ANALYSIS OF UNION FINANCE BILL 2018

"Clean India and Healthy India"

[Personal & Private Circulation bearing no opinion or advice]

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Disclaimer:

Union Finance budget was presented by the Hon'ble Finance Minister of India on 01 February 2018. This document contains the views of the author on the analysis of the Union Finance Bill 2018 with budget highlights, which should not be relied upon for decision making and for giving advices. Though due care has been taken in the preparation however, the observations and comments are the personal opinion of the author. The observations are on the Budget 2018 as presented in the Parliament and are subject to amendments (if any).

The document captures the provisions which are of interest to a larger group of persons and do not cover all the provision of the said Act. The author has taken the initiative to document the FAQ's and seeks suggestions or feedback. These suggestions / feedback will encourage the author. This document should not be relied upon for decision making and for giving advices. In case the documents contains the information which is published by any earlier author, the same should be considered as a mere co incidence and not an infringement of copyright.

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CONTENTS AT A GLANCE

Overall Rating of Union Budget 2018:

Union Budget is rated as **7.5 out of 10** after considering the developments and acceleration in the macro factors, challenges before the Finance Minister and current situation of the Indian Economy.

Positive Features:

- Focus on strengthening rural and agricultural economy.
- The government will assign every enterprise in India a unique ID on the lines of Aadhaar.
- The government has identified 372 basic business reform actions. Each state will take up these reforms.
- The government proposes to revamp the system of sanctioning of loans to SMEs.
- UDAN will connect 56 unserved airports in India.
- AMRUT programme will focus on water supply to all households in 500 cities.
- The government is slowly but steadily progressing towards universal health coverage.

Negative Features:

- No transparency in the track record of implementation of government plans.
- No discussion on implementation of GST.
- No discussion on Impact of Bankruptcy codes to the defaulters.
- No such relief to the middle class society.

Winners: *Farmers, Health Care Providers, Transport Companies, Consumer Companies, Airports, Senior Citizens*

Losers: *Mobile Companies, Bond Investors, Financial Sector, Defense Sector, Middle Class and Consumers.*

Highlights of the Budget Speech of Union Finance Budget 2018:

- The indirect tax system, with introduction of Goods and Services Tax, has been made simpler. The demonetization of high value currency has reduced the quantum of cash currency and circulation in India. It has increased the taxation base and spurred greater digitization of the economy. The Insolvency and Bankruptcy Code (IBC) has changed the lender-debtor relationship. India achieved an average growth of 7.5% in first 3 years of our Government. Indian economy is now 2.5 trillion dollar economy – 7 largest in the world.
- In 2016-17 we achieved a record food grain production of around 275 million tonnes and around 300 million tonnes of fruits and vegetables.
- ''Operation Greens'' shall promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management. Rs. 500 crore has been allocated for this purpose.
- Revised fiscal deficit estimate for 2017-18 is 3.5% of GDP, fiscal deficit of 3.3% expected for 2018-19.
- Emoluments of President, Vice President and Governor being revised: Rs 5 lakh; 4 lakh; Rs 3.5 lakh per month respectively.
- Rs 5.97 lakh crore allocated for infrastructure spending in India.
- 5 lakh WiFi hotspots to be set up in rural areas to provide easy Internet access.
- Redevelopment of 600 major railway stations has been taken up; Mumbai transport system is being expanded; suburban network of 160 km planned for Bengaluru.
- The government proposes to revamp the system of sanctioning of loans to SMEs. The information required for sanctioning the loan will be linked with GSTN and all required information can be fetched from GSTN Portal. It will help to grant the loans quickly and will help in reducing processing time.
- An institute is coming up at Vadodara to train people for the bullet train programme.
- Rs 1,48,528 crore is the capital expenditure for the Indian Railways for 2018-19. All trains to be progressively provided with WiFi, CCTV and other state-of-the-art amenities.
- Bharatmala project approved for better road connectivity at Rs 5.35 lakh crore.
- Proposal to develop 10 prominent tourist destinations as Iconic tourism destinations.
- *Women's contribution reduced to 8.33% towards PF in the first 3 years for new EPF accounts. The government will contribute 12% of EPF contribution for new employees in all sectors.*
- 70 lakh farming jobs have been created this year, shows an independent study.
- Rs 3 lakh crore allocated for PM MUDRA Yojana.
- Announce allocation of Rs. 56,619 crore for SC welfare and Rs. 39,135 crore for ST welfare
- Total 187 projects sanctioned under the Namami Gange programme.
- 24 new government medical colleges and hospitals to be set up by upgrading existing district hospitals.
- Rs 600 crore for nutritional support to TB patients.
- One medical college per every three constituency.
- *Launching a flagship National Health Protection Scheme to cover 10 crore poor and vulnerable families, benefiting approx. 50 crore. Providing Rs 5 lakh per family per year for medical reimbursement, under National Health Protection Scheme. This will be world's largest health protection scheme.*

- Rs 1200 crore for the flagship programme in health wellness centres.
- 18 new schools of planning and architecure will be set up.
- Eklavya schools to be started for Scheduled Tribe population. Scheme for revitalizing school infrastructure, with an allocation of Rs. 1 lakh crore over 4 years. Called RISE - Revitalizing Infrastructure in School Education.
- Integrated B.Ed programme to be initiated for teachers, to improve quality of teachers.
- Rs 14.34 lakh crore to be spent for providing livelihood to rural India through infrastructure building.
- Loans to self help groups will increase to Rs 75,000 crore by March 2019.
- In the next financial year, target of construction of 2 crore toilets.
- Ujwala will give 8 crore women new LPG connections.
- *Special scheme to address air pollution in Delhi-NCR region.*
- Credit for agricultural activities is up from Rs 10 lakh crore to Rs 11 lakh crore.
- Fishery and aquaculture and animal husbandry funds with a total corpus of Rs 10,000 crore.
- Agri-Market Development Fund with a corpus of Rs 2000 crore to be set up for developing agricultural markets.
- Restructured National Bamboo Mission to be launched with an allocation of Rs 1290 crore to promote bamboo sector in a holistic manner.
- India's agri-exports potential is as high as US $ 100 billion against current exports of US $ 30 billion. To realize this potential, export of agri-commodities will be liberalized.
- The Government would launch the ''Prime Minister's Research Fellows (PMRF)'' Scheme this year. Under this, we would identify 1,000 best B.Tech students each year from premier institutions and provide them facilities to do Ph.D in IITs and IISc, with a handsome fellowship. It is expected that these bright young fellows would voluntarily commit few hours every week for teaching in higher educational institutions.
- Increasing paid maternity leave from 12 weeks to 26 weeks, along with provision of crèches.
- Grameen Agricultural Market (GRAM) will provide farmers a means to sell directly to buyers.
- Technology will be the biggest driver in improving the quality of education. We propose to increase the digital intensity in education and move gradually from ''black board'' to ''digital board''. Technology will also be used to upgrade the skills of teachers through the recently launched digital portal ''DIKSHA''.
- Allocation to food processing ministry is being doubled from Rs 715 crore to Rs 1400 crore.
- The focus is on low-cost farming, higher MSP. Emphasis is on generating farm and non-farm employment for farmers.
- The government will ensure payment of full MSP even if farmers sell below MSP. The Minimum Support Price of all crops shall be increased to at least 1.5 times that of the production cost.
- India grew at an average of 7.5% in the first three years since 2014. It is now a 2.5 trillion dollar economy.
- Propose to Increase in custom duty on mobiles from 15% to 20% and on some other mobile parts to 15%, and some parts of TVs to 15%.
- Propose to Increase in health and education cess to 4%

