudication) upon furnishing of bond with proper security

Fraudulent Availment of Duty Drawback/Instruments:

The following offences shall be treated as cognizable/non-bailable:

- Fraudulent availment of duty drawback/exemptions in excess of INR 50 lakhs
- Fraudulent procurements and utilization of any instrument under Customs/FTP, where the duty involved exceeds INR 50 lakhs

Constructive Seizure of Goods:

- In a situation where it is not practically feasible to seize the goods, the Proper Officers have been empowered to give the custody of such goods to owner/beneficial owner/person holding himself out to be an importer or any other person, based on an undertaking that the goods shall not be removed without the prior permission of the Proper Officer

Penalties/Fines:

- Procurement and utilization of any instrument by misrepresentation/fraud/collusion/willful suppression of facts shall render the person liable to penalty upto 100% of the face value of the instrument
- Penalty for non-filing of export manifesto/notice/report shall also be extended to persons, other than persons in charge of the conveyance
- Penalty for contravention of any specific rule/regulation has been increased from INR 50,000 to INR 200,000
- General penalties have been increased from INR 1 lakh to INR 4 lakhs

- Option to pay fine in lieu of confiscation would be unavailable, if proceedings under the Customs Act have been already concluded

Appeals:

- Appeals to CESTAT now permissible in goods into India in such increased of quantity and under such conditions, which has the effect of causing or threatens to cause serious injustice to domestic industry requiring imposition of safeguard duty
- Authority to Government to levy countervailing duty on articles imported by altering description or name on composition or country of origin or in any other manner, of the article on which countervailing duty had been originally imposed

Tariff Amendments:

Particulars	BCD	
	Current (%)	New (%)
Precious Metals:		
Silver, Gold, Platinum unwrought/in semi-manufactured form/in powdered form; waste and scrap of precious metals	10	12.5
Silver dore bars having silver content not exceeding 95%	8.5	11
Gold dore bars having gold content not exceeding 95%	9.35	11.85
Gold/Silver (excluding ornaments studded with stones or pearls) imported by an eligible passenger as baggage	10	12.5
Automobiles / Automobile Parts:		
Completely Built Unit (CBU) of vehicles falling under heading 8702, 8704	25	30
Parts of Electric Vehicles: - i. E-Drive Assembly, ii. On-Board Charger, iii. E-Compressor and iv. Charging Gun	Applicable Rates	Nil
Friction material and articles thereof for brakes, clutches with basis of asbestos or cellulose; Glass mirrors including rare view mirrors, Locks, Lighting or visual signaling equipment; Horns; Windscreen wipers, defrosters and demisters, sealed beam lamp units and other lamps; chassis fitted with engines;	10	15

Bodies (including cabs) for motor vehicles		
Oil or petrol filters, intake air-filters for internal combustion engines; Air purifiers or cleaners and other filtering or purifying machinery and apparatus for gasses; Parts of visual/sound signaling equipment	7.5	10
Electronics / Electrical Equipments:		
Capital goods used for manufacturing of following electronic items, namely- i. Populated PCBA ii. Camera module of cellular mobile phones iii. Charger/Adapter of cellular mobile phone iv. Lithium Ion Cell v. Display Module vi. Set Top Box vii. Compact Camera Module	Applicable Rates	Nil
Charger/Power adapter for CCTV camera/IP camera/DVR/NVR	Nil	15
Indoor and outdoor unit of split-system air conditioner	10	20
Optical fibres, optical fibre bundles and cables	10	15
Nuclear Fuels / Nuclear Energy Projects		
All forms of uranium ores and concentrates for generation of nuclear power	2.5	Nil
All goods for use in generation of nuclear power	7.5	Nil
All goods for setting up following power projects under project imports:	Applicable Rate	Nil

• Mahi Banswara Atomic Power Project, Rajasthan • Kaiga Atomic Power Project, Karnataka • Gorakhpur Atomic Power Project, Haryana • Chutka Atomic Power Project, Madhya Pradesh		
Paper / Paper Products:		
Newsprint, uncoated paper used for printing of newspaper, lightweight coated paper used for printing of magazines	Nil	10
Printed books and manuals	Nil	5
Construction Materials:		
Floor coverings/Wall or ceiling coverings of plastics	10	15
Marble Slabs	20	40
Ceramic roofing tiles and ceramic flags and pavings, hearth or wall tiles	10	15
Base metal fittings, mountings and other similar articles for different types of furniture	10	15
Petroleum / Petrochemicals		
Petroleum Crude	Nil	INR 1 per tonne
Naphtha	5	4

