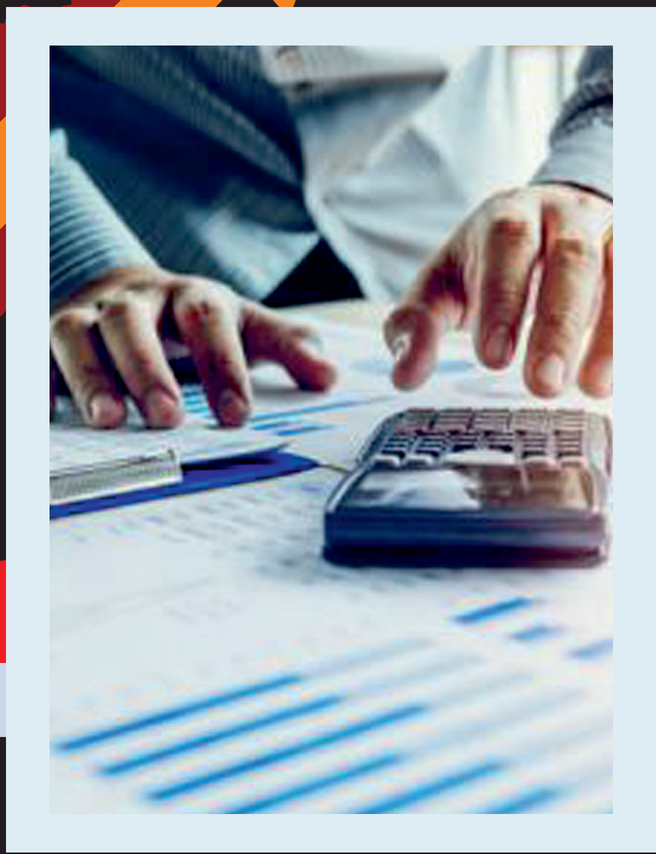
PRE BUDGET MEMORANDUM 2019 - 20



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

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MISSION STATEMENT

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

VISION STATEMENT

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

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CMA Balwinder Singh	-	Vice President
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CMA Rajat Kumar Basu

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CMA Amit Dey	-	Senior Associate - Tax Research
CMA Debasmita Jana	-	Associate - Tax Research
Ms. Debjani Mukherjee	-	Associate - Tax Research

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About The Institute

The Institute of Cost Accountants of India (ICAI) is a premier professional body of Management Accountants in the country established on 28th May, 1959 under the Cost and Works Accountants Act, 1959 enacted by the Act of Parliament to regulate the profession of Cost and Management Accountancy in India. It is Statutorily Recognized by the Act of Parliament in 1959 - as The Cost & Works Accountants of India (ICWAI). The ICWAI is recognized by the Parliament as The Institute of Cost Accountants of India (ICAI), w.e.f. 1st Feb, 2012.

The Institute is governed by a Council in accordance with provisions of the Cost and Works Accountants Act, 1959 as may be amended from time to time and Rules and Regulations framed there under.

The Institute as a part of its obligation to regulate the profession of Cost and Management Accountancy, enrolls students for Cost Accountancy course, provides coaching facilities to the students, organizes professional development programmes for the member and undertakes research programme in the field of Cost and Management Accountancy.

Over the year the Cost and Management Accountancy profession has registered a tremendous growth and has occupied a prominent role in our economy and society. The Institute has more than 5,00,000 students and more than 70,000 qualified members. The curriculum of the Institute is designed to impart professional knowledge of Cost and Management Accountancy, taxation and related subject to make the qualified CMA industry ready. The expertise of the students qualifying in the Institutes Examinations are suited to render effective services to Industries, Financial bodies, etc.

The Institute is a member of the International Federation of Accountants (IFAC), The Confederation of Asian and Pacific Accountants (CAPA), The South Asian Federation of Accountants (SAFA), National Foundation for Corporate Governance (NFCG), Federation of Indian Chambers of Commerce and Industry (FICCI), Confederation of Indian Industry (CII) and The Associated Chambers of Commerce and Industry of India (ASSOCHAM). The Institute, as a leader in the field of accountancy in the South Asian Region, is also imparting training to accountants from overseas countries.

The consistent and determined efforts of the Institute to promote the growth of Cost and Management Accountancy Profession and valuable services rendered to the Industrial and commercial organization fuelled the urge that the profession should play its due role in the economic development of the nation.

Our Contribution

COST AND MANAGEMENT ACCOUNTANCY PROFESSION IN INDIA

With the globalization of all economic activities, the industries both in manufacturing and service sector have recognized the potential of Cost and Management Accounting profession in giving support in effective resource management and making the operations more cost effective for facing the challenges of management.

Cost and Management Accountants provide services in investment planning, profit planning, project management and overall managerial decision making process. Many members of the Institute are holding top management positions, viz., Chairman, CEO/CFO, Managing Director, Finance Director, Financial Controller, Chief Accountant, Cost Controller, Marketing Manager, Chief Internal Auditor etc.

Central Government has constituted an all India cadre known as Indian Cost Accounting Service (ICAS) at par with class-I services for framing fiscal and tax policies.

The Specialized knowledge and skill of the professional members of the Institute are being given due recognition for different Audit or Certification work under different statutes like maintenance of Cost Accounting Records and Cost Audit under section 148 of The Companies Act 2013 and Valuation Audit, Cenvat Audit/Service Tax Audit under section 14A, and 14AA of the Central Excise Act, 1944, and Audit under VAT of Different states. CMAs are also recognized as auditor in GST rules. Apart from the above, various certification works also entrusted to PCMAs' under DT and IDT regime.

GST is one of India's most significant economic reforms which is expected to erase barriers between states to create a common market that will lower costs and increase efficiencies and potentially boosting growth. The Institute pledges it's all out support to the Government in smooth implementation of GST across the country. The Institute is geared up for dissemination of knowledge on GST to its members and all stakeholders at large.

Institute also came with a number of publications, handbooks on the both Direct and Indirect Tax for the benefit and capacity building of its members and other stakeholders.

The objectives of Taxation Committee

- Monitoring of Current tax legislation and analyzing changes of the existing legislation.
- Sharing of knowledge and experiences, proposing and recommending collective suggestions to the Ministries and Bodies for consideration to amend the legislation.
- To examine various laws, rules, regulations, circulars etc which are enacted or issued by the Government from time to time.
- To prepare and submit representations to the Governmental authorities and to send suitable Pre-Budget and Post-Budget Memoranda containing suggestions for improvements in the respective legislation.
- To respond to issues on Tax laws and practice referred by the Governmental authorities/Statutory Authorities/ Regulatory Bodies and stake holders.
- To assist, advice, update and guide to amend or modify Tax laws in the country for transparency, simplification and inclusion.
- To disseminate the knowledge through webinars and seminars, workshops to the members and students of the Institute.
- To conduct Seminars, workshops in different locations of the country to make aware the members and general public on various changes in the tax laws and capacity building
- To bring out new Publications and revise the existing publications relating to Direct and Indirect Tax laws.
- To organize courses on Tax Laws and practice.
- To update members in the field of taxation through fortnightly issue of E-Bulletin.
- To carry out various researches and publish the same.
- To deal with such other matters as the Council or the Taxation Committee may consider appropriate.

Pre-Budget Suggestion 2019-20 on "Direct tax"

1. TDS Certificates

Current Situation –

TDS Statements are furnished electronically; tax credit appears in payee accounts. Thus issuing of TDS Certificate stipulates an additional procedure that involves time, cost and efforts. The non compliance of issuing of TDS certificates is visited with penalty.

Suggestion

The existing provision of issuance of TRACES generated TDS certificates and issuance thereof should be dispensed with. Further, the age old and outdated procedure for TDS reconciliation towards availing credit thereof at the time of assessment / appeal should be dispensed.

2. Tax Recovery

Current Situation –

A taxpayer may adopt a position of no-taxation / low rate of taxation based on certain Tribunal/court rulings. However, the Tax authorities may have contested in further appeal, the judgments against them, before higher forum and hence do not take cognizance of the court rulings during tax assessments. Payment of demand in such circumstances practically puts the tax payer in considerable hardship.

Suggestion

Specific provision should be inserted in the statute towards identifying the situation and corresponding authority for issuance of NON Deduction certificate. Corresponding Rule need also to be framed in respect of the formalities and procedure towards Non Deduction of tax at source in respect of any remittances within India as well as outside India. The new law should provide that in case of favorable Tribunal / Court ruling, the tax authorities should take cognizance of favorable rulings and grant stay of demands. This will obliterate the need for taxpayers to keep knocking doors of Tribunals for getting stay of demands.

3. Tax Rates

Corporate

This may not be part of the Mandate of the Task Force but it would be good to bring Tax rates as part of Income tax Act (say in specific Schedule). This was one of the key recommendations in the draft DTC Bill, 2009. If implemented, this will obliviate the need to make changes in Finance Act every year and provide transparency and certainty.

Suggestions

Irrespective of above, tax rates should be moderate to incentivize and promote investment climate - both domestic and foreign investments By April 1, 2019 at the latest, the corporate tax rate should be reduced to 20% range with no surcharge, thus making effective tax rate in that bracket. This will also be in line with a 4 year path drawn by Honorable Finance Minister Mr. Arun Jaitley while presenting Union Budget of 2015. With GST being successful, reduction in corporate tax rate can be a reality.

Non Corporate

Individual - tax rate of max 30% appears to be very high as compared to the tax rate prevailing in other countries.

Suggestions

The slabs need realignment and highest rate of 30% is recommended to bring down to 20%. Further the threshold limit of taxation slab should be escalated to Rs. 5,00,000 for normal citizen and Rs. 6,00,000 for Senior Citizen.

Partnership / Non individual

For partnerships and other non-corporate entities, tax rate should be aligned with the corporate tax rate. This is because; small and medium income bracket tax payers from unorganized sectors form and run such entities.

Suggestions

The existing rate of taxation on the profit of the corporate at the rate of 30% is significantly higher than the global standard and should be brought down to 20% to bring in parity among the tax rates prevailing in different countries.

4. Stable Tax Rate

India is at the cusp of attracting huge foreign investments. The new code should ensure stability of tax laws in India to gain investor confidence. The new code should enable investors/ businesses to estimate tax costs with reasonable certainty.

The tax system should be brought in a clear structure of taxation of income from different sources and the slab of tax prevailing from time to time. A clear road map would make the entire process extremely transparent and clear before any investor intending to invest in India Frequent change in tax rates becomes a hurdle for the entrepreneurs to make financial plans.

Suggestions

Tax rates should be kept stable for 3-5 years and announcement should be made that these are the tax rates and we will not change it for 5 years unless there is some extraordinary condition like any natural calamity or war etc. Tax Rates applicable to Corporate Assesses which is prevailing at 30% need to be rationalized in line with international practice. It is recommended that a most revenue neural affordable rate of approximately 20% may be adopted with applicability of surcharge in an exceptionally high PBT level.

5. Corporate Restructuring

Cross border Merger/demerger - Current provisions provide tax neutrality (capital gains tax and other benefits) for mergers, demergers and corporate restructuring under Section 47 e.g. Amalgamation/Demerger is tax free/tax neutral provided the amalgamated/resulting company is an Indian company. Considering outbound investments and cross border mergers now permissible (under Section 230-234 of Cos Act 2013), such cross border amalgamation/Demerger should also be tax neutral to align with Cos Act and FEMA i.e. the condition of amalgamated/resulting Company being an Indian company should be removed. This will facilitate cross border mergers/demergers/restructuring done for business reasons. - Corporate Restructuring - Section 56(2) has been introduced in Income tax Act since almost a decade to curb tax avoidance practices in case of restructuring of closely held companies. Whereas the objective is laudable, it has created lot of hardships and obstacles in genuine corporate restructuring. In that light, Section 56(2)(viib) dealing with tax on issue of share capital to a resident at more than fair value should be deleted. Also section 56(2)(x) needs to be revisited for genuine business restructuring cases. Guidelines in this regard may be notified soon.

Suggestion

With the intent of the global business practices and business entity entering into Indian business segment, the erstwhile restrictions, limitations of the existing provisions relating to carry forward of the losses, conditional approval etc. need to be dispensed with. The provisions of Section 72, 73 of the Income Tax Act relating to carry forward of the business loss should also be realigned towards ease out the difficulties in business restructuring, amalgamation merger process.