- Propose to tax long term capital gains exceeding Rs 1 lakh in listed stock at 10%.
- Rs 50,000 additional benefit to senior citizens for investment in mediclaim.
- A standard deduction of additional Rs 40,000 for salaried employees. This move will benefit 2.5 crore taxpayers.
- Propose to reduced corporate rate of 25% for companies with reported turnover of up to Rs 250 crore.
- 100% tax deduction for the first five years to companies registered as farmer producer companies with a turnover of Rs. 100 crore and above.
- 41% more returns were filed this year, which shows that more people have joined the tax net.
- In financial year 2016-17, 85.51 lakhs new taxpayers filed their returns of income as against 66.26 lakhs in the immediately preceding year.
- This number of effective tax payer base increased from 6.47 crores at the beginning of F.Y.14-15 to 8.27 crores at the end of F.Y.16-17.
- The Department has received 44.72 lakh returns for AY 2017-18 from individual, HUF and firms with a meagre average turnover of Rs.17.97 lakhs and an average tax payment of Rs. 7,000/- only. The tax compliance behaviour of professionals is no better; the department has received 5.68 lakh returns under the presumptive income scheme for assessment year 2017-18 with average gross receipts of Rs. 5.73 lakhs only. Average tax paid by them is only Rs. 35,000/-.
- For assessment year 2016-17, 1.89 crore salaried individuals have filed their returns and have paid total tax of Rs.1.44 lakh crores which works out to average tax payment of Rs. 76,306/- per individual salaried taxpayer. As against this, 1.88 crores individual business taxpayers including professionals, who filed their returns for the same assessment year paid total tax of Rs. 48,000 crores which works out to an average tax payment of Rs. 25,753/- per individual business taxpayer. In order to provide relief to salaried taxpayers, I propose to allow a standard deduction of Rs. 40,000/- in lieu of the present exemption in respect of transport allowance and reimbursement of miscellaneous medical expenses.

Budget Fiscals 2018-19:

(in lakh crore)

Rupee Comes From	Amount	%	Rupees Goes To	Amount	%
Income Tax	5.29	21.66	Agriculture	0.64	2.62
Corporation Tax	6.21	25.43	Pension	1.68	6.88
Union Excise Duty	2.60	10.65	Education	0.85	3.48
GST	7.44	30.47	Health	0.55	2.25
Customs	1.12	4.59	Rural Development	1.38	5.65
Taxes on UT's	0.05	0.20	Subsidy	2.64	10.81
Non Tax Revenue	2.45	10.03	Transport	1.35	5.53
Debt Receipts	6.25	25.59	Urban Development	0.42	1.72
Non Debt Capital Receipts	0.92	3.77	Tax Administration	1.06	4.34
Less: Transfer to NDR Fund	(0.03)	(0.12)	Interest	5.76	23.59
Less: States Share in taxes allocated to States	(7.88)	(-32.27)	Defence	2.83	11.59
			Others	5.26	21.54
Total	**24.42**	**100.00**	**Total**	**24.42**	**100.00**

Budget Comparison:

(In Crore)

S. No.	Particulars	2016-2017 Actuals	2017-2018 Budget Estimates	2017-2018 Revised Estimates	2018-2019 Budget Estimates
1	Revenue Receipts	13,74,203	15,15,771	15,05,428	17,25,738
2	Tax Revenue	11,01,372	12,27,014	12,69,454	14,80,649
3	Non-Tax Revenue	2,72,831	2,88,757	2,35,974	2,45,089
4	Capital Receipts	6,00,991	6,30,964	7,12,322	7,16,475
5	Recovery of Loans	17,630	11,933	17,473	12,199
6	Other Receipts	47,743	72,500	1,00,000	80,000
7	Borrowings and Other Liabilities	5,35,618	5,46,531	5,94,849	6,24,276
8	**Total Receipts (1+4)**	**19,75,194**	**21,46,735**	**22,17,750**	**24,42,213**
9	**Total Expenditure (10+13)**	**19,75,194**	**21,46,735**	**22,17,750**	**24,42,213**
10	On Revenue Account	16,90,584	18,36,934	19,44,305	21,41,772
11	Interest Payments	4,80,714	5,23,078	5,30,843	5,75,795
12	Grants in Aid for creation of capital assets	1,65,733	1,95,350	1,89,245	1,95,345
13	On Capital Account	2,84,610	3,09,801	2,73,445	3,00,441
14	**Revenue Deficit (10-1)**	**3,16,381**	**3,21,163**	**4,38,877**	**4,16,034**
15	**Effective Revenue Deficit (14-12)**	**1,50,648**	**1,25,813**	**2,49,632**	**2,20,689**
16	**Fiscal Deficit [9-(1+5+6)]**	**5,35,618**	**5,46,531**	**5,94,849**	**6,24,276**
17	**Primary Deficit (16-11)**	**54,904**	**23,453**	**64,006**	**48,481**

GDP for BE 2018-2019 has been projected at Rs. 18722302 crore assuming 11.5% growth over the estimated GDP of Rs. 16784679 crore for 2017-18 (RE).

Sources of Financing Fiscal Deficit:

(In Crore)

S. No.	Particulars	2016-2017 Actuals	2017-2018 Budget Estimates	2017-2018 Revised Estimates	2018-2019 Budget Estimates
1	**Debt Receipts (Net)**				
2	Market Borrowings	3,55,206	3,50,228	4,79,864	40,7120
3	Securities Against Small Savings	67,435	1,00,157	1,02,628	75,000
4	State Provident Funds	17,745	14,000	15,000	17,000
5	Other Receipts	86,130	53,513	34,318	84,679
6	External Debt	17,997	15,789	2,418	-2,589
7	**Draw Down of Cash Balance**	**(-)8,895**	**12,844**	**(-)39,379**	**43,066**
8	**Grand Total**	**5,35,618**	**5,46,531**	**5,94,849**	**6,24,276**

Fiscal Deficit is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. FD is reflective of the total borrowing requirements of Government. Revenue Deficit refers to the excess of revenue expenditure over revenue receipts. Effective Revenue Deficit is the difference between Revenue Deficit and Grants for Creation of Capital Assets. Primary Deficit is measured as Fiscal Deficit less interest payments.