EXCISE

Tariff Amendments:

Description of Goods	Duty Rates up to July 5, 2019 (INR per litre)				Duty Rates w.e.f. July 6, 2019 (INR per litre)				Effective Duty Increase (INR per litre)
	BED	SAED	RIC	Total	BED	SAED	RIC	Total	
Petrol (unbranded)	2.98	7	8	17.98	2.98	8	9	19.98	**2**
Petrol (branded)	4.16	7	8	19.16	4.16	8	9	21.16	**2**
Diesel (unbranded)	4.83	1	8	13.83	4.83	2	9	15.83	**2**
Diesel (branded)	7.19	1	8	16.19	7.19	2	9	18.19	**2**

Retrospective Exemptions:

Nature of Services	Period of Exemption
Services by the State Government by way of grant of liquor licence, against consideration in the form of licence/application fee	April 1, 2016 to June 30, 2017
Services by the Indian Institutes of Management to their students for the following educational programmes (except Executive Development Programmes) (a) Two-year full-time post-graduate programmes in management to which admissions are made on the basis of Common Admission Test (b) Fellow programmes in management (c) Five-year integrated programmes in management	July 1, 2003 to March 31, 2016
Upfront consideration (called as premium, salami, cost, price, development charges or by any other name) payable in respect of service by way of granting of long term lease of thirty years, or more of plots for development of infrastructure for financial business provided by the State Government/Industrial Development Corporations/Undertakings or by any other entity having 50% or more ownership of Central Government, State Government, Union Territory to the developers in any industrial or financial business area	October 1, 2013 to June 30, 2017

Refund claims of service tax paid by the above service providers is required to be filed within 6 months from the date of Presidential assent

GLOSSARY

Abbreviation	Description
%	Percentage / %
AAR	Authority of Advance Rulings
Act	Income Tax Act, 1961
AC/DC	Assistant Commissioner/Deputy Commissioner
AE	Associated Enterprises
AIF	Alternative Investment Fund
AO	Assessing Officer
APA	Advance Pricing Agreement
AY	Assessment Year
BCD	Basic Customs Duty
BED	Basic Excise Duty
BMA	Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
BOI	Body of Individuals
CBCR	Country-by-Country Reporting
CBDT	Central Board of Direct Taxes
CCIT	Chief Commissioner of Income Tax
CESTAT	Customs Excise and Service Tax Appellate Tribunal
CGST	Central Goods and Services Tax
CIT	Commissioner of Income Tax
CPC	Centralized Processing Centre
CED	Central Excise Duty
DDT	Dividend Distribution Tax
DIPP	Department of Industrial Policy & Promotion
FEMA	Foreign Exchange Management Act, 1999
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investor
FTP	Foreign Trade Policy
FY	Financial Year
GoI	Government of India
GIFT	Gujarat International Finance Tec-City
GST	Goods and Service Tax
HUF	Hindu Undivided Family
IGST	Integrated Goods and Services Tax
INR	Indian Rupees/ Rs.
LLP	Limited Liability Partnership
MAT	Minimum Alternate Tax

Abbreviation	Description
NAAAR	National Appellate Authority for Advance Ruling
NBFC	Non-Banking Finance Company
NPS	National Pension Scheme
NRI	Non-resident Indian
PAN	Permanent Account Number
RBI	Reserve Bank of India
RIC	Road and Infrastructure Cess
SAED	Special Additional Excise Duty
SCN	Show Cause Notice
SEBI	Security and Exchange Board of India
SEZ	Special Economic Zone
SFT	Statement of Financial Transactions
SGST	State Goods and Services Tax
SME	Small and Medium Enterprises
STT	Securities Transaction Tax
TDS	Tax Deducted at Source
USD	US Dollar
UTGST	Union Territory Goods and Services Tax
w.e.f	with effect from
w.r.e.f	with retrospective effect from

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