Significant proposition towards the same are as follows:

- *i) Restriction on the continuation of the business in post merger period to be abolished*
- *ii) Restriction on the ownership pattern in case of unlisted entities, etc to be abolished*
- *iii) to be abolished*
- *iv) to be abolished*

6. Taxation on Digital Economy

This is one of the burning tax subjects and introduction of equalisation levy (as a separate levy - not as income tax) has created lot of uncertainty. Also considering that foreign recipients are much more powerful, there is a strong possibility of passing on this burden to Indian payer thus increasing the cost to the Indian payer. Even if the same is borne by the foreign recipient, there is an issue of foreign tax credit to the recipient in home country. Though the current levy is on advertising revenues, the Tax Committee has detailed about 13 kinds of services wherein equalisation levy could be introduced. This is clearly not desirable and looks like a short term tax collection objective. It is recommended that equalisation levy may be removed. The payer may likely be subject to GST on a reverse charge mechanism basis and hence, it can lead to double taxation. For past years before equalisation levy came into force, there is tax litigation on account of large cases like Google/other cases (royalty and permanent establishment issues). This flip flop approach creates uncertainty and the same needs to be addressed.

Suggestion

Taxation of the cross border transactions including tax on deeming provisions like equalization levy need to be aligned and rationalized. It is recommended that unless specific identification of the accrual of income, expenditure which may deemed to be considered as income like advertisement in souvenir in a foreign country may not be considered as taxable income in India. Necessary changes in all the clauses of different Articles of the DTAA need to be amended and re-aligned in line with Best International Practice.

7. Tax dispute resolution / prevention

Detailed guidelines and commentaries may be provided for all (or at least important ones) sections by CBDT to address tax payers' concerns and provide regulator perspective. Similar best practices may be drawn from say, US IRS. These should be binding on Revenue. This can act as a prevention more than getting into dispute as far as tax payer is concerned. Advance pricing arrangement and advance ruling for non-residents have been very successful and have led to reducing disputes and providing certainty to tax payers. Maharashtra VAT Model can be considered for settlements, advance ruling etc.

Suggestion

It is recommended that a well-defined Advance Ruling Authority to decide proactively on any such issues along with specific detailed rules should be prescribed. Each such application before ARA should be documented with detailed of the issue in dispute, financial impact, fiscal impact and all these should be certified/verified by a member in practice of ICAI/CMA Robust 'negotiated' tax amnesty may be introduced to settle past tax disputes. - Govt. of India and CBDT has been making substantial efforts in right direction to simplify tax laws and prevent/reduce/minimize tax disputes. Tax laws should be aligned with business realities and assist tax payers in better compliance which will lead to robust tax collections and assist in growth of the economy.

8. Taxation of Educational Institution, section 10(23C)

When the Govt. Grant to any educational institution exceeds 50% of the total receipts including any voluntary contribution to such institution during the previous financial year, the institution is said to be substantially financed by Government, such receipt is not included in the total income of such institution and is exempt from income tax. However, the Govt. is asking the institutions to be self-sufficient and loose the exemption. Anyhow the institutions earn from sources other than Govt. Such as training programme, examination etc. and receipts from such other sources become more than 50% of total earning. 1) If an Institutions income from the outside sources are 60% and receipt of Govt. Grant is 40% of total receipt, the govt. grants are also being taxed.

Example: If university is earning 5 crore, 3 crore earnings are from non govt. sources and 2 crore are received as govt. grants then, the entire earning of 5 crore will be taxed as the earnings from non govt. sources are more than 50% of total earnings.

Suggestion

The condition that substantially financed by Govt. condition shall be removed because if it is an educational society it will impart education and there should be no criteria for substantially financed by Govt. for claiming exemption.

9. Imposition of Tax Liability

Presently, all the sectors of the economy are not covered under taxation especially the unorganised sectors which are a major barrier to bring maximum population under the tax bracket.

Suggestion

All sector should be covered, no sector should be immunes from tax liability. Presumptive tax can be extended to all the sectors including organised and unorganized.

10. Income Tax Return

All income should be reported including exempted income. All incomes should be disclosed in the return including taxable and exempted Capital gain

Present Scenario: Presently 75% of wholesale indexation is taken care off.

Suggestion

Instead of 75% it should be 100%. It should be 100% rise in wholesale indexation. Basis for Capital Gains Index has been changed only a year back. Need to highlight the proposal in respect of indexation of Bonds, Debentures, Financial Instruments, embedded derivatives, etc.

11. E-Assessment

E Assessment should be high handed. Various issues to be considered in E-Assessment:

1. Physical Verification of stock, fixed assets should be a provision in E-Assessment and it shall be done by the local professionals i.e CMA/CA empanelled by local commissionerate.
2. Voluminous documents (Purchase, sale) cannot be uploaded electronically. It shall also be checked physically by the local professionals i.e CMA/CA empanelled by local commissionerate.
3. Tampering and falsification of scanned documents shall be taken care off.
4. Application given in vernacular language by the people can be an issue in E-Assessment.

Suggestion

A panel of Tax Practitioners may be created for locating the professionals who will be helping in handling the issues at local level. Professional Institutes like ICMAI/ICAI shall facilitate the jurisdictional panel. It will add to ease of doing business. *Government may set up a panel for identifying the professionals and entrust them the assignment in the nature of allotting Bank Audit / Co-operative Audit / Audit of Government Companies.*

12. Tax Incentive provision

If manufacturing is done in backward area, exemption is given as a part of tax incentive. In GST such provision has been withdrawn.

Suggestion

In direct tax also it should be withdrawn and instead a provision for subsidy shall be inserted. Subsidy should in the nature of amount of capital investments / new addition to fixed assets, area based incetive, etc can be claimed by submitting relevant documents and those documents needs to be certified by a Cost Accountant. Suitable tax exemption clause may also be inserted in respect of the subsidy so received by the industry.

13. Mark to Market Valuation:

In case of Mark to Market Valuation, appreciation of value of assets is being done.

Suggestion

Unearned profit shouldn't be taxed. Necessary changes should be incorporated in the ICDS.

14. Deemed Expenses towards earning of Exempted Income

Section 14A: Present Scenario: As per Section 14A, expenditure incurred by taxpayer in relation to income which does not form part of total income at all as per the provisions of the Act should not be allowed as deduction while computing total income of taxpayer.

Suggestion

Expenses are incurred for both taxable income and tax free income. Such expenses should be apportioned and the quantification of such expenses should be certified by a Cost Accountant if it is more than 1 crore and there should be a limit to avoid further litigation.

15. ICDS

Principle of taxing real income Levying tax on purely notional income due to ICDS deviates from this principle New taxation regime for Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (INVIT):

Suggestion

ICDS should be scrapped altogether. ICDS introduces significant element of complexity and, more importantly, it is inconsistent with the concept of real income (deferment of 1 year has been announced). The contradiction of overlapping provisions under Companies Act, Ind AS and accounting standard under Income Tax Act makes the management of corporate an extremely difficult one. In view of the same and to have uniformity in the accounting and disclosure system, it is proposed to rescind the applicability of ICDS

16. Deemed Dividend

Clarification w.r.t amounts repaid within a specified period not to attract deemed tax ability.

Suggestion

Existing provisions should be suitably amended to pro- vide for relaxation of deeming taxation in genuine cases to avoid hardships. The government may consider some time frame, for instance, 2 years, within which, if the amount or loan advanced to shareholder or concern in which it is substantially interested, is repaid, it shall not be taxable as 'deemed dividend' in the company's hands, i.e., if such advance or loan remains outstanding at the end of, say, 2 years, only then would it be chargeable to tax as deemed dividend.

S.2(22)(e) has the effect of bringing to tax as dividend payment of any sum – (a) by way of advance/ loan to shareholder; or (b) on be- half of shareholder; or (c) for the individual benefit of the share- holder. When a loan is deemed. to be dividend, the amount when repaid and lent again, cannot again attract the fiction and again deemed to be dividend.

S.2 (22) (e)(ii) provides an exception to the above rule, when the loan has been made in the ordinary course of a money lending business.

There are genuine cases where funds may be required at the shareholder level for a shorter duration, and the amount is actually repaid within the same year. Currently, in absence of any exception, in such cases, it creates compulsion on the shareholder to borrow from outside sources. Such cases are not different from nor- mal dividend payout cases as, under dividend, there is no requirement to repatriate funds, unlike loans. Further, the lending entity also has to factor an income computed on the basis of arm's length rate of interest.

17. NPS Withdrawal

S.10 (12a) - Pro-posed 40% ex- emption for withdrawal from (NPS) – Extend benefits to with drawls by any person, not just employees.

Suggestion

S.10 (12a) - Proposed 40% ex- emption for withdrawal from (NPS) – Extend benefits to withdrawals by any person, not just employees. In effect, the substitution of the words, "an employee" in the clause by "an individual" would help to bring within its fold, ex- emption to self-employed individuals as well, who have NPS savings.

18. Tax exemption to Infrastructure Capital Cos./ Fund – 10(23G)

Suggestion

Exemption to Infrastructure Capital Co./ Fund should be reinstated. Withdrawal of tax exemption for interest and long term capital gains will result in a higher cost of lending to the Infrastructure Capital Company/ Fund, which would ultimately in- crease overall cost of infra- structure project, making them unviable.

Further, Long Term Capital Gains should also be tax exempt. Major infrastructure projects are executed by Special Purpose Vehicles (SPV) floated in accordance with Government requirements while awarding the con- tracts. Transfer of the SPV shares would not qualify for tax exemption u/s.10 (38) as the SPVs would not be listed on Stock Exchanges.

S.10 (23G), which was there on the Statute Book till AY2006-07, provided for exemption of interest and Long Term Capital Gains in the hands of Infrastructure Capital Cos./ Fund derived from lending/ investment made in approved eligible infrastructure projects, development of SEZs, Housing Projects, etc. This pro- vision was deleted vide Finance Act, 2006 on the logic that interest rates had reduced at that time.

Considering that now, interest rates have peaked; the earlier logic for withdrawal of this proposal ceases to exist. There is an urgent need for infrastructure projects to reduce interest bur- den so as to attract more investments in this sector. Also, infrastructure development has been identified by the Govt as one of the key areas and lot of initiative has been taken into it. Restoration of the tax exemption is needed.

19. Disallowance u/s.14A r.w. Rule 8D

(i) Sec. 14A, requiring the AO to mandatorily determine the disallowable expenditure by applying Rule 8D of I T Rules should be removed, since the dividend is received after suffering dividend distribution tax (as also suggested in the Justice R.V. Easwar Committee's Report).

(ii) No disallowance u/s.14A/ R.8D should be made if the assessee has not earned any exempt income.

(iii) It should be clarified that no disallowance u/s.14A/ R.8D should be made if the assessee's intention is not to earn dividend income but to make investment in subsidiaries or a strategic investment for acquiring controlling interest in any companies, or for complying with any statutory requirement and/or in respect of investments held as stock- in-trade.

Currently, s.14A of the Act r.w. Rule 8D of the Rules lead to ad hoc disallowance of expenses alleged to have been incurred by an assessee for earning any income not includible in total income, ir- respective of actual expenditure incurred. Expenses are mechanically disallowance by AOs by applying Rule 8D without establishing nexus of such expenses alleged to have been incurred by the assessee with the exempted income. In some cases, disallowances are being made even where the assessee has earned no income.]Circular No. 5/2014 dated 11th February, 2014 is- sued by CBDT clarifying that 'the disallowances as per Rule 8D prescribed u/s.14A should be made even if the taxpayer has not earned any exempt income' has further complicated the matter. This clarification is against well-established canons of taxation that no tax should be levied on notional income and/ or expenditure. Considering that CBDT.

20. S.28(iv) – Income chargeable under Profits and Gains of Business or Profession

The scope of s.28(iv) should be clarified so as to particularly exclude receipts of capital nature (arising out of transfer of capital assets) since s.45 is the applicable charging section for such cases

Suggestion

S.28 (iv) seeks to tax certain incomes under the head 'Profits and Gains of Business or Profession'.S.28 (iv) only refers to 'income' which can be charged under the head, 'profits and gains of business or profession' and therefore, when a particular advantage, perquisite or receipt is not in the nature of income, there cannot be any occasion to bring the same to tax u/s.28 (iv).

It is settled law that a capital receipt, in principle, is outside the scope of income chargeable to tax. It has been seen that the Revenue is widely interpreting this is to charge to tax even receipts of purely capital nature, which do not arise in the course of the assessee's regular business.

21. Exemption in case of sale of Carbon Credits – S. 35 and S. 10

It is advised that in order to settle the controversy and avoid unnecessary litigation on the issue, the said amendment be made effective from 1st April 2014 i.e. from the
Date when section 32AC became effective

Suggestion

Section 32AC was introduced by the Finance Act, 2013 with effect from 1st April 2014. It provides for deduction of 15% of the cost of plant and machinery acquired and installed. There has been a controversy as to whether, in order to be entitled to this deduction, acquisition and installation of the new plant and machinery should be in the same previous year. The amendment by the FA 2016 effectively provides that where the acquisition and installation of the plant and machinery is not in the same year, the de- duct ion under this section shall be allowed in the year of installation.