DEBT POSITION OF THE GOVERNMENT OF INDIA

The outstanding internal and external debt and other liabilities of the Government of India at the end of 2018-2019 is estimated to amount to Rs. 89,58,193.05 crore, as against Rs. 82,32,653.56 crore at the end of 2017-2018 (RE). Broad details are as follows:

(in Crore)

Particulars	As on 31st March 2018	As on 31st March 2019
Internal debt and other liabilities	79,89,245.06	87,03,357.16
External debt	2,43,408.50	2,54,835.89
Total	**82,32,653.56**	**89,58,193.05**

Internal Debt comprises loans raised in the open market, compensation and other bonds, etc. It also includes borrowings through treasury bills including treasury bills issued to State Governments, commercial banks and other investors, as well as nonnegotiable, non-interest bearing rupee securities issued to international financial institutions. An analysis of the public debt outstanding at the beginning of the First Five Year Plan and close of each year from 2013-2014 to 2016-2017 and that estimated to be outstanding at the close of 2017-2018 and 2018-2019 is given in the Statement of Liabilities. The amount outstanding under internal and external debt reflects the liability of Government as represented by the book value of the outstanding debt. The outstanding stock of external liabilities is reckoned at historical rates of exchange on which the liability was initially accounted for in the books of accounts after netting the repayments made at current exchange rates.

In addition, Government is liable to repay the outstanding against the various Small Savings schemes, Provident Funds, securities issued to Industrial Development Bank of India, Unit Trust of India and Nationalised Banks, Oil marketing companies, Fertilizer companies, Food Corporation of India and deposits under the Special Deposit Scheme and depreciation and other interest bearing reserve funds of departmental commercial undertakings, etc., deposits of local funds and civil deposits. Details of such liabilities are shown in the Statement of Liabilities.

Outlay of Major Schemes:

Particulars	2016-2017 Actual	2017-2018 Budget Estimates	2018-2019 Budget Estimates
National Social Assistance Progam	8,854	9,500	9,975
Mahatma Gandhi National Rural	48,215	48,000	55,000
Pradhan Mantri Awas Yojna(PMAY)	20,952	29,043	27,505
Swachh Bharat Mission	12,619	16,248	17,843
National Health Mission	22,870	27,131	30,634
National Education Mission	27,616	29,556	32,613
Metro Projects & MRTS	15,327	18,000	15,000
National Highways Authority of India including Road Works	51,963	64,483	70,544
Khelo India	118	350	520
Member of Parliament Local Area Development Scheme (MPLAD)	3,500	3,950	3,950
Sagarmala	406	600	600
LPG Connection to Poor Households	2,500	2,500	3,200
Solar Power - Off-Grid/Distributed and Decentralized Renewable Power	549	700	849
Solar Power - Grid Interactive Renewable Power	1,992	2,661	2,045
Prime Minister Employment Generation Programme (PMEGP)	1,113	1,024	1,801
Employees Pension Scheme, 1995	4,025	4,771	4,900
Crop Insurance Scheme	11,052	9,000	13,000

Customs Proposals

Date of Applicability: Applicable on the date of enactment of the Finance Bill, 2018.

1. Exemption has been proposed of integrated tax leviable under section 3(7) of Customs Tariff Act, 1975 on aircrafts, aircraft engines and other aircraft parts imported under cross-border lease during the period from 01.07.2017 to 07.07.2017 subject to payment of IGST leviable under section 5(1) of IGST Act, 2017 on the said supply. Through this proposal the exemption is being given retrospective effect as Notification No. 50/2017- Customs, amended by Notification No. 65/2017- Customs had already provided such exemption w.e.f. 08.07.2017. Refund of any integrated tax which has been paid can be claimed after filing of refund application within a period of 6 months from the date on which Finance Bill, 2018 receives assent of the President. ***(Clause 99 of Finance Bill, 2018)***

2. **Arrival Manifest and Departure manifest:** Reference to import manifest and export manifest, wherever they occur in the Customs Act, 1962, to include Arrival Manifest and Departure Manifest respectively.

3. **Expansion in the scope of Customs Act:** Section 1 is being amended so as to expand the scope of the Customs Act to any offence or contravention committed there under outside India by any person.

4. **Insertion of new Sections 25A and 25B:** A new Section 25A is being inserted, so as to empower the Central Government to exempt goods imported for repair, further processing or manufacture ['Inward Processing of Goods'] from payment of whole or any part of duty of customs, leviable thereon subject to certain conditions.

A new Section 25B is being inserted so as to empower Central Government to exempt goods re-imported after export for repair, further processing or manufacture ['Outward Processing of Goods'] from payment of whole or any part of duty of customs, leviable thereon subject to certain conditions.

5. **Changes in recovery provisions [Section 28]:**

- Provision introduced for pre-notice consultation in non-fraud cases.
- Provision introduced for supplementary SCN within existing time period.
- Providing a definite time frame of 6 months (non-fraud cases) and 1 year (fraud cases) for adjudication of SCN which is extendable to further period of 6 months/ 1 year.
- If the SCN is not adjudicated even within the extended period, it would be deemed as if no demand had been issued.

Date of Applicability: 02.02.2018

Amendments in Customs Tariff Act:

Chapter 8: BCD on cashew nuts in shell (raw cashew) falling under tariff item 08013100 is being reduced from 5% to 2.5%. S. No.22 of notification No. 50/2017-Customs, dated 30th June, 2017, as amended by notification No. 6/2018-Customs, dated 2" February 2018 refers.

Chapter 15:

1. BCD on crude edible vegetable oils like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils is being

increased from 5% to 30%. S. No. 63 of notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 refers.

2. BCD on refined edible vegetable oils like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, fixed vegetable fats and oils, edible margarine, Sal fat, modified Linseed oil, modified Castor oil; specified goods of heading 1518 is being increased from 20% to 35%. S. Nos. 64, 77 and 79 of notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 refer.

Chapter 20:

1. BCD on orange fruit juice falling under tariff items 2009 11 00, 2009 12 00 or 2009 19 00 is being increased from 30% to 35%. S. No. 101 of notification No.50/2017-Customs, dated 30.06.2017, is being omitted by notification No. 6/2018-Customs, dated 2nd February, Consequently, orange fruit juice will attract tariff rate of 35%.

2. BCD on all goods falling under tariff items 2009 21 00 to 2009 90 00 is being increased from 30% to 50% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers].

3. Further, S. No. 100 of notification No.50/2017-Customs, dated 30th June, 2017, is being amended by notification No. 6/2018-Customs, dated 30.06.2017 to exclude the cranberry juice from the ambit of this entry. Consequently, Cranberry juice falling under tariff heading 2009 81 00 or 2009 90 00 will also attract 50% BCD at tariff rate.

Chapter 21: BCD on all goods (excluding compound alcoholic preparations of a kind used for the manufacture of beverages, of an alcoholic strength by volume exceeding 0.5% by volume, determined at a temperature of 20 degrees centigrade) falling under sub-heading 2106 90 is being increased from 30% to 50%. S. No. 103 of notification No.50/2017-Customs, dated 30th June, 2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 refers.

Chapter 27:

1. A Road and Infrastructure Cess, as an Additional Duty of Customs, at the rate of Rs. 8 Per litre, is being imposed on imported motor spirit commonly known as petrol and high speed diesel oil falling under heading 2710, Clause 109 read with the Sixth Schedule of the Finance Bill, 2018 refers. This levy of Road and Infrastructure Cess will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

2. Simultaneously, the Additional Duty of Customs leviable (CVD) under section 3(1) of the Customs Tariff Act, 1975 in lieu of Additional Duty of Excise (Road and Infrastructure Cess) leviable under clause 110 of the Finance Bill, 2018 is being exempted on imported motor spirit commonly known as petrol and high speed diesel oil vide notification No. 21/2018-Customs dated 02.02.2018.

Further, the Additional Duty of Customs (Road Cess), at the rate of Rs. 6 Per litre, leviable on imported motor spirit commonly known as petrol and high speed diesel oil, are being abolished, by omitting the relevant sections in Finance (No.2) Act, 1998 and Finance Act, 1999, respectively. [Clause 106 of the Finance Bill, 2018 refers]. Till the enactment of the Finance Bill, 2018, the Additional Duty of Customs (Road Cess) leviable on imported motor spirit commonly known as petrol and high speed diesel oil are being fully exempted.

[Notification No. 19/2018-Customs and 20/2018-Customs both dated 02.02.2018 refer.] Consequently, notification Nos 57/98-Customs, dated 01-08-1998, 59/99- Customs, dated 11-05-1999, 06/2015—Customs, dated 01-03-2015, 07/2015—Customs, dated 01-03-2015 related to Additional Duty of Customs [Road Cess] are being rescinded vide notification Nos 15/2018-Customs, 16/2018-Customs, 1712018-Cystoms, 18/2018-Customs all dated 02.02.2018.

1. Education Cess and Secondary & Higher Education Cess levied on imported goods, including motor spirit commonly known as petrol and high speed diesel oil [at the rate of 2% and 1% respectively of the aggregate of duties of customs], are being abolished by omitting Chapter VI in Finance (No.2) Act, 2004 and Finance Act, 2007, respectively. [Clause 106 of the Finance Bill, 2018 refers]. Till the enactment of the Finance Bill, 2018, Education Cess and Secondary & Higher Education Cess leviable on imported goods are being fully exempted by way of notification. [Notification Nos.7/2018-Customs and 8/2018-Customs dated 02.02.2018 refer]

2. Motor spirit commonly known as petrol and high speed diesel oil are being exempted from the newly imposed Social Welfare Surcharge in excess of an amount calculated at 3% of the aggregate of duties of customs [Notification No.12 /2018-Customs dated 02.02.2018]

Chapter 33:

1. BCD on all goods falling under heading 3303 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers].
2. BCD on all goods falling under heading 3304 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers].
3. BCD on all goods falling under heading 3305 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers].
4. BCD on all goods falling under heading 3306 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers].
5. BCD on all goods falling under heading 3307 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers].

Chapter 34: BCD on all goods falling under heading 3406 is being increased from 10% to 25% by increasing the tariff rates. [Clause 101 (a) of the finace Bill, 2018 refers].

Chapter 39:

1. BCD on specified parts or sub-parts or accessories of cellular mobile phones, namely, Heat Dissipation Sticker Battery Cover, Sticker-Battery Slot, Protective Film for main Lens, Mylar for LCD FPC, Film—Front Flash, falling under tariff item 3919 90 90, is being increased from 10% to 15% by increasing the tariff rate [Clause 101 (a) of the Finance Bill, 2018 refers]. However, BCD on goods, other than these specified parts or sub-parts or accessories of cellular mobile phones, falling under tariff item 3919 90 90 is being retained at 10%. Notification No.57/2017-Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 2nd February, 2018 [new S. No. 9 refers].

2. BCD on specified parts or sub-parts or accessories of cellular mobile phones, namely, Battery Cover, Front Cover, Front Cover (with Zinc Casting), Middle Cover, Back Cover, Main Lens, Camera Lens, falling under tariff item 3920 99 99, is being increased from 10% to 15% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers]. However, BCD on goods, other than these specified parts or sub-parts or accessories of cellular mobile phones, falling under tariff item 3920 99

99 is being retained at 10%. Notification No.57/2017- Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 2nd February, 2018 [new S. No. 10 refers].

3. BCD on specified parts or sub-parts or accessories of cellular mobile phones, namely, PU case, Sealing Gasket, falling under tariff item 3926 90 91, is being increased from l0% to 15% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers]. However, BCD on goods, other than these specified parts or sub-parts or accessories of cellular mobile phones, falling under tariff item 3926 90 91, is being retained at 10%. Notification No.57/2017-Customs, dated 30th June, 2017, as amended by notification No.22/2018- Customs, dated 2nd February, 2018 [new S. No. ll refers].

4. BCD on specified parts or sub-parts or accessories of cellular mobile phones namely Sealing Gaskets / Cases from PE, PP, EPS, PC and all other individual polymers or combination/combination of polymers, SIM Socket/ Other Mechanical items (Plastic), Conductive Cloth, LCD Conductive Foam, LCD Foam, BT Foam, falling under tariff item 3926 90 99, is being increased from 10% to 15% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers]. However, BCD on goods, other than these specified parts or sub-parts or accessories of cellular mobile phones, falling under tariff item 3926 90 99 is being retained at 10%. Notification No.57/2017-Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 02.02.2018 [new S. No. 12 refers].

Chapter 40:

1. BCD on truck and bus radial tyres falling under tariff item 4011 20 10 is being increased from 10% to 15% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers].