22. Deduction in respect of Expenditures in eligible Projects

Section 35AC - Deduction in respect of Expenditure on Eligible Projects to be withdrawn. Deduction should continue to provide impetus to rural sector and weaker sections of the economy.

The expenditure incurred on eligible projects or schemes are for the development of the backward and weaker sections thereby focusing on development of rural areas.

Further, all the projects are approved by the National Committee which is set up by the Central Government to ensure that the funds are utilized for the said purpose.

Therefore, this deduction which is serving a useful purpose for which it was enacted so well should be continued to be allowed at least for 3 more years.

As an alternative, CSR spending may be considered as deductible business expenditure, in keeping with the fact that it is a charge on the profits of the corporate.

In any case, the disqualification for CSR contributions in Notification approving s.35AC projects should be immediately withdrawn and it should be clarified that CSR contributions to s.35AC approved projects are allowable as deduction u/s. 35AC

Any expenditure incurred on any project or scheme for promoting the social and economic welfare of the society or for the upliftment of the public, is allowed 100% deduction on such expenditure. Rule 11K of the Income tax Rules, 1962 provides the list of projects which are eligible for deduction under section 35AC of the Act.

The projects as mentioned in Rule 11K are for the development of the economically and socially weaker sections of the society. E.g.: construction of school for economically weaker sections of society, conservation of natural resources; etc.

Suggestion

As per FA 2016, no deduction shall be available for any expenditure incurred on certain eligible social development project or scheme from AY 2018-19 and onwards. (i.e. expenditure on or after 1 April 2017)

Recently, the Government also issued a Press Release that no approvals u/s. 35AC shall be granted beyond 31 March 2017.

Corporates contribute huge sums for this cause under their responsibility towards the society and the environment as also to fulfill conditions relating to CSR funding. The whole initiative for the rural development and the upliftment of the poor may take a backseat, if no deduction is allowable in computing the income.

Further, it is also seen that while notifying projects u/s. 35AC, recent Notification No. 3/2016 dated 15 March 2016 carries exclusion that contributions received pursuant to CSR obligation shall not be eligible for s.35AC deduction. This is contrary to provisions of s.35AC and Rule 11K which do not contain any such restriction. As per CBDT Circular No. 1/2015 dated 21 January 2015 explaining the amendments by Finance (No. 2) Act 2014, CSR expenditure falling u/s. 30 to 36 which comply with conditions therein shall be allowed as deduction. Hence the exclusion provided in Notification conflicts with CBDT Circular and creates ambiguity and uncertainty for taxpayers.

23. Deduction in respect for specific reserve.

It is advised that –

(i) The definition of the term “eligible business” given in Explanation (b) to 36(1)
(viii) Should be amended to include “development of hospitals/ clinics/ diagnostic centers” within the definition of “eligible business”; and
(ii) The definition of “long term finance” in Explanation
(h) to s.36(1)(viii) should be suitably amended to include “renting of equipment”, and to reduce the minimum period for loan repayment, or lease period (in case of renting of equipment) from 5 years to 3 years.

Suggestion

U/s. 36(1)(viii), “Specified Entities” are allowed deduction for creation and maintenance of “Special Reserve” of an amount not exceeding 20% of profit derived by eligible business, including the business of providing long-term finance for development of infrastructure facility in India, for which the repayment period should not be less than 5 years (Explanation

(h) to s.36(1) (viii)).

Assessees in leasing business also provide various equipment for development of "infrastructure facilities". Rental income earned by such assessees is in parimateria with interest earned on providing long term finance for development of "infrastructure facilities". Also, long term finance (both loan and leasing of equipment) for various types of medical equipment used in hospitals/ clinics/ diagnostic centers etc. are important, keeping in mind 'health for all' objective of our Government.

Accordingly, the interest/ rent al income earned out of such business activities should also be made eligible for deduction u/s. 36(1)(viii) of the Act. Period of loan of at least 5 years also is too long a period.

24. Corporate Social Responsibility

Allow ability of Corporate Social Responsibility y (CSR) expenses as deduction – S. 37

It is suggested that s.37 be amended by withdrawing "Explanation 2", so that a company can claim deduction of its CSR expenses ad being incurred wholly and exclusively for the purpose of its business.

Suggestion

Under the Companies Act, 2013 certain companies are mandated to spend a certain percentage of their profit on Corporate Social Responsibility (CSR) activities. Explanation 2 to s.37 provides that any expenditure incurred by an assessee on CSR activities referred to in s.135 of the Companies Act, 2013 would not be deemed to be an expenditure incurred by companies for the purpose of their Business or Profession.

In the Explanatory Memorandum explaining provisions contained in the Finance Bill, 2014, it is explained that the Bill seeks to provide for "C - Measures to Promote Socioeconomic Growth"; and that "the objective of CSR Expenditure is to share the burden of the Government in providing Social Services by Companies having net worth/ turnover/ profit above a threshold".

Considering that CSR expenses are statutorily required to be incurred they should be allowed unconditionally as expenditure incurred wholly and exclusively for the company's business like any other statutory payments

25. Disallowance U/s 40A (ia)

Suitable amendment should be made in s. 40(a) (ia) to restrict disallowance of expen diture in cases where no TDS assessment has been initiated, or proceeding having been initiated, the assessee is not treated as an assessee in default u/Ch. VIIB.

Order u/s.201 holding an assessee to be an 'assessee in default' should be made a condition precedent before invoking penal provisions of disallowing expenditure u/s. 40(a)(ia).

Suggestion

S.40(a)(ia) of the Act provides for disallowance of any sum payable to a resident on which tax is deductible at source under Chapter VIIB and same has not been de ducted.

The provisions of s. 40(a)(ia) are in the nature of penal provisions, triggering harsh consequence of disallowance of expenditure.

The Assessing Officer during the course of assessment proceedings is disallowing the expenditure under s.40(a)(ia) even in cases where the proceeding under S.201(1) has not been initiated or proceeding having been initiated but the assessee is not treated as an assessee in default under Chapter VIIB.

26. Disallowance u/s 40A (i)

It is recommended that similar amendment should also be brought in S.40(a)(i) for payments to nonresidents so as to bring parity.

Suggestion

Finance Act, 2015 had brought an amendment in S.40(a)(ia) where in case TDS is not deducted on expenditure, such expenditure is disallowed to an extent of 30% while computing taxable income for the year. This amendment was a beneficial amendment as it reduced the disallowance from 100% to 30%. The provision is however applicable only to a situation where the payment is made to resident assessee and has not been extended to payment made to nonresident

27. Depreciation on assets acquired in satisfaction of debts – S. 43

A suitable Explanation should be inserted in the definition of the term, "actual cost" in s.43 (1) of the Act.

Suggestion

In many cases, assessees engaged in financing assets acquire such assets which were used by the borrower for his business or profession. After acquisition of such assets, the finance companies lease these out to another person under an operating lease. Acquisition of assets in satisfaction of debt often exceeds WDV of the assets on date of acquisition. The existing definition of "actual cost" in s.43 (1) does not allow financing companies to claim depreciation at the price/ cost at which the assets are acquired from the borrower. Considering that an asset financing company is acquiring the depreciable asset from the borrower for a particular price and using it for its business by leasing it out, it should be allowed depreciation on "actual cost" at which it is acquired from the borrower.

28. Exchange difference on money borrowed in foreign currency in India Sec 43A

S.43A should be extended to allow for adjustment due to foreign exchange fluctuations in "actual cost" even where asset is acquired in India from foreign currency. This will not only bring parity between assets acquired from outside India and assets acquired within India but will also be in sync with "Make in India" concept. Alternatively, s.43(1) should be amended to specifically provide for adjustment in "actual cost" on account of exchange difference on loan obtained from outside India, but utilized to acquire assets in India.

Suggestion

S.43A allows an assessee to make adjustments in "actual cost" of an asset after acquisition of assets from a country outside India on account of exchange rate fluc tuation arising either on liability payable towards such foreign asset or on account of money repayable in foreign currency utilized for acquiring such foreign asset. The adjusted "actual cost" becomes the base for claiming depreciation.

S.43(1) allows adjustment in actual cost with respect to exchange differences on account of loan taken from outside India but utilized for acquisition of assets in India.

However, the section does not specifically provide for such adjustment where the asset is acquired in India out of funds borrowed in foreign currency.

29. Foreign Currency Liability Sec 43A

To simplify the process, there is an urgent need to restore the earlier provision of Sec. 43A

Suggestion

Foreign currency loan liability for import of plant and machinery are required to be restated at the foreign exchange rate prevalent at the end of the relevant previous year, and adjusted against the cost of assets as per the Ind AS. This was also in accordance with

s.43A. However, as per amendment in Finance Act, 2002, such foreign exchange fluctuations are allowed to be adjusted only when payment is made. This has brought about unnecessary deviation between the financial accounts and income tax records, necessitating separate and complex compiling of information and documentation. Also, this has resulted in moving away from mercantile system to cash accounting, which is both illogical and unnecessary.

30. Maintenance of books of accounts Sec 44AB –

Clause (a) of s.44AB should be appropriately modified to increase the threshold limit specified there under from Rs.1 crore to Rs.2 crores

Suggestion

This amendment is suggested to avoid any ambiguity in interpreting the true intent of the law regarding maintenance of books of account and their audit, where total turnover/ gross receipts is between Rs. 1 crore and Rs. 2 crore. Further, the current limit took effect from 1 April 2013. Factoring the impact of CPI inflation for the past four years and the next two years, the increase sought is fair.

31. Business reorganization/ M&A: Other issues

Capital gains tax payment should be triggered as and when consideration is received by sellers, and not on date of transfer itself. Amalgamations where the amalgamated foreign company is a parent/ holding company of the amalgamating company should be specifically brought within the purview by s. 47(via) of the IT Act.

While the Act provides an exemption in s.47 (subject to certain conditions) from capital gains on amalgamation of two foreign companies which hold shares in an Indian company, similar exemption is not provided for cases where amalgamation/ merger takes place between overseas subsidiaries of Indian companies. Clarification in this regard should be provided.

Suggestion

In numerous M&A deals, a part of the consideration is deferred, and may be contingent on future factors such as the future revenues of the target company. The deferred amount (in part or full) may in reality never be received by the seller, if milestones are not met. There is no provision in the Act for the taxpayer to claim back excess capital gains tax paid upfront on the higher amount.

Under s.47(via), a transfer of shares of Indian company in the course of amalgamation of amalgamating foreign company to an amalgamated foreign company is exempt from capital gains in hands of amalgamating foreign company, subject to the following 2 conditions:

- At least 25% of shareholders of amalgamating foreign company continue to be shareholders amalgamated foreign company; and
- Such transfer in the course of amalgamation is exempt from capital gains tax as per the local tax laws of amalgamating foreign company.

In a case where the amalgamated foreign company is the parent company of the amalgamating foreign company, the first condition of s.47(via) cannot be complied with, as

25% of the shareholders of amalgamating foreign company (being amalgamated foreign company) will not become shareholders of amalgamated foreign company, since the amalgamated foreign company cannot become its own shareholder

32. Carry forward of business losses on merger under s.72A of the Act

The definition of 'Industrial Undertaking' should be either done away with, so all mergers are eligible for carry forward of losses; or else, it should be widened to include infrastructure/ capital intensive service sectors such as Telecom Infrastructure Service Provider (TISP) and Direct-to-Home (DTH) operators.

Further, ecommerce sector should also be included in this provision as such businesses require acquisition/ consolidation for growth and expansion/diversification

This section should be not restricted to only specific types of companies; it should be amended to allow benefits to all companies, irrespective of their line of business. Further, the section should be amended to replace stringent conditions with liberal ones, such as reducing period of holding assets and carrying on of business from 5 years to 3 years.

Suggestion
Carry forward of business losses on merger is limited to companies owning 'Industrial undertakings". The definition of Industrial Undertaking is extremely narrow and restricted. Several sectors are impacted, as their ability to carry forward losses is significantly compromised. Reasons as listed for amendment in section 79 for ecommerce companies;

33. Deduction u/ s.80G - delete ceilings specified therein

S.11(5) relating to investment of their funds also work as a check to avoid misuse etc. In view of the above, we respectfully submit that:
(a) The ceiling of 10% on gross total income be re moved.
Donations to Chief Minister's Relief Fund be allowed 100% exemption as in the case of Prime Minister's Relief Fund, by deleting provisos a, b and c to S.80G(2)(iiihf).

Suggestion

Even though there are many magnanimous donors to numerous charitable organizations, the overall ceiling of 10% of gross total income u/s.80G impedes more liberal contributions. If this ceiling were removed, the freedom may even induce companies to be more generous.