2. BCD on Cushion] Gasket of Liquid Crystal Display (LCD) and Light Emitting Diode (LED) TV panels falling under heading 4016 is being increased from Nil to 10%. S. No. 516 of notification No.50/2017-Customs, dated 30.06.2017, is being amended by notification No. 6 /2018-Customs, dated 02.02.2018. Consequently, Cushion/ Gasket of Liquid Crystal Display (LCD) and Light Emitting Diode (LED) TV panels will attract 10% BCD at the tariff rate, without any actual user condition.

3. BCD on Microphone Rubber Case, Sensor Rubber Case / Sealing Gasket including sealing gaskets / cases from Rubbers like SBR, EPDM, CR, CS, Silicone and all other individual rubbers or combination / combination of rubbers for use in the manufacture of cellular mobile phones, falling under tariff item 4016 99 90, is being increased from 10% to 15% S.No.1 of notification No.57/2017-Customs, dated 30.06.2017, as amended by notification No.22/2018-Customs, dated 02.02.2018 and S. No 284 of notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018- Customs, dated 02.02.2018 refer.

Chapter 48: BCD on kites falling under tariff item 4823 90 90 is being increased from 10% to 20% by increasing the tariff rate. [Clause 10] (a) of the Finance Bill, 2018 refers]. However, BCD on all goods other than kites, falling under tariff item 4823 90 90, is being retained at 10%. Notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 [new S. No. 297A] refers.

Chapter 50: BCD on silk fabrics falling under heading 5007 is being increased from 10% to 20%, by amending Notification No. 82/2017-Customs dated 27.10.2017, vide notification No.14/2018-Customs, dated the 02.02.2018 [new S.No.2A refers].

Chapter 64:

1. BCD on all goods falling under heading 6401 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers.

2. BCD on all goods falling under heading 6402 is being increased from 10% to 20% by increasing the tariff rate [Clause 101 (a) of the Finance Bill, 2018 refers]

3. BCD on all goods falling under heading 6403 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers]

4. BCD on all goods falling under heading 6404 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers]

5. BCD on all goods falling under heading 6405 is being increased from 10% to 20% by Increasing the tariff rate.[Clause 101 (a) of the Finance Bill, 2018 refers]

6. BCD on all goods falling under heading 6406 is being increased from 10% to 15% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers]

Chapter 68: BCD on all goods falling under tariff item 6815 91 00 is being reduced from 10% to 7.5%. S. No. 338 of notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018- Customs, dated 02.02.2018 refers.

Chapter 69:

1. BCD on all goods falling under heading 6901 is being reduced from 10% to 7.5%. S. No. 338 of notification No. 50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 refers.

2. BCD on all goods falling under heading 6902 is being increased from 5% to 7.5%. S. No. 338 of notification No. 50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 refers.

3. BCD on all goods falling under heading 6903 is being increased from 5% to 7.5%. S. No. 338 of notification No. 50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 refers.

Chapter 70:

1. BCD on solar tempered glass or solar tempered (anti-reflective coated) glass for manufacture of Solar cells/panels/modules, is being reduced from 5% to Nil, subject to actual user condition. S. No. 340 of notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018— Customs, dated 02.02.2018 refers.

2. BCD on Preform of Silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables is being increased from Nil to 5%, subject to actual user condition. S. No. 341 of notification No. 50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 refers.

Chapter 71:

1. BCD on cut and polished coloured gemstones falling under chapter 71 is being increased from 2.5% to 5%. S. No. 349 of notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018 Customs, dated 02.02.2018 refers.

2. BCD on diamonds including lab grown diamonds-semi processed, half-cut or broken falling under chapter 71 is being increased from 2.5% to 5%. S.No.350 of notification No. 50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 refers.

3. BCD on non-industrial diamonds including lab-grown diamonds (other than rough diamonds) falling under chapter 71 is being increased from 2.5% to 5%. S. No. 351 of notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018—Customs, dated 02.02.2018 refers.

4. Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured form, or in powder form is being exempted from the newly imposed Social Welfare Surcharge in excess of an amount calculated at 3% of the aggregate of duties of customs. [Notification No.12/2018-Customs dated 02.02.2018 refers]

5. Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form is being exempted from the newly imposed Social Welfare Surcharge in excess of an amount calculated at 3% of the aggregate of duties of customs. [Notification No. 12/2018- Customs dated 02.02.2018 refers]

6. BCD on all goods falling under heading 7117 is being increased from 15% to 20% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers]

Chapter 73:

1. BCD on screws of cellular mobile phone falling under tariff item 7318 15 00 is being increased from 10% to 15%, by omitting S.No.2 of notification No.57/2017—Customs, dated 30th June, 2017, vide notification No.22/2018—Customs, dated 2nd February, 2018. Consequently, screw for of cellular mobile phone falling under tariff item 7318 15 00 will attract BCD at tariff rate of 15%, without any actual user condition.

2. BCD on SIM socket/ Other Mechanical items (Metal) of cellular mobile phone falling under tariff item 7326 90 99 is being increased from 10% to 15%, by omitting S.No.3 of notification No.57/2017—Customs, dated 30th June, 2017, vide notification No. 22/2018-Customs, dated 2nd February, 2018. Consequently, SIM socket/ Other Mechanical items (Metal) of cellular mobile phone falling under tariff item 7326 90 99 will attract at tariff rate of 15%, without any actual user condition.

Chapter 84 and 85:

1. BCD on spark ignition engines, falling under heading 8407, of motor vehicles falling under headings 8702, 8703, 8704 or 8711, is being increased from 7.5% to 15% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers]. However, the existing BCD rates/concession rates on engines of aircraft (8407 10 00), marine propulsion engines (8407 21 00 and 8407 29 00), or engines of motor vehicles [other than motor vehicles falling under headings 8702, 8703, 8704 or 8711] shall continue

[New S. Nos. 448 A and 448 B of Notification No. 50/2017-Cus, dated the 30‘1‘June, 2017, as amended by notification No.6 /2018-Cus, dated 2nd February, 2018, and other existing entries in the notification No. 50/2017-Cus refer].

2. BCD on compression ignition engines, falling under heading 8408, of motor vehicles falling under headings 8702, 8703, 8704 or 871. 1, is being increased from 7.5% to 15% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. However, the existing rates of 7.5% of BCD on all goods [other than the engines of motor vehicle falling under headings 8702, 8703, 8704 or 8711] shall continue [New S. Nos. 448 C of notification No. 50/2017-Cus, dated the 30‘hJune, 2017, as amended by notification No. 6/2018-Cus, dated 2nd February, 2018 refers].

3. BCD on parts falling under heading 8409 and suitable for use solely or principally with the engines, of heading 8407 or 8408, of a kind used in motor vehicles, falling under heading 8702 or 8704, motor cars falling under heading 8703, or motor cycles falling under heading 8711 is being increased from 7.5% to 15%, by increasing the tariff rate. [Clause 10] (a) of the Finance Bill, 2018 refers]. However, BCD of 7.5% for all other parts [other than parts of engines of said motor vehicles/ motor cars/ motor cycles] falling heading 8409 shall continue [New S. No. 448 D of notification No. 50/2017-Customs, dated 30thJune, 2017, as amended by notification No. 6/2018-Customs, dated 2nd February, 2018 refers].

4. BCD on Crank shaft falling under tariff items 8483 10 91 and 8483 10 92 for engines falling under headings 8407 and 8408 respectively and used in motor vehicles falling under headings 8702, 8703 8704 and 8711 is being increased from 7.5% to 15% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. However, BCD of 7.5% on Crank shaft [other than for engines of said motor vehicles/ motor cars/ motor cycles] shall continue. [New S. Nos. 448 E and 448 F of notification No. 50/2017-Customs, dated 30thJune, 2017, as amended by notification No.6 /2018-Customs, dated 2nd February, 2018 refer].

5. BCD on electrical ignition or starting equipment and cut-outs falling under heading 8511, of motor vehicles falling under headings 8702, 8703, 8704, 8711, is being increased from 7.5% to 15% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. However, BCD of 7.5% on such goods [other than for engines of said motor vehicles/ motor cars/ motor cycles] shall continue. [New S. No. 489 A of notification No. 50/2017-Customs, dated 30thJune, 2017, as amended by notification No.6/2018-Customs, dated 2nd February, 2018 refers].

6. BCD on cellular mobile phones is being increased from 15% to 20% by increasing the tariff rate of BCD for tariff items 8517 12 10 and 8517 12 90 from 15% to 20%. [Clause 101(a) of the Finance Bill, 2018 refers].

7. BCD on charger or adaptor of cellular mobile phones is being increased from 10% to 15%. For this purpose, the tariff rate of BCD for goods falling under sub-heading 8504 40 (other than 8504 40 21) is being increased from 10% to 15% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. However, BCD on goods other than charger or adaptor of cellular mobile phones, falling under sub-heading 8504 40, is being retained at 10%. Notification No.57/2017-Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 2nd February, 2018 [new S. No. 13 refers].

8. BCD on cell/battery of cellular mobile phones is being increased from 10% to 15% by increasing the tariff rate on goods falling under heading 8506 (other than tariff item 8506 90 00). [Clause 101(a) of the Finance Bill, 2018 refers]. Further, effective rate of BCD on goods [other than cell/battery of cellular mobile phones], falling under

heading 8506, is being retained at 10%. Notification No.57/2017—Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 2nd February, 2018 [new S. Nos. 14 refer].

9. BCD on battery pack [other than Lithium—ion battery] of cellular mobile phones is being increased from 10% to 15% by increasing the tariff rate on goods falling under heading 8507 (other than tariff item 8507 60 00 and sub-heading 8507 90). [Clause 101(a) of the Finance Bill, 2018 refers]. Further, effective rate of BCD on goods [other than battery pack of cellular mobile phones], falling under heading 85 07, is being retained at 10%. Notification No.57/2017-Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 2nd February, 2018 [new S. Nos. 15 refer].

10. BCD on Lithium-ion battery falling under tariff item 8507 60 00 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. The effective rate on lithium ion battery of cellular mobile phones is being increased from 10% to 15%. However, the effective rate of BCD on goods, other than lithium ion battery of cellular mobile phones, falling under tariff item 8507 60 00, is being retained at 10%. Notification No.57/2017-Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 2nd February, 2018 [New S. Nos. 16, 17 refer].

11. BCD on microphone, wired headset, receiver of cellular mobile phones is being increased from10% to 15% by increasing the tariff rate on goods falling under tariff items 8518 10 00, 8518 29 00, 8518 30 0, 8518 40 00. [Clause 101(a) of the Finance Bill, 2018 refers]. However, BCD on goods [other than microphone, wired headset, receiver of cellular mobile phones], falling under tariff items 8518 10 00, 8518 29 00, 8518 30 O, 8518 40 00, is being retained at 10%. Notification No.57/2017-Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 2nd February, 2018 [New S .No. 18 refers].

12. BCD on key pad, GSM antenna or antenna of any technology, of cellular mobile phones, falling under tariff item 8517 70 90 is being increased from 10% to 15%. For this purpose, the tariff rate of BCD for goods falling under tariff item 8517 70 90 is being increased from 10% to 15%. [Clause 101(a) of the Finance Bill, 2018 refers]. BCD on goods [other than parts of cellular mobile phones] falling under this tariff item will remain unchanged.

13. BCD on side key of cellular mobile phones, falling under tariff item 8538 90 00, is being increased from 10% to 15% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. However, BCD on goods [other than side key of cellular mobile phones], falling under tariff item 8538 90 00, is being retained at 7.5%. Notification No.57/2017—Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 2nd February, 2018 [new S. No. 19 refers].

14. BCD on USB cable of cellular mobile phones, falling under heading 8544, is being increased from 7.5/10% to 15% by increasing the tariff rate on goods falling under tariff item/sub-headings 8544 19 10, 8544 19 20, 8544 19 30, 8544 19 90, 8544 49 from 10% to 15% and tariff rate of items falling under 8544 42 91, 8544 42 92, 8544 42 93, 8544 42 99 from 7.5% to 15%. [Clause 101(a) of the Finance Bill, 2018 refers]. However, the effective rate of BCD ongoods [other than USB cable of cellular mobile phones], falling under heading 8544 is being retained at 7.5%. S. No.491 of notification No.50/2017-Customs, dated 30th June, 2017,amended by notification No. 6/2018-Customs, dated 2nd February, 2018 refers.

15. BCD on wrist wearable devices (commonly known as smart watches) falling under tariff item 8517 62 90 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. However, the effective rate of BCD on goods [other than wrist wearable devices], falling under tariff item 8517 62 90, is being retained at 10%. Notification No.57/2017—Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 2nd February, 2018 [new S. No. 20 refers].

16. Concessional 5% BCD on parts of Cellular Phones under S. No 499 of notification No 50/2017 is being withdrawn. Consequently, parts of Cellular Phones will attract applicable BCD. S.No.499 of notification No.50/2017-Customs, dated 30th June, 2017, as amended by notification No. 6/2018-Customs, dated 2nd February, 2018, refers.