34. Sec 80IA – Unit wise deduction should be allowed

Many Tribunal benches have already rejected this practice. A specific clarification/ provision should be made in s.80 IA itself to provide that deduction u/s.80IA is 'UNIT SPECIFIC'. For each unit, deduction under s.80IA should be separately calculated. This will save our 'judicial capital' which is already in short supply, and save unnecessary litigation.

Suggestion

Plain reading of s.80IA gives the impression that deduction there under is available 'unit-wise'. But, nowadays, losses of other units are clubbed to deny deduction u/s.80IA on the pretext that all units constitute one single business. Also, an assessee/company claiming deduction u/s.80IA from one unit cannot start another unit of similar business and claim deduction u/s.80IA, as the initial losses of the new unit are adjusted against the profits of the old unit However, if the new unit is started by another assessee/ company, the old unit will not suffer any disallowance u/s.80IA. This puts existing assessees/ companies in a disadvantageous position vis-à-vis new entities.

35. Multiple levy of income tax on dividend – S. 115- O

(i) Tax on distribution of dividend is outside the purview of the charging Section of the Act, since it is a tax not on income but on application of income;
(ii) Without prejudice to the above, the Grossing-up Provisions resulting into Additional Tax outgo of approx. 3% should be withdrawn since it is causing undue hardship to assessees;
(iii) It is recommended that an appropriate explanation be inserted clarifying that the benefit of DDT paid by a subsidiary is available at each company level in a multitier corporate structure so as to avoid the cascading impact of DDT. This will go a long way in boosting investors' confidence and improve the ease of doing business in India. (iv)The existing provision should be amended to provide uniform and simplified taxation regime so as to provide for the DDT credit, irrespective of the stipulating condition that one company should hold 51% or more of the share capital of the com pany declaring, distributing or paying the dividend.

Suggestion

As per existing Sec. 115-O, any Domestic Company distributing dividend out of its already taxed profit is required to pay tax @ 20.358% on Dividend distributed to its shareholders.

Considering that a Domestic Company has already paid tax @ 34.608% on its total income, further payment of DDT @ 20.358% is excessive. After introduction of "Grossing-up Provisions", the effective tax on dividend distribution is higher by 3%.

A question arises as to whether distributable profits qualifies as 'income' under the Act. 'Income' is defined inclusively u/s. 2 (24) but 'distributable profits' are not specifically mentioned in the extended arm [Clauses (i) to (xviii) of s.2 (24)]. Considering that Income Tax is a tax on income of the previous year, and would not cover something which is not the income of the previous year but an application of already taxed income for the same or earlier years, the distributable profits out of which dividends are paid cannot constitute the company's "income" by any stretch of imagination [see SC (larger bench) decision in CIT vs Khatau Makanji Spinning & Weaving Co. Ltd.-2002-TIOL-1156-SC-IT-LB]. Accordingly, levy of Dividend Distribution Tax (DDT) on tax paid income u/s.115-O is invalid. Even expenses incurred for earning the exempted dividend income are disallowable u/s.14A w.r.Rule 8D and consequent taxable. Furthermore, with introduction of levy of tax on dividend received by Individual, HUF, firm in excess of Rs.10 lacks, tax is effectively levied on dividend for the third (3rd) time.

36. S.115-O – Clarification on absolute removal of cascading effect of Dividend distribution Tax (DDT)

The existing provision should be amended to provide uniform and simplified taxation regime, providing for DDT credit irrespective of the stipulation that the recipient company should hold 51% or more of the share capital of the company declaring, distributing or paying the dividend.

Suggestion

S.115-O provides that the tax base of DDT, i.e., dividend payable in case of a company, is to be reduced by the amount of dividend received from its subsidiary, if such subsidiary has paid the DDT payable on such dividend. This ensured removal of cascading effect of DDT in a multitier structure, where dividend received by a domestic company from its subsidiary company (in which it holds equal to or more than 51% of the nominal value of equity share capital).

The principle applied for removing the cascading effect of DDT is 'tax should be paid only once on the same income'. But this has been applied in a limited context, as, when a company holding only 20% shares in another company receives and pays dividend has to pay DDT on both, the receipt and payment separately, though to the extent of the receipt, it is the same dividend (income).

One can refer to s.80M (as it stood before its deletion) which provided for deduction of dividend received to the extent of dividend paid from such company. In s.80M, there was no stipulation prescribed as to the minimum thresh old of shareholding percentage to be held in the declaring company by the recipient company.

37. Provisions U/S 142 (2a) relating to special audit

Provisions relat ed to special audit under S.142(2a) should be restricted to avoid undue hardship to assessee. Provisions related to special audit should be watered down, and only under exceptional circumstances, when there is clear evidence of revenue exposure due to complexity, or if the assessee's accounts are not audited under the new Companies Act, should Special Audit provisions be triggered.

Suggestion

Scope of s.142(2A) (related to Special Audit) has been enlarged to enable tax authorities to initiate Special Audit even in situations where assessee has fully cooperated, and provided all information sought by the tax officer.

38. Power of AO to ask for Valuation Report u/s. 142A to be restricted to exceptional cases

(i)The power of reference to the Valuation Officer should be available in the following manner:

a) The power to the AO should be restricted to specific exceptional circumstances/ conditions.
b) AO should record reasons for invoking power u/s.142A and assessee should be able to get access to these recorded reasons.
c) AO should take prior approval of higher authority not below rank of Commissioner.

(ii) Valuation Report submitted by the Valuation Officer should be binding on AO.
(iii) Specific guidelines/ rules should be brought to define "any asset, property or investment".

Suggestion

The scope of s.142A has been enlarged enormously vide Finance (No. 2) Act, 2014, to give blanket powers to the AO to make reference to Valuation Officer to estimate the value, including fair market value, of "any asset, property or investment" as against the earlier scope restricted to unexplained investments, cash credits, etc. This reference is for the purpose of "assessment or reassessment". Also, AO can resort to valuation whether or not he is satisfied about the correctness or completeness of the assessee's accounts. The provisions also empower the AO to disregard the report from the Valuation Officer. Such blanket powers will increase the litigation and hardship to assessees

39. Compulsory processing of return u/s 143(1)

S.143(1D) should be scrapped and the erstwhile provision requiring processing of return within 1 year from the end of the financial year in which return of income is filed should be retained, irrespective of whether notice u/s.143(2) has been issued to the assessee or not. Further, processing of return of income u/s. 143(1) should be made mandatory for all assessees, including corporate.

Without prejudice to the above, S.143(ID) should be amended suitably allowing the A.O to process refund cases smoothly in cases where notice has been issued.

Suggestion

S.143(1D) introduced by Finance Act, 2016 provides that an intimation can be processed until the issuance of an order u/s.143(3). This condition puts the assessee at a disadvantage, by unnecessarily extending processing of return till the date of issuance of order u/s 143(3).

40. Specific recognition to be accorded to IND AS in S.145(1)

IND AS must be explicitly recognized by S.145(2) to be in consonance with statutorily prescribed accounting standards for determining taxable income under normal tax provisions. Reference to ICDS in S.145(2) needs to be dropped.

Suggestion

At present, s.145(1) states that the income of the assessee shall, subject to ICDS provisions, be computed according to cash or mercantile system of accounting regularly employed by the assessee. Despite this, AOs disregard accounting treatment made in accordance with methods of accounting prescribed by recognized Accounting Standards.

IND AS are mandatorily required to be followed on or after 1st April, 2016.

MAT computation provisions state the starting point of computation as net profit as per the P&L. Accordingly, profit determined as per IND AS will now become the basis for MAT calculation for future years. However, there is no specific mention of IND AS in s.145 (1) to make that possible.

41. S.148 – Reasons for reopening to be sent along with notice for reopening of assessment

The government should suitably clarify, either by issuing a circular or by issuing internal instruction to AOs, that 'reasons for reopening' have to be sent along with the notice for reopening of assessment. This will simplify the reassessment proceeding procedure.

Suggestion

S.147 empowers an AO to reopen an assessment if he has "reasons to believe" that income has escaped assessment.

The section does not have any procedural requirements, but a practice has developed and been laid down by the SC in GKN Drive Shafts' case, to be mandatorily followed while reopening assessment. Presently notice is issued u/s.148. Later, the assessee has to request for the 'reasons for reopening' from the AO.

42. S.153- time limit for completion of assessment

Time limit for completing assessment should be reduced to 15 months.

Suggestion

Presently, the AO has 21 months, further increased by 12 months where case has been referred to TPO. Now that all filling and arithmetical processing are happening online, period of 21 months to complete assessment is too long.

The long period of assessment is becoming a tool in the AOs' hands to harass assessees through multiple hearings. It is also a tool for unscrupulous assessees.

43. Change due dates for payment of advance tax – S. 211

The provision requiring payment of 15% as advance income tax on or before 15th June in each year be scrapped.

The schedule for payment of advance tax should be fixed in such a way that not more than 75% is payable as advance income tax on or before the 31st March each year, and 100% by 15th June of next financial year.

This will save interest for assesees, as they can predict and pay correctly. Revenue collection of government will not be affected, as government will receive last installment of advance tax in June, instead of first installment. We suggest I instilment (25%) in Sept, II instilment in Dec (30%), III installment in March (30%) and IV installment in June (15%).

Suggestion

U/s. 211, Companies have to pay 15% advance income tax on or before the 15th June each year. This causes unnecessary hardship, since it is extremely difficult to compute taxable income within 75 days from the commencement of the financial year - projections for depreciation (due to new acquisition or sell), TDS certificates that may be received, for example, cannot be ascertained accurately. Moreover, projections of profitability tend to vary from month-to-month.

Also, the requirement to pay 100% of the amount computed as income tax on or before 15th day of March each year results in curtailing cash inflows of companies.

44. Interest u/s 244A

The rate of interest charged on the assessee as well as the rate of interest payable to the assessee should be the same.

Interest shall be granted to the assessee on amount of refund due (tax plus interest) which is due the assessee on each order date but not granted by the department in full

For delay in payment of tax, government charges interest @1% p.m. (i.e.12%p.a.) u/s.234A, 234B, 234C, &

220(2). But for refund to assessees, government pays interest @0.5% (i.e. 6%p.a.). Interest rate for delay in payment & refund should be the same. Rate of interest should be fixed @ 9% p.a. (roughly Bank FD rate) for both, delay in payment & refund.

Suggestion

Rate of interest payable to assessee by the Income Tax Department is only 6% while interest charged by the Department is 12%. Interest is compensatory in nature and not penal; the loss of interest for the Income Tax as well as the assessee is the same due to non- payment of dues in time. There is a need for equity.

Further, the computation of interest on amount due to the assessee is an area of litigation. The assessee is not given interest on "total amount due" (Tax plus interest thereon) to the assessee as per the last order.

45. Authority for Advance Rulings

It should be ensured that the time limit prescribed for passing orders should be adhered to by the AAR. Considering that the objective behind AAR is to provide faster dispute resolution mechanics, mere filing of income tax return should not debar the taxpayer in approaching the AAR

Suggestion

The Authority for Advance Rulings (AAR) has a significant back- log of cases. Getting an advance ruling within a reasonable time has become extremely difficult.

Certain contrary recent judicial precedents (including of AAR rulings) has created ambiguity regarding maintainability of AAR in case return of income has been filed.

46. Income from temporary investments during construction period should be exempt from Income Tax

The main objective of such investments is not to earn income but to reduce the construction cost. Therefore, these incomes should be exempt from income tax.

Suggestion

All Infrastructure projects are setup by SPV companies, which have no other business/ assets apart from the project itself, which takes 3 to 5 years, if not longer.

SPVs have temporary cash surpluses when they receive funds raised but have not yet deployed them to meet project capital costs. These temporarily idle funds are invested in liquid avenues like fixed deposits, mutual funds, etc. Income earned on such investments is ploughed back and go to reduce the project cost.

47. All refunds should be done through bank transfers

The current system of issuing refund cheques should be switched in its entirety to direct online fund transfers. This change should be implemented on a priority basis as it will also end many taxpayers' grievances regarding refunds. Making refunds online will also reduce/ eliminate manipulations and corrupt practices.

Suggestion

The Income Tax Department is currently sending refunds over Rs.50,000 via cheques only dispatched through the postal department for all assesses.

48. Leave Travel Concession u/s 10(5)

Benefit should not be limited to 2 journeys in a block of 4 calendar years, but should be allowed every year. The exemption should be made available in respect of at least one journey in each calendar year. To avoid confusion, "Calendar Year" should be substituted with "Financial Year" or "Previous Year".

LTC should be extended for journeys to foreign countries.

Suggestion

S.10(5) allows exemption for assistance or concession received from employer for employee and his family on leave to any place in India. There is no provision in the Act which covers the travel outside India

49. Valuation of rent free accommodation

Valuation in such a case should be computed as 'Nil'.

Suggestion

Often, factories are established in remote areas, where no other accommodation is available and hence employer provides accommodation to its employees on the factory campus. The perquisite value of such accommodation to the employee should be taken at 'Nil'.

50. Specific, clear provision under Profits & Gains of Business & Profession for deduction of ESOP Expenditure

Specific provision is needed in the Act for allowing ESOP Expenses. A separates for such allowance is suggested which is in line with VRS provisions dealt with u/s 35DDA of the Act. If the intent of the Legislature is to provide deduction for payments made for retirement of employees, there should also be a provision to provide for deduction of payments made to motivate & retain employees

Suggestion

ESOPs are granted to employees to reward/ remunerate them for their contribution and to retain talent. SEBI guidelines prescribe charging of ESOP discount in books of accounts. This charge to P&L account has, however, been disallowed in majority of the cases.

ESOP Discount cost is normally disallowed by AOs on the ground that it is capital expenditure, and is contingent in nature.

51. Basic exemption limit needs to be raised

Considering the inflation over the years, tax exemption limit should be increased from Rs. 250,000 to Rs. 500,000. The Government should consider bringing similar change in the tax rate for other assessees in sync with the proposed reduction in tax rate for domestic companies.

Suggestion

The exemption limit for individuals and HUFs has not been increased since past three years. The Finance Minister, in his Budget speech for 2015, had mentioned that the Government will reduce the tax rate for domestic companies from 30% to 20%. However, no reduction of tax rate was considered for individuals, HUFs, Partnership Firms and LLPs.

52. Reinstatement of standard deduction from salaries

To bring in the necessary parity amongst salaried and non-salaried tax payers, it is desirable that standard deduction be reinstated in the statute. Approximately 20% of the gross salary subject to a maximum limit of, say, Rs.1,00,000 could be considered for the purpose of standard deduction.

Suggestion

There is a disparity between the salaried employees and those carrying on business/ profession, resulting in higher tax being paid by the salaried employees. One may note that it is equally essential for the salaried individuals to keep abreast with the latest developments in their area of work/ specialisation and hence have to necessarily incur expenses for the same

53. Age limit for "very senior citizens" should be lowered

Age limit for this category of "very senior citizens" should be reduced to 70 years and above, and not 80 years as currently provided.

Suggestion

The current life expectancy of males in India (as per Census of India for 2011) is 67.3 years; for females, it is 69.6 years.

Keeping this demographic data in mind, there is a need to revise this age limit.

54. Section 80GG

Due to escalation in rentals, the limit should be increased to at least Rs.10,000 per month.

Suggestion

Deduction u/s.80GG is given for rent paid by non-salaried employees not in receipt of House Rent Allowance, to the extent of Rs. 2,000 per month.

55. Suggestion on FMV (Fair Market Value)

The term inventory embraces goods awaiting sale (the merchandise of a trading concern and the finished goods of a manufacturer), goods in the course of production (work in process), and goods to be consumed directly or indirectly in production (raw materials and supplies)."

Inventory valuation is the cost associated with an entity's inventory at the end of a reporting period. It forms a key part of the cost of Production of goods and Cost of Goods sold calculation and/or can be the part of inventory converted to Capital Assets. This valuation appears as a current asset on the entity's balance sheet. The inventory valuation is based on the costs incurred by the entity to acquire the inventory, convert it into a condition that makes it ready for sale, and have it transported into the proper place for sale.

Rule should be specific for not allowing adding any administrative or selling costs to the cost of inventory. The costs that can be included in an inventory valuation are:

- Direct labor
- Direct materials
- Factory overhead
- Other conversion cost(s) to arrive at the WIP and Finished products
- Freight
- Handling (Loading and unloading)
- Import duties

Inventory Valuation Methods

When assigning costs to inventory, one should adopt and consistently use a cost-flow assumption regarding how inventory flows through the entity. Examples of cost-flow are:

- The specific identification method, where we track the specific cost of individual items of inventory
- The first in, first out method (FIFO), where we assume that the first items to enter the inventory are the first ones to be used
- The last in, first out method (LIFO), where we assume that the last items to enter the inventory are the first ones to be used

- The weighted average method, where an average of the costs in the inventory is used in the cost of goods sold

  Whichever method you choose will affect the inventory valuation recorded at the end of the reporting period.

Measurement of inventories

Cost should include all relevant item(s):

- Costs of purchase (including taxes, transport, and handling) net of trade discounts received.
- Costs of conversion (including fixed and variable manufacturing overheads) and
- other costs incurred in bringing the inventories to their present location and condition

Exclusion from Cost

- abnormal waste
- storage costs
- administrative overheads not related to production
- selling costs
- foreign exchange differences arising directly on the recent acquisition of inventories invoiced in a foreign currency
- Interest cost when inventories are purchased with deferred settlement terms.

For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory.

For items that are interchangeable, the FIFO or weighted average cost formulas may be adopted.

The same cost formula should be used for all inventories with similar characteristics as to their nature and use to the entity. For groups of inventories that have different characteristics, different cost formulas may be justified.

Write-down to net realisable value (NRV method)

NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Any write-down to NRV should be recognised as an expense in the period in which the write-down occurs. Any reversal should be recognised in the income statement in the period in which the reversal occurs.

Cost should include all the following :

- costs of purchase (including taxes, transport, and handling) net of trade discounts received

- costs of conversion (including fixed and variable manufacturing overheads) and
- other costs incurred in bringing the inventories to their present location and condition

Valuation Methodology

The guidance exists on how to value inventory and best practices are still being formed. That being said, a typical inventory valuation is performed in the following manner:

- Raw materials are valued at historical cost, adjusted for any obsolescence.
- Work in process ("WIP") is typically valued using a top down approach. The calculation begins with the estimated sale proceeds from the WIP, assuming it is completed. The costs required to complete and sell the WIP are removed.
- Finished goods are valued as follows.

1. Opening value of Finished as on the date of valuation/reporting period
2. Add: Average cost of production of the product of the reporting period.
3. Less: Abnormal loss if any

Cost Accounting standard -2 (CAS-2) and Cost Accounting standard -4 (CAS-4) issued by the Institute of Cost Accountants of India may be followed.

Pre-Budget Suggestion 2019-20 on "Indirect tax"

Suggestions on GST

Implementation of the GST is truly a remarkable achievement for the Government and India Inc. Although it is at its early days still, the GST started on a positive note and the benefits for all stakeholders are evident. It is now time for the Government to stabilise the system, remove uncertainty, facilitate compliance by easing processes and expand the tax base to make the GST a real success for both the Government and people of India.

General Suggestion:

1. **Provision of flexibility in the GSTN**

The GSTN is indispensable in India's GST journey, but there is little flexibility offered to users. For instance, there is no option to set off the excess tax paid by an entity under one registration in relation to another registration in a different state, even if it has the same PAN. The network does not allow filing of returns for a subsequent period till the returns for the previous ones are filed along with the penalty. Resolution of these issues and several such concerns, and implementation of a simple and easy-to-use online GST portal is therefore imperative for the success of the GST in India.

2. **Minimisation of tax-related disputes**

The dispute-resolution system has not been well accepted in India. Under the erstwhile regime, several such schemes were introduced, but industry has been rigid in its resistance to adopt such measures for various reasons. Therefore, the Government should seriously look at business-friendly measures to resolve long-pending litigation in the country.

In addition, the Government needs to also focus on strengthening the Advance Ruling process to avoid unnecessary litigation, e.g., in the recent Gujarat High Court case, where petitioners challenged the constitutional validity of the composition of the benches of the National Appellate Tribunal.

Furthermore, while the Government has been fairly quick in issuing FAQs and responding through its twitter handle, there is no legal sanctity in such means of communication. For the sake of certainty on a tax position it is therefore important for the Government to bring in necessary legislative changes or issue clarifications officially to put various contentious issues at rest.

Under the Union Budget 2018, a pre-consultative process was introduced under Customs. Similar provisions should also be put in place for the GST. Additionally, in order to facilitate timely settlement, it should be mandated that closure of disputes under the GST is undertaken in a time-bound manner.

3. **Focus on administration**

Another important policy on which the Government should focus is structuring of the Tax administration. The process of issuance of notifications needs to be streamlined to give businesses adequate time to implement the changes required. Issuance of unnecessary notices should be discouraged, and a reasonable amount of time should be given to taxpayers to respond to these. In addition, measures should be taken to ensure consistency in the approach followed by tax officers across jurisdictions. For example, currently, it is clear that the parameters used to evaluate eligibility of Tran1 credit vary across jurisdictions. Moreover, it is found that contrary views are held in the Advance Rulings of two states on the same issue.

Technical Suggestion:

4. **Section 10 of the IGST Act, 2017 provides for the place of supply for goods in various situations.**

The existing provision under Section 10 especially Section 10(1)(b) are difficult to apply in certain situations.

Suggestion:
It is suggested that place of supply for all B2B transactions may be made as registered place of business of the recipient. Specific rule may be amended for B2C transaction. In any case, the concept of “third person” may be explained in the legislature itself by way of an example to bring in uniformity in interpretation of Section 10(1)(b)

Justifications for the suggestion:

It is important to bring parity in place of supply rules between services and goods. Different treatment leads to confusions among the trade and also may increase the chances of litigation.

5. **Existing invoice wise return system of 3 returns per months needs to be modified.**

Filing of invoice wise three returns per month is time consuming and tedious for small as well as big businesses. The compliance of the said provisions is difficult and cannot be done by the consultants too.

Suggestion:
It is suggested that new return system may be introduced based on the existing return system under the erstwhile VAT laws in various States. The self-assessed return along with Annexure of

sales and purchase invoices for matching of invoices would reduce the compliance and is easy to follow.

Justifications for the suggestion:

It is necessary to revamp the return filing system in order to make the compliance easier and simple. This will also increase the revenue collection for the Government.

6. **Delinking of payment of dues with filing of return**

Under the existing return system, a registered person cannot file the return unless all the dues as per the return are paid. This system will lead to noncompliance as well as make other provisions of law such as installment payments redundant.

Suggestion:
It is suggested that returns should be allowed to be filed even without payment. The late payment of tax as per the return is anyways liable to interest.

Justifications for the suggestion:

A registered person who is in financial difficulty may not be able to file the return even though he wants to comply the returns and apply for installment for payment of taxes as per the return.

7. **No GST on advances received for works contract service**

Under the GST law, works contract has been deemed to be a supply of service. In case of supply of service, GST is payable on receipt of advances from the customer. Thus, even before actually supplying any service, the registered person is made liable to pay GST on advances such as mobilization advances, etc.

Suggestion:
It is suggested that the GST on advances received for works contract service needs to be removed. GST on advances leads to working capital blockage and the credit of such GST will be available to the recipient only after the services have been actually received.

Justifications for the suggestion:

Works contract involves significant proportion of supply of goods and most of cases advance is taken for Goods only. As there is no GST on supply of Goods today it would be discontinued for Supply of Goods in case of work contacts also.

Many a times, the works contract like construction of a building come to a standstill after initial payment of advances. If GST is paid on such advances, the same will lead to blockage of working capital. Hence, for the sake of ease of doing business, it is necessary to remove the GST on advances for works contract service.

Settlement Commission [Omitted] – Should be restored

Settlement Commission provisions which existed under the Model GST Law has been omitted.

Suggestion:
The provisions relating to Settlement Commission as provided in Chapter VIII of the Model GST Law should be reinserted as genuine mistakes may occur in the initial phases of the GST regime due to complexity of the Law. These provisions act as an alternate dispute resolution mechanism which is essential and therefore, the settlement commission provisions need to be restored.

Justifications for the suggestions

The basic objectives of setting up of the Settlement Commission are:

1. To provide an alternative channel for dispute resolution for the taxpayer;
2. To expedite payment of GST involved in disputes by avoiding costly and time consuming litigation process;
3. To provide an opportunity to tax payers to come with clean who may have evaded payment of tax;
4. To service as a forum for the taxpayer to apply for settlement of their cases, on the basis of true and complete disclosure of their tax liability;
5. To encourage quick settlement of disputes and save the business from the worries of prosecution in certain situations.

8. Proviso to the definition of 'job work' – Exclusion of repairs / maintenance

Section 2(68) of CGST Act provides that "job work" means any treatment or process undertaken by a person on goods belonging to another registered person and the expression "job worker" shall be construed accordingly;

The definition of job work appears to cover any kind of treatment or process undertaken including repairs, maintenance etc. Although that does not seem to be the intention of the Government while defining "job work".