17. Exemption from BCD on Printed Circuit Board Assembly (PCBA) falling under tariff item 8504 90 90 for manufacture of charger or adapter of cellular mobile phone is being withdrawn, and they will now attract at tariff rate of 10% BCD, without any actual user condition. S.No.7 and 7A of notification No.57/2017-Customs, dated 30th June, 2017, as amended by notification No. 22/2018-Customs, dated 2nd February, 2018 refer.

18. Exemption from BCD on moulded plastics falling under tariff items 3926 90 99 or 8504 90 90 for manufacture of charger or adapter of cellular mobile phone is being withdrawn, they will now attract 10% of BCD without actual user condition. S. No.7, 7A and 7B of notification No.57/2017-Customs, dated 30th June, 2017, as amended by notification No.22/2018- Customs, dated 2nd February, 2018 refer.

19. BCD on inputs or parts for manufacture of Printed Circuit Board Assembly (PCBA) and moulded plastics of charger or adapter of cellular mobile phone is being exempted, subject to actual user condition. Notification No.57/2017—Customs, dated 30th June, 2017, as amended by notification No.22/2018-Customs, dated 2nd February, 2018 [new S. No. 7C refers].

20. BCD on LCD/LED/OLED panels of television falling under heading 8529 is being increased from 7.5% to 15% and on other parts of LCD/LED/OLED TVs falling under heading 8529 is being increased from 10% to 15%. The tariff rate of BCD for goods falling under tariff items 8529 10 99 and 8529 90 90 is being increased from 10% to 15%. [Clause 101(a) of the Finance Bill, 2018 refers]. S.No.514 of notification No.50/2017-Customs, dated 30.06.2017, is being omitted by notification No.6/2018-Customs, dated 2nd February, 2018. However, BCD on parts of goods of heading 8525, 8526 and 8527, falling under tariff items 8529 10 99 or 8529 90 90, is being retained at 10%. Notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018—Customs, dated 02.02.2018 [new S. Nos. 516A refers].

21. BCD on parts of other cathode ray tube monitors; other monitors; other projectors; reception apparatus for television, whether or not incorporating radiobroadcast receivers or sound or video recording or reproducing apparatus, not designed to incorporate a video display or screen and other Monochrome of heading 8528, falling under tariff items 8529 10 99 or 8529 90 90, is being retained at 10%. Notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No.6/2018-Customs, dated 02.02.2018 [new S. No. 516B refers].

22. BCD on 11 specified parts of Liquid Crystal Display (LCD) and Light Emitting Diode (LED) TV panels is being increased from Nil to 10%. S. No. 516 of notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 refers.

23. Concessional 2.5% BCD is being extended to Ball Screws [8483 40 00], Linear Motion Guides [8466 93 90] and CNC Systems [8537 10 00] for manufacture of all types of CNC machine tools falling under headings 8456 to 8463, subject to actual user condition. S. No. 462, 463 and 464 of notification No.50/2017-Customs, dated 30.06.2017, as amended by notification No. 6/2018-Customs, dated 02.02.2018 refers.

24. The Second Schedule (Export Tariff) to the Customs Tariff Act, 1975, is being amended so as to prescribe a tariff rate of export duty of 20% for ‘Carbon Electrodes of a kind used for Furnaces’ falling under tariff item 8545 11 00. [Clause 102(b) of the Finance Bill, 2018 refers]. The effective rate of Export duty on Carbon Electrodes of a kind used for furnaces’ falling Under tariff item 8545 11 00, however, will be Nil. Notification No.27/2011-Customs, dated 01.03.2011, as amended by notification No.23/2018-Customs, dated 02.02.2018 [New S. No. 62A refers].

Chapter 87:

1. BCD on CKD (completely Knocked Down) imports of motor vehicles falling under headings 8702, 8704 is being increased from 10% to 15% [S. No. 524 of notification No.50/2017- Customs, dated 30‘hJune, 2017, as amended by notification No. 6/2018-Customs, dated 2nd February, 2018 refers].

2. BCD on CBU (Completely Build Unit) imports of motor vehicles falling under headings 8702, 8704 is being increased from 20% to 25% [S. No. 524 of notification No.50/2017-Customs, Dated 30‘hJune 2017, as amended by notification No.6/2018-Customs, dated 2nd February, 2018 refers].

3. BCD on CKD (completely knocked down) imports (with engine, gearbox and transmission not In pre-assembled condition) of motor cars falling under heading 8703 is being increased from 10% to 15% [S. No. 526 of notification No.50/2017-Customs, dated 30‘June, 2017, as Amended by notification No.6 /2018-Customs, dated 2nd February, 2018 refers].

4. BCD on parts and accessories, falling under heading 8708, of motor vehicles falling under Headings 8702, 8703 and 8704, is being increased from 10% to 15% by increasing the tariff Rate. [Clause 101(a) of the Finance Bill, 2018 refers]. However, BCD on other parts and Accessories [other than those of motor vehicles falling under headings 8702, 8703 and 8704],is being retained at 10% [S. No. 530 A of notification No. 50/2017-Customs, dated 30‘“June,2017, as amended by notification No.6 /2018-Customs, dated 2nd February, 2018 refers].

5. BCD on CKD (completely knocked down) imports (with engine, gearbox and transmission not in pre-assembled condition) of motor cycles falling under heading 8711, is being increased from 10% to 15% [S. No. 531 of notification No.50/2017-Customs, dated 30‘hJune, 2017, as amended by notification No. 6/2018-Customs, dated 2nd February, 2018 refers].

6. BCD on parts and accessories, falling under sub-heading 8714 10, of motor cycles (including mopeds) falling under heading 8711, is being increased from 10% to 15% by increasing the tariff rate [Clause 101(a) of the Finance Bill, 2018 refers].

Chapter 90:

1. BCD on medical devices falling under headings 9018, 9019, 9020, 9021 or 9022 is being increased from 7.5% to 10% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. There is, however, no change in effective rates of BCD on medical devices falling under headings 9018, 9019, 9020, 9021 or 9022. For example, medical devices [falling under tariff lines 9018 32 30, 9018 50 20, 9018 90 21, 9018 90 24, 9018 90 43, 9018 90 95, 9018 90 96, 9018 90 97, 9018 90 98, 9019 10 20, 9022 90 10 or 9022 90 30 will continue to attract BCD of 5%. [S. No. 563 of notification No.50/2017-Customs, dated 30th June, 2017 refers]. Other medical devices falling under 9018, 9019, 9020, 9021 or 9022 will also continue to attraCt 7.5% effective rate of BCD. Notification No. 50/2017 -Customs, dated 30th June, 2017, as amendedby notification No.6/2018-Customs, dated 2nd February, 2018 [new S. No. 563A refers]. There is no change in effective rate of BCD for other goods falling under these headings also.