Suggestion:
It is suggested that a proviso be inserted to the definition of Job Work to provide that job work will not include repair or maintenance or other forms of supply which are carried out with respect to the goods belonging to another taxable person.

9. Non-levy of GST on goods listed in section 9(2) of CGST Act

Currently, petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel goods are kept outside the ambit of GST Laws due to which, businesses that consume such non GST products, would face issues like cascading of taxes, non availability of credit, maintaining separate books of accounts etc.

Suggestion:
In order to maintain a level playing field, it is suggested that all goods be brought into the purview of GST at the earliest, including petroleum, alcoholic liquor, and electricity. Other laws that govern the levy of taxes / duties on such non-GST goods be repealed.

10. Transfer of immovable property by way of lease

A transfer of land under a long lease is essentially a 'transfer of said property' and is liable to State level stamp duties. However, under the GST law, it is proposed to treat even such transfers as 'taxable supplies'. However, if an upfront fee is paid in respect of transfers by State Government Industrial Development Corporations or Undertaking to Industrial Units (such supplies for a period exceeding 30 years) then such supplies are exempt in terms of notification no. 12/2017 dated 28th June 2017 (Central Tax-Rate).

It may be noted that under the GST laws, such upfront fee would remain taxable if the period of lease is lower than 30 years or to any person other than Industrial Units. Further, it is to be noted that Central Government vide Circular no. 44/18/2018 dated 2nd May, 2018 has provided that merely because a transaction or a supply of tenancy rights involves execution of documents which may require registration and payment of registration fee and stamp duty, would not preclude them from the scope of supply of goods and services and from the payment of GST on tenancy premium.

Suggestion:
Although a suitable clarification has been issued by the Government clarifying that such transactions will be subjected to the GST levy (Circular No.44/18/2018-CGST dated 08.05.2018). However, these transactions are related to an immovable property and subject to stamp duties. Therefore, the Government must reconsider the clarification cited supra and grant exemption to such transactions under the GST laws. Therefore, It is suggested that the exemption in Notification No. 12/2017-CT(R) dated 28.06.2017 be extended to all transfers of immovable property, irrespective of the period of lease and whether or not to an Industrial Unit.

11. Classification as Composite Supply and Mixed Supply

Under GST, a composite supply would mean a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. But GST law nowhere specify how to determine principal supply. A number of disputes may arise due to this.

Circulars have been issued in this regard for specific transactions for eg: Circular No. 11/2017 dated 20th October, 2017, Circular No. 32/2018 dated 12th February, 2018, and Circular No. 34/2018 dated 1st March, 2018. Flyers on mixed and composite supply have also been issued. But these are found to be inadequate

Suggestion:
It is suggested to clarify the manner of determination of a principal supply to avoid the disputes. It will help avoid classification disputes.

12. Value of land deduction in case of revenue sharing model in a Joint Development Agreement

One of the most recent and emerging concepts in a construction industry is where the Land Owner and the Developer enter into agreements to share the revenues generate from the project. Assuming that the revenue sharing arrangement is 40% to the Land Owner and 60% to the Developer. There is a lack of clarity regarding as who among the land owner or developer will claim land deduction.

Suggestion:
It is suggested that in case of a revenue sharing model in a joint development agreement, a circular be issued clarifying whether the land deduction be claimed by the developer / Builder based on revenue share (%) attributable to the land owner (as per JDA).

13. Denial of input tax credit to the taxpayer due to failure in taking registration

As per Section 18(1) of the CGST Act,2017, a person who has applied for registration under this Act within thirty days from the date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act; Such ITC claim shall be made in Form GST ITC- 01

a) In some cases, a potential taxpayer fails to obtain registration in good faith/ due to bonafide reasons for eg. lack of understanding about the provisions under GST Laws for obtaining registration. Such taxpayers, on obtaining registration under GST Laws (irrespective of time lags), shall be levied with taxes on all the outward supplies effected by him from the date he becomes liable for registration till the date of filing the first return under the GST Laws. Denial of input tax credit to the taxpayer due to procedural lapse burdens the taxpayer and on the other hand, the Government is unjustly enriched.

b) Section 18 of the CGST Act, 2017 enables the taxpayer to claim or avail credit only on 'inputs' lying in stock or 'inputs' contained in finished goods or semi-finished goods held in stock on the day immediately preceding the date of becoming liable to registration, provided the application for registration has been made within 30 days from the date on which he becomes liable to registration. However, the said provision does not provide for claiming input tax credit on capital goods purchased prior to obtaining registration, irrespective of whether the registration is obtained within 30 days from the date of becoming liable to registration or not.

Suggestion:
It is suggested that the input tax credit shall not be denied to the taxpayer who obtains the registration belatedly merely due to procedural lapses on account of bonafide reasons. Therefore, the relevant section cited infra be suitably amended.

It is suggested that the provisions relating to availing / claiming of ITC on the date of obtaining registration under the GST law, shall be made uniformly applicable for 'inputs' and 'capital goods'. The claim of ITC on capital goods shall be restricted in proportion to the depreciation claimed over the year(s) and shall not be restricted fully.

14. ITC Reversal on cancellation of Registration

As per Section 29(5), every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher, calculated in such manner as may be prescribed.

When the registered person does not have any taxable supplies or where the aggregate turnover is below the threshold of Rs.20 lakhs, the said registered person can opt out of GST regime by way of surrendering the registration. However, the input tax credit contained in the goods held in stock as on that date, would lapse in terms of Section 29 of the CGST Act, 2017.

Suggestion:
It is suggested that the input tax credit shall not be forfeited immediately as it is possible that one may again become taxable under GST Laws and at times it can be quite substantial. The lapse of ITC on account of cancellation of registration shall be deferred until the business is shut down completely or until the time it can be well established that the turnover would not cross the threshold of Rs.20 Lakhs in the future.

15. Sale of Capital Goods

As per Section 18(6) of the CGST Act,2017, in case of supply of capital goods or plant and machinery, on which input tax credit has been taken, the registered person shall pay an amount equal to the higher of the following;

- input tax credit taken or availed on the said capital goods / plant and machinery as reduced by percentage points as prescribed; or
- the tax on the transaction value of such capital goods or plant and machinery as determined under section 15 of the CGST Act, 2017

The taxes in respect of an inward supply of capital goods, where credit has been availed, would be paid by the recipient to the supplier, and consequently, remitted to the credit of the Government at the time of inward supply. Moreover, one must appreciate that cases where capital goods are disposed of for a value that is significantly lower than the purchase-price soon, after their receipt, upon availment of input tax credits, would be isolated transactions in respect of any business and would normally not be entered into with intent to evade or avoid taxes.

Suggestion:
It is suggested to levy taxes in such instances only on the transaction value.

16. Option of having multiple Trade Names with single GSTIN

Under earlier law, in case of proprietorship, an assessee was entitled to have multiple trade names while having a single registration, for running his business. However, under the GST Laws, there is no provision for having multiple trade names against single GSTIN.

The GST Registration application forms do not provide for declaring various trade names under which the registered person operates.

Suggestion:
It is suggested that the option of having multiple trade names against one GSTIN be provided to all registered persons, regardless of the constitution of business, to facilitate ease of doing business.

17. Non-availability of filing of GST Return without payment of Tax

Taxpayers like to file the return well before time but not to pay heavy taxes before time. Govt. wants that return filer should not wait for last date and should file it earlier so that there is no load on the portal but the reason for filing the return in last days is payment of tax not the return.

Suggestion:
It is suggested to permit filing of return without payment of tax before the 20th of the succeeding month and enable tax payments till last date i.e. 20th, which will be credited automatically in the ledger.

18. Procedure for simplification of Advance Ruling

Present provisions of Sections 96 & 97 of the CGST Act, 2017 are procedurally complicated and would be out of reach of small & medium taxpayers. Advance ruling can only be filed by the "applicant" who is the registered person / person intending to be a registered person but not an association representing the industry, or in the capacity as a member of such association / industry.

Suggestions:
It is suggested that Advance Ruling provisions be extended for filing of application on behalf of an association representing its members (with a unanimous vote from the members), whereby the decision rendered by the Authority would mutatis mutandis apply to all the members of association representing such issue /industry.

19. Penalty provisions

Section 122 of the CGST Act provides for penalty provisions in case of certain offences.

The taxpayers are still in the process of understanding the various complex provisions and taxability of various transactions under the GST Laws. By penalising every taxpayer, in certain cases for even for frivolous issues, there would be no accountability on the mischief maker as every taxpayer (genuine taxpayers and non-compliant taxpayers) are treated at par.

Suggestion:
Until the law is made simple, transparent and easy to comprehend, clear & stable and unambiguous in all respects, it is suggested to suspend the penalty provisions under the GST Laws as it is unfair to penalise the tax payer for the reasons which are dynamic in nature. The penal provisions must be suspended at least until 31.03.2019 for non-compliance of procedural activity.

20. Land Cost :-

In case of supply of service involving transfer of property in land or undivided share of land, as the case may be, the value of supply of service and goods portion in such supply shall be equivalent to the total amount charged for such supply less the value of land or undivided share of land, as the case may be, in such supply shall be deemed to be one third of the total amount charged for such supply.

From the above deeming provision, it is seen that the Central Govt. has prescribed the deemed value of land as 1/3 of the total consideration. This amount is to be deducted from the total consideration to arrive at the value of WC service for charging GST.

However, this method of deemed valuation of land is totally arbitrary and unjustified. There is nothing in the public domain that provides the manner as to how the govt. has arrived at the formula of 1/3 deduction. This also appears to be unjustified, since the value of land in metro cities is much more than 1/3 of total consideration of the building. It is common knowledge that the cost of land in Delhi, on an average is 75% and the cost of construction is merely 25%. Visa versa in small cities construction cost is more and lans cost is less.

Suggestion:
It is advisable to take SR Value is base for claiming the land cost.

21. **Regarding Cross Charge (Service). Under GST there is lot of complication relating to cross charge (Service)**

"SCHEDULE I, [See Section 7], Activities To Be Treated As Supply Even If Made Without Consideration Entry No. 2. Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business"

Regarding goods, this is by far the simplest transaction of all. It covers supply of goods by a manufacturing unit having a separate registration to branches, separately registered, across India. Such supply will be taxable. As far as valuation is concerned, second proviso to Rule 28 of the CGST Rules, 2017 provides that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value. Hence such supply need not require any mark-up to the cost so as to arrive at an open market value if full ITC is available to the recipient. The value declared in the invoice shall be deemed to have been accepted in such cases.

But regarding Service most of the companies not having cross charge mechanism.

However Can supply of goods to a distinct person be regarded as a supply of services?? Let us consider a scenario wherein capital goods are sent by the Head Office to a branch. Said goods are sent only for a particular duration and shall return after the end of such duration. Can such transaction be regarded as "supply of services" instead of "supply of goods"!

Answer seems to be yes as transactions between distinct persons can be of supply of goods as well as services. Hence transaction of sending such capital goods can be considered as a supply of the right to use such goods which is regarded as a service. Accordingly the valuation can be done.

Supply Of Services – Employee Driven

It is possible that the employees working at the Head Office may carry out work for branches sitting at such Head Office. It is also possible that the goods are supplied from the factory but the servicing of the goods supplied is carried out by the employees located at the branches. It is also possible that the employees at the branches carry out liasoning work and procure orders. Goods against such orders are directly dispatched to the customer from the factory.

In all the above referred cases, can it be said that the services have been provided by one distinct person to another!

Answer is Yes.

Suggestion:
In this regard better amend the law by giving clear cut provision relating to taxing of services.

Suggestions on Customs Act

1. Levy of Integrated Tax on goods remaining in Bonded warehouse

Section:

Clause 100 of the Finance Bill, 2018 has inserted sub-section (8A) and (10A) in Section 3 of Customs Tariff Act, 1975

The section lays down the method of valuation of goods which are deposited in custom bonded warehouse and which is sold to any person before clearance for home consumption or exported in due course, for the purpose of calculating the Integrated Tax and compensation cess under GST Act (to be effective from the date of enactment of the Finance Bill, 2018).

Issue:

The Proviso to section 5(1) of IGST Act delegates the 'levy' of IGST to Customs Tariff Act on 'goods imported into India'. Thus goods 'not yet' imported into India cannot be brought back into section 5(1) of IGST Act. If this is allowed, then goods that are directly purchased from Country 'X' and shipped to Country 'Y' by an Indian entity (called merchant Trading) will also be liable to IGST merely basis the location of the supplier being within India, even though the goods supplied do not enter taxable territory at any point of time. If this is also to be subject to IGST, then clause 100 will transform GST into a person-based tax rather than territory-based tax. This, however, does not seem to be the intention of the legislature. Goods that are 'yet' to cross the 'customs frontiers' of India are liable to duties under Customs Act (even if it is equal to IGST and cess) depending upon whether they will be cleared on ex-bond BE or re-exported outside India.

Suggestion:

Levy of integrated tax on in-bond transactions, not being in the nature of Customs Duty, is a levy without statutory authority. Hence, it is suggested that clause 100 of the Finance bill be omitted since integrated tax and Cess leviable under section 3(7) and 3(9) of Custom Tariff Act, 1975 are in the nature of 'Customs Duty'.

Justification:

The goods which enter the territorial waters of India are subject to tax except when they are re exported later on. There cannot be dual taxation. Hence the levy of integrated tax on in bond transactions cannot be construed to be in nature of custom duty and should be omitted.

2. Audit of assessment of imported or exported goods.

Section:

Clause 88 of the Finance Bill, 2018 has inserted Chapter XII A in Customs Act, 1962

The above section provides that proper officer may carry out the audit of assessment of imported goods or export goods or an auditee under this Act either in his office or in the premises of the auditee in the prescribed manner (to be effective from the date of enactment of the Finance Bill, 2018).

Issue:

Powers to investigate and issue SCN is available to departmental Officers. Diligent tax payers will now be subject to harassment after having gone through the process of customs clearance. Recurring audits will make room for unwanted interference by customs authorities at the business premises. Requirement of another audit indicates that Government is not confident of its customs clearance procedure and thus need further customs audit.

Suggestion:

It is suggested to withdraw clause 88 of the Finance Bill, 2018 as subjecting an assessee who has already been assessed (whether final or provisional BE) by customs authorities, to an audit will cause undue hardship to the assessee.

Justification:

The provision as stipulated in Clause 88 is harsh for tax payers who might be subject to unwanted harassment from departmental officers. Hence in the light of the above the Clause 88 should be omitted.

3. Power to issue supplementary notice

Section:

Clause 92 of the Finance Bill, 2018 has inserted a proviso to section 124 of Customs Act, 1962

The clause provides that proper officer may issue a supplementary notice in addition to Show cause notice before confiscation of goods, explaining the grounds on which it is proposed to confiscate the goods or to impose a penalty. (To be effective from the date of enactment of the Finance Bill, 2018)

Issue:

If the Supplementary notice is intended to be a corrigendum to the SCN, this will allow loopholes in the SCN to be filled up through a Supplementary Notice which is illegal and volatile of natural justice.

Suggestion:

It is suggested that Clause 92 of the Finance Bill, 2018 be withdrawn as the concept of Supplementary Notice appears to be inferior to the requirements of a regular SCN under section 124.

Justification:

The clause 92 of providing a supplementary notice seems a repetition to over and above the show cause notice. The supplementary notice can be misused and hence the same should be treated as invalid.

4. Communication of an order, decision, summon, notice etc. under Customs Act, 1962 through electronic mails.

Section:

Clause 97 of the Finance Bill, 2018 has substituted section 153(c) of the Customs Act, 1962

The above clause provides various modes of communication of an order, decision, summons, notice etc under Customs Act, 1962 which includes serving through **e- mail** as one of the mode.(To be effective from the date of enactment of the Finance Bill, 2018).

Issue

Tax authorities themselves use publicly available 'free email' service therefore it can't be taken as reliable mode of communication. Further, it is not possible for the assessee to ensure that the correct email id is available with the tax administration. If e-mails are sent to some unknown or expired email ids, even then same will be construed as valid service of notices.

Suggestion:

It is suggested that clause (c) of section 153 as proposed in Clause 97 of the Finance Bill be withdrawn as 'service' is a very significant legal step and if email is accepted as a valid mode of 'service', then it may adversely affect the tax payer's rights to remedy in law.

Justification:

The email communications are mostly public and not secured. There can be innumerable email ids and the confidentially cannot be relied. Hence the Clause 97 should be withdrawn

5. Requirements for being an applicant of Advance ruling

Section:

Clause 62 of the Finance Bill has substituted clause (c) of section 28 E of the Customs Act, 1962

The same provides the conditions to be fulfilled by person for being an applicant of advance ruling which includes that a person must be holding a valid importer-exporter code number granted under section 7 of the Foreign Trade (Development & Regulation) Act, 1992 as one of the condition.

Issue

Requirement of holding a valid importer-exporter code for seeking an advance ruling may curtail the assessee's opportunity to file application for advance ruling. Further, item (iii) of clause (c) requires satisfaction of the authority before accepting application which is very subjective and has scope for litigation.

Suggestion:

It is suggested to expand clause (c) of section 28 E of the Customs Act, 1962 to cover IEC, PAN or GSTIN as primary requirements for being an applicant because an expansive sub-clause (i) will fulfill the Government's objective of making the advance ruling facility available to large stakeholders.

Justification:

The scope needs to be widened under section 28E so as to include other identity documents so as to allow the assesse full opportunity to file an application for advance ruling.

6. Sections 25A and 25 B

Section:

Clause 60 of the Finance Bill, 2018 has inserted two new sections 25A and 25B.

Section 25A provides the Central Government with the power to issue notification to exempt the goods which are imported for repair or further processing from whole or any part of duty of customs with a condition of re-export within a period of 1 year.

Similarly, Section 25B empowers the Central Government to issue notification to exempt the goods which are exported for repair or further processing from whole or any part of duty of customs with a condition of re-import within a period of 1 year.

Issue:

The scope of section 25A and 25B is already covered by section 25 where the Central Government, by issuing notification, exempts generally goods of any specified description from the whole or any part of duty of customs leviable thereon. Even with the insertion of the two new sections, Government is still required to issue notification to allow exemptions. These sections are surplus and unwarranted. Therefore, what is sought to be achieved is possible under section 25 and has been continually achieved since 1962. Conditions in the new sections can be amended more effectively in the notifications rather than in the sections itself.

Suggestion:

It is suggested to withdraw clause 60 of the Finance Bill, 2018 as these proposed sections are merely a duplication of power already given under section 25.

Justification:

The above section 25A and 25B are mere duplications of Section 25. Hence the same should be abolished.

7. Appellate Authority for AAR

Section:

Clause 64 of the Finance Bill, 2018

The above clause has provided that the Authority for Advance Rulings constituted under section 245-O of the Income-tax Act shall be the Appellate Authority for giving advance rulings for the purposes of this Act.

Issue:

With this proposal, an appeal against decision of AAR can now be filed. This will undermine the significance of AAR as there would be no finality of the issue.

Suggestion:

It is suggested that Clause of the Finance Bill, 2018 be withdrawn so that the ruling given by the AAR be final.

Justification:

The ruling as given by AAR should be final. The Clause 64 will tend to dilute the proceedings as given by AAR. Hence the same should be abolished.

8. Basic Custom Duty Rate.

Issue:

The rate of basic custom duty as applicable to the majority of the Raw Materials imported for completion of the finished goods should be reduced to 8 percent for steel, cement, electronics, cold storage.

Suggestion:

This would enable Indian manufacturer to produce at a highly competitive price and significant for make in India initiative.

Justification:

The campaign Made in India will benefit from a reduced custom duty rate.

9. Higher peak rate of customs duty

Issue:

Customs duty rate on raw materials needs to brought down to 5%.

Suggestion:

Peak rate of customs duty has remained static at 10% since 1st March, 2007. Levy of peak rate of customs duty on raw material has increased the cost of manufacture. In certain cases it has led to inverted duty structure which has made the matter worse for the indigenous industry.

Justification:

It is recommended that the peak rate of customs duty on raw materials be brought down to 5% and correct the inverted duty structure. This would promote make in India' policy

10. Exemption to Coking Coal should be restored.

Issue:

In the budget of 2014-15 the exemption available to Coking coal was removed by the Government by making it at par with other coals and thus imposed 2.5% of Basic Customs Duty on coking coal. This amendment has adversely affected the steel manufacturers in India and Make in India' drive.

Suggestion:

Coking coal is one of the principal raw materials being used in the manufacture of Steel and predominantly used for making Coke for use in steel making and thus forms a major part of the final price of the steel. Levy of 2.5% of Basic Customs Duty on Coking coal and simultaneously fixing the import duty of 5% on Coke has adversely affected the costing of the steel.

Justification:

It is apt considering the overall development policy of India to exempt coking coal.

11. Enhancement of Export duty on Pellets

Issue:

In order to conserve the iron ore / pellets for the domestic country, it is necessary that pellet exports are discouraged by increasing export duty as in case of iron ore.

Suggestion:

There is shortage of Iron Ore in the country. This is impacting the production of Steel in the country. Steel Industry is highly capital intensive. We have differential in export duty on iron ore is 30 % and on and pellets NIL duty. This exemption from export duty on pellets is adding to shortage of iron ore in the country due to enhanced export of pellets.

Justification:

Hence the export duty on pellets needs to be enhanced.

12. Increase in Customs duty on seconds and defective goods falling under

Chapter 72

Issue:

It is suggested that Customs duty on seconds and defective goods falling under Chapter 72 be Raised to 40% as per the guidelines of WTO.

Suggestion:

Prime quality of major finished steel products is liable to Customs duty @ 12.5%. However, seconds and defective goods falling under Chapter 72 of the Customs Tariff are liable to Customs duty @ 15%. In view of the narrow margin of difference between the rates of import duties of prime quality and seconds/defective goods, there has been a surge of imports of seconds and defective steel products in the country. This is putting further pressure on the industry already grappling with the challenge of subdued demand and rising cost of production. In order to suppress the imports of defective steel into the country, the rate of seconds/defective goods needs to be increased.

Justification:

In order to increase the demand of primary quality finished steel it is important to increase the customs rate on defective and seconds quality goods.

13. Export Obligation Discharge Certificate (EODC)

Issue:

In order to reduce avoidable paperwork and Delays in cancellation of Bonds / LUT it is recommended that while issuing the EODC the DGFT should declare in the Certificate that export obligation is fulfilled and all bonds/LUT executed in respect of the specific Authorization (with Ministry of Finance / Ministry of Commerce) stand cancelled With immediate effect. This information can be updated in the on - line system to ensure that the corresponding records maintained by Customs Department are updated as well.

Suggestion:

EODC is required to be submitted to the Customs Department upon fulfilment of export obligation against pre-export licenses (like Advance License, DFIA, EPCG and so on). Without submission of the EODC to the Customs authorities the Bond / Letter of Undertaking (LUT) furnished by the exporter is not cancelled.

As per current provisions of law the EODC has to be obtained from the jurisdictional DGFT office and submitted to the Customs authorities thereafter. Only upon verification of the

EODC the Customs authorities cancel the Bond / LUT executed by exporter at the time of import. The entire process is time consuming and at times the cancellation of the Bond / LUT remains pending even after a decade of issuance of the EODC by the DGFT.

Justification:

It is suggested that as per the current norms that EODC submitted against the licenses is not cancelled. This is done to avoid unnecessary paper work.

14. Harmonization of Customs Value and Transfer Pricing

Customs valuation for imported goods and Transfer Pricing under Income Tax laws are based on arm's length principle, whose objective is to ensure that taxable values of imports are correct and taxes are paid appropriately on arm's length value. However, intention under both the regulations drives in opposite directions i.e. the Customs tend to increase the import value of goods to increase tax while the Income tax department attempts to reduce purchase price of imported goods to increase taxable profits. The diverse end-results create ambiguity and uncertainty in pricing.

Suggestion:

There is a need for harmonization between these two sets of conflicting legal provisions. Guidance may be provided for acceptability of transfer prices/import value by one arm of the Government, in case the other arm had accepted the price at arm's length.

Justification:

It is suggested that there needs to be a synchrony between the two customs and transfer pricing.

15. Inverted Duty Structure – Indigenous Manufacture of Soap Noodles/Soap

Lauric Acid (HSN 2915 9090) is an essential ingredient for manufacture of soap noodles. It is sourced primarily from Malaysia and Indonesia and attracts Customs Duty @ 7.5%. Toilet and Soap Noodles and Soaps, on the other hand, attract 'Nil' Customs Duty under the aegis of the Indo-ASEAN FTA which covers several countries including Malaysia and Indonesia. Consequently, indigenous manufacture of soap noodles/soap has a higher tax cost than import of soap noodles/soap from ASEAN countries.

In order to provide a level playing field the Government, vide Notification No. 12/2014 – customs dated 11th July 2014 exempted Customs Duty on all goods (under HSN 3823 11,12,13 & 90 and 2915 70) used in the manufacture of soaps and oleo chemicals. However, Lauric Acid (HSN 2915 90) – a key ingredient of soap manufacture – was not covered by the said notification.

Suggestion:

It is recommended that in order to eliminate the inverted duty structure by virtue of which indigenous manufacture of soap noodle / soap is more expensive than import of these goods from ASEAN, Lauric Acid (HSN 2915 70) may also be exempted from Customs Duty.

Justification:

It seems apt to reduce or exempt the inverted duty tax.

16. Removal of cess on customs duty

As a rationalization measure, the education cess and secondary and education cess leviable on excise duty had been fully exempted. Suitable amendments may be made to fully exempt education cess and secondary and education cess leviable on customs duty.

Duty free import of oils for manufacture of soaps/oleo-chemicals under conversion arrangement

Oils such as Palm Fatty Acid Distillate [PFAD], Stearine, Stearic Acid, etc. are converted into Distilled Fatty Acid [DFA] and DFA is subsequently used for the manufacture of soaps. Such oils (only with FFA content of more than 20%) are allowed at `nil' rate of duty as per Sr. No. 230A of the Notification No.12/2014-Cus dated 11.7.2014 read with Customs [Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods] Rules, 2016 when imported into India for manufacture of soaps and oleo-chemicals.

One of the conditions for import of the industrial oils under concessional rate of duty is prior permission from the Jurisdictional Central Tax Authorities for import of such oils and such permission/certificate obtained should be submitted to Customs authorities at the time of filing the Bill of Entry for allowing duty free clearance.

While there has been no issue in case of manufacturing activities undertaken at the own unit the problem arises when such manufacturing activities are contracted to a third party who undertakes the manufacturing activity for and on behalf of the brand owner/principal manufacturer who supply the material.

Although two legal entities are involved in the process of importing and conversion of oils into DFA for manufacture of soaps the ownership in the goods shall always remain with principal manufacturer [importer].

The Customs Act and/or Central GST Act, 2017 do not define the term “Actual User”. The Foreign Trade Policy (FTP), which regulates imports and exports, defines “Actual User (Industrial)” in Para 9.5 of Chapter 9, as under:-

"Actual User (Industrial)" means a person who utilizes the imported goods for manufacturing in his own industrial unit or manufacturing for his own use in another unit including a jobbing unit."

Suggestion:

From the above, it is clear that if the imported goods are utilized for manufacture of the final products in his own unit and/or in a jobbing (job-worker's) unit, it would be treated as fulfillment of "end use". The benefit given under the aforesaid notification cannot be taken away mere because of involvement of two entities and on account of certain procedural difficulties. The solution lies in taking an undertaking from the original importer in order to safeguard the interest of the revenue and also ensure that the oils so imported are used only for manufacture of soaps/oleo-chemicals. The notification does not impose any restriction for the conversion arrangement and it only stipulates the condition of end use which stands fulfilled by virtue of the arrangement as elaborated above.

Justification:

It is justified that in case of in case the raw oil is either processed n house or given on job work the basic concept remains the same and in both cases the exemption is to be given.

Economic Overview

To incline with Niti Aayog 'Strategy for New India @75' Vision Document' released recently, Indian Economy needs to be revamped in faster pace in 2019-20. The issues raised and target fixed in the said documents will be a challenge for the country and it needs more reforms. Though, in current fiscal, economy is growing at 7.3% ahead of China economy and it will continue in next fiscal at 7.4% much ahead of other economies in the world, but challenges are not less than that. International Monetary Fund (IMF) has confirmed the Indian Economy growth at 7.5% for the year 2019-20 with strengthening of Investments and robust private consumption. Asian Development Bank (ADB) has mentioned about 7.6% growth rate of Indian Economy in 2019-20 financial year and said it will be driven by increased public spending, higher capacity utilisation rate and uptick in private investment.

While retaining India's growth rate projection for the current and the next fiscal year, Asian Development Bank said the overall economic growth in China will decelerate to 6.6 per cent in 2018 and further to 6.4 per cent in 2019. China's growth rate was 6.9 per cent in 2017. ADB further added that Growth in FY2019 in India is expected to rise to 7.6 per cent as measures taken to strengthen the banking system bolster private investment and as benefits kick in from the goods and services tax. Any further increase in oil prices poses a downside risk to growth."

IMF in its release mention that due to disruption related to the November 2016 currency exchange initiative and July 2017 GST rollout, growth showed to 6.7% in fiscal year 2017-18, but recovery is underway led by an investment pickup. IMF further mentioned that inflation in the country at 3.6% during 2017-18, a seventeen years low, reflects low food prices, agriculture reforms, subdued domestic demand and currency appreciation. Further, it mentioned that, though important steps like recognition of Non-performing Assets (NPA) and recapitalization of Public Sector Banks (PSBs), more need to be done at various fronts. Mr. Ranil Salgado, IMF's mission chief for India, said that India is a source for world economy growth for next few decades what China was for few decades.

On the other front, Moody's Investors Services said that the growth of India will slow down to 7.3 per cent in the financial year 2019-20 as domestic demand tapers on higher borrowing cost due to rising interest rates. In its report titled Global Macro Outlook 2019-20', Moody's said the economy grew 7.9 per cent in the first half (January-June) of 2018, which reflects post demonetisation base effect. The impact of higher global oil prices compounded by sharp rupee depreciation raises the cost of households' consumption basket, and will weigh on households' capacity for other expenditures. These factors will limit the pace of the Indian economy's growth over the next few years, with real GDP growth of 7.3 per cent in 2019 and 2020.

The Niti Aayog in its 'Strategy for New India @75' Vision Document' has mentioned that the average annual growth of Indian economy at 8% for the years 2018-19 to 2022-23 is needed to generate sufficient number of jobs and making India a $4- trillion (Rs. 285 trillion) economy by 2023. In its suggestions it mentioned that this growth rate can be achieved through increasing in the investment rate, improving the ratio of taxes to Gross Domestic Product (GDP), raising export, continued exit of the government from non-strategic public sector units and further liberalizing the Foreign Direct Investment regime.

If we see the recent trends, Indian economy has shown some good signs and it will continue to grow further. Some of them are as under:

1. India's revenue receipts are estimated to touch Rs 28-30 trillion (US$ 385-412 billion) by 2019, owing to Government of India's measures to strengthen infrastructure and reforms like demonetisation and Goods and Services Tax (GST).
2. India's ranking in the world has improved to 126 in terms of its per capita GDP, based on purchasing power parity (PPP) as it increased to US$ 7,170 in 2017.
3. India has improved its ranking in the World Bank's Doing Business Report by 30 spots over its 2017 ranking and is ranked 100 among 190 countries in 2018 edition of the report.
4. The Government of India has decided to invest Rs 2.11 trillion (US$ 32.9 billion) to recapitalise public sector banks over the next two years and Rs 7 trillion (US$ 109.31billion) for construction of new roads and highways over the next five years.
5. The Government of India will spend around Rs 1 lakh crore (US$ 13.73 billion) during FY 18-20 to build roads in the country under Pradhan Mantri Gram Sadak Yojana (PMGSY).
6. In first half of the fiscal year 2018-19, export has shown upward trend and has increased by 20.7 per cent year-on-year to US$ 221.83 billion.
7. Upto Aug, 2018, Mergers and Acquisitions (M&A) activity in the country has reached US$ 74.8 billion.
8. India's Index of Industrial Production (IIP) rose 5.4 per cent year-on-year in April-July 2018.
9. Retail inflation in the country was at a 10 month low of 3.69 per cent in August 2018, while wholesale inflation was at 4.53 per cent.

India is expected to be the third largest consumer economy as its consumption may triple to US$ 4 trillion by 2025, owing to shift in consumer behavior and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers.

Though, Indian economy has emerged as one of the fastest growing economy in world but has its own challenges. Indian economy is mainly depends on Manufacturing including MSMEs sector, Services and Agriculture. But, each of these pillars has its inbuilt challenges.

Manufacturing and MSMEs Sector in Indian Economy

Manufacturing sector has emerged as one of the high growth sectors in India. India is expected to become the fifth largest manufacturing country in the world by the end of year

2020.The Gross Value Added (GVA) at basic current prices from the manufacturing sector in India grew at a CAGR of 4.34 per cent during FY12 and FY18 as per the second advance estimates of annual national income published by the Government of India. In April-June quarter of 2018-19, manufacturing sector's GVA at basic price increased 13.5 per cent year-on-year. Under the 'Make in India' initiative, the Government of India aims to increase the share of the manufacturing sector to the gross domestic product (GDP) to 25 per cent by 2022, from 16 per cent, and to create 100 million new jobs by 2022. Business conditions in the Indian manufacturing sector continue to remain positive. Cumulative Foreign Direct Investment (FDI) in India's manufacturing sector reached US$ 76.82 billion during April 2000-June 2018. Under the Mid-Term Review of Foreign Trade Policy (2015-20), the Government of India increased export incentives available to labour intensive MSME sectors by 2 per cent. India is an attractive hub for foreign investments in the manufacturing sector.

But a strong infrastructure is an essential ingredient for any manufacturing sector to grow. Lot of work to be done at this front to make it a success story. So during 2019-20, which is a general election year in the country it will be a challenge for the stake holders to keep the same pace in economy.

MSMEs sector is also major contributor to Indian Economy and is home for major employment. It contributes around 8% of GDP. Due to world vide recession and competition from foreign manufactures, especially from 1991 onwards, this sector is facing sever challenges for its existence. Quality products at competitive prices and financial assistance are major issues of the sector. Though government has taken some steps in current fiscal and has approved a proposal to redefine micro, small and medium enterprises, or MSMEs, based on their annual revenue, replacing the current definition that relies on self-declared investment on plant and machinery. The move is expected to improve ease of doing business, avoid unnecessary inspections and at the same time enable the authorities to verify claims of businesses using the sales data they have from the GST Network. The move is in addition to steps being taken to stimulate the MSME sector's growth, including a cut in corporate tax, announced in the last Union budget, and the Reserve Bank of India's decision to give a longer period to small businesses before classifying their loans as non-performing assets, or bad loans. Further, easy and early loans for MSMEs definitely give new dimension to the sector but still 2019-20. Sector needs level playing platform and balanced policies to increase its share in GDP.

Service Sector

Service Sector is growth engine of Indian economy and is contributing around 55% to the GDP. The study showed healthcare, information technology, banking, telecom, retail and ship-building had the highest growth rates of investments between the financial years 2012 and 2017. But their share was dwarfed by the total amount of capital poured into telecom, power, oil, steel and banks, which together attracted 72 percent of the investments. In spite of good growth in the sector since last two decades, it has its own challenges and need to improve further on account of:

- Infrastructure in rural and urban sector,

- employment ratio as compared to other sector is less,
- unfair competition within the sectors and
- quality products.

Agriculture Sector:

Since independency, India is a developing country and totally dependent on agriculture. It contributes around 18% to its GDP and around 60% of the population of the country directly or indirectly dependent on agriculture. Country's 35% area of agriculture is under irrigation and rest purely dependent on rainfall resulting were not able to feed the whole country. So, MSP offered and farmers' suicides are main issues to be addressed by the Centre and State governments. Further, lack of storage and proper distribution of food grains in agriculture, it gets spoiled and a major section of the country is deprived of.

In budget 2018-19 government has taken good initiatives to tackle the issues of agriculture and farmers such as:

- Enhancement of MSP by one and half times of cost of production
- Crop insurance
- Electronic National Agriculture Market (e-NAM)
- Exports of Agriculture produces
- Krishonnati Yojana 2.0

No doubt, the year going by has seen the government working on a new market architecture, which includes the setting up of Gramin Agricultural Markets to promote 22,000 number of retail markets in close proximity of farm gate, competitive and transparent wholesale trade at APMC, but challenges are bigger than the steps taken so far. So in 2019-20, we can expect more such measures to stable the agriculture depression. But until farmers get some assured income or reasonable margin over and above their cost, these steps may not be so fruitful as we expect and it remains challenge for the government in 2019-20 also.

Year 2019 will be a general election year for the country. Annual Budget is likely to be present on 1st Feb., 2019 and will not carry much announcement on economy front. Targeted financial deficit for the year 2019-20 is 3.1% of the GDP and for the year 2020-21 it is 3%.

During mid of financial year, new government shall present its full budget. Fifteenth Finance commission report is also due in this year and likely to be presented in Oct, 2019.Road map for the 2020-21 fiscal year will depend upon commission's proposals.

So considering all, the pace of the economy DUIRNG 2019-20 may not be at the same scale. It will be a challenge for the government and the other stake holders to keep the pace intact for the year 2019-20.

Executive Summary

We would like to extend our gratitude to Hon'ble Finance Minister, Shri Arun Jaitley for giving an opportunity to the Institute to submit Pre Budget Memorandum 2019-20.

Suggestions were called from our members for incorporating the same in Pre Budget Memorandum 2019-20. We thereafter compiled the suggestions received from the members and incorporated the same in the final suggestion which we submit for kind consideration.

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