2. BCD on raw materials, parts or accessories for the manufacture of Cochlear Implants, is being reduced from 2.5% to Nil, subject to actual user condition. Notification No.50/2017-Customs, dated 30th June, 2017, as amended by notification No.6/2018—Customs, dated 2nd February, 2018 [New S. No 578A of refers].

3. BCD rate on sunglasses, falling under tariff item 9004 10 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]

Chapter 91:

1. BCD on all goods falling under heading 9101 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers].
2. BCD on all goods falling under heading 9102 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]
3. BCD on all goods falling under heading 9103 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]
4. BCD on all goods falling under heading 9105 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]

Chapter 94:

1. BCD on seats whether or not convertible into beds, and parts thereof (other than aircraft seats and parts thereof), falling under heading 9401 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. The existing concessional / exemptions on parts of aircraft seats and parts thereof shall continue.

2. BCD on all goods falling under heading 9403 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers].

3. BCD on all goods falling under heading 9404 is being increased from 10% to 20%. [Clause 10]. (a) of the Finance Bill, 2018 refers].

4. BCD on all goods (other than solar lantern or solar lamps) falling under chapter heading 9405 is being increased from 10% to 20%. S.No.586A of notification No.50/2017-Customs, dated 30th June, 2017, is being omitted by notification No.6/2018-Customs, dated 2nd February, Consequently, all goods, except solar lantern or solar lamps falling under heading 9405 will attract 20% tariff rate.

Chapter 95:

1. BCD on all goods falling under heading 9503 (goods falling under tariff item 9503 00 90 is already at 20%) is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. With this change, all goods falling under heading 9503 will attract BCD of 20% (Balloons falling under this heading already attract 20% BCD). S.No. 284 of notification No.50/2017-Customs, dated 30th June, 2017, as amended by notification No. 6/2018-Customs, dated 2nd February, 2018 refers

2. BCD on all goods falling under heading 9504 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers].

3. BCD on all goods falling under tariff item 9505 90 10 is being increased from 10% to 20% by increasing the tariff rate [goods falling under tariff items 9505 10 00 and 9505 90 90 are already at 20%]. [Clause 101(a) of the Finance Bill, 2018 refers]. With this change, all goods falling under heading 9505 will attract BCD of 20% (Balloons falling under this heading already attract 20% BCD). S. No. 284 of notification No.50/2017-Customs, dated 30th June, 2017, as amended by notification No.6/2018-Customs, dated 2nd February, 2018 refers.

4. BCD on all goods falling under heading 9506 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers]. However, effective rate of BCD on articles and equipment for general physical exercise, gymnastics or athletics falling under sub-heading 9506 91 is being retained at 10%. Notification No.50/2017-Customs, dated 30th June, 2017 , as amended by notification No.6/2018-Customs, dated 2nd February, 2018 [new S. No. 594A refers].

5. BCD on all goods falling under heading 9507 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers].

6. BCD on all goods falling under heading 9508 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers].

Chapter 96:

1. BCD on all goods falling under heading 9611 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers].

2. BCD on all goods falling under heading 9613 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101 (a) of the Finance Bill, 2018 refers].

3. BCD on falling under heading 9616 is being increased from 10% to 20% by increasing the tariff rate. [Clause 101(a) of the Finance Bill, 2018 refers].

Miscellaneous:

1. Social Welfare Surcharge is being levied on imported goods with effect from 2nd February, 2018, to provide and finance education, health and social security. Clause 108 of the Finance Bill refers. By virtue of a declaration under the Provisional Collection of Taxes Act, 1931, the levy of Social Welfare Surcharge will come into immediate effect, that is with effect from 2nd February, 2018.

2. Education Cess and Secondary & Higher Education Cess leviable on imported goods are being abolished by omitting Chapter VI in Finance (No.2) Act, 2004 and Finance

Act, 2007, respectively. [Clause 106 of the Finance Bill refers]. Till the enactment of the Finance Bill, 2018, Education Cess and Secondary & Higher Education Cess leviable on imported goods are being fully exempted by way of notification. [Notification Nos. 7/2018-Customs and 8/2018-Customs dated 02.02.2018 refer] Consequently, Notification Nos. 69/2004-Customs dated 09.07.2004 and 28/2007-Customs dated 1st March 2007 exempting specified goods from levy of Education cess and SHE cess are being rescinded vide notification Nos.9/2018- Customs and 10/2018-Customs dated 02.02.2018.

3. Specified goods, which were exempt form levy of Education cess and SHE cess under notification Nos. 69/2004-Customs dated 09.07.2004 and 28/2007-Customs dated 1St March 2007 respectively, are being fully exempted from the levy of Social Welfare Surcharge. Notification No.11/2018-Customs dated 02.02.2018 refers].

4. Levy of Social Welfare Surcharge on Integrated Tax and GST Compensation Cess on imported goods is being fully exempted by way of notification. Notification No. 13/2018- Customs dated 02.02.2018 refers]

5. Motor spirit commonly known as petrol and high speed diesel oil are being exempted from the newly imposed Social Welfare Surcharge in excess of amount calculated at 3% of the aggregate of duties of customs [Notification No. 12/2018—Customs dated 02.02.2018 refers]

6. Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured form, or in powder form is being exempted from the newly imposed Social Welfare Surcharge in excess of amount calculated at 3% of the aggregate of duties of customs [Notification No. l2/2018-Customs dated 02.02.2018 refers]

7. Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form is being exempted from the newly imposed Social Welfare Surcharge in excess of amount calculated at 3% of the aggregate of duties of customs [Notification No.12/2018-Customs dated 02.02.2018 refers]

Date of Applicability: 02.02.2018

AMENDMENTS IN THE FIRST SCHEDULE (Basic Custom Duty) TO THE CUSTOMS TARIFF ACT, 1975

HSN Code	Commodity	Rate From	Rate To
	Food Processing		
2009 21 00 to 2009 90 00	Fruit juices and vegetable juices including cranberry juice	30%	50%
	Perfumes and toiletry preparations		
3303	Perfumes and toilet waters	10%	20%
3304	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or suntan preparations; manicure or pedicure preparations	10%	20%
3305	Preparations for use on the hair	10%	20%
3306	Preparations for oral or dental hygiene, including denture fixative pastes and	10%	20%

	powders; yarn used to clean between the teeth (dental floss), in individual retail packages		
3307	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included, prepared room deodorizers, whether or not perfumed or having disinfectant properties	10%	20%
	Automobile parts		
4011 20 10	Truck and Bus radial tyres	10%	15%
8407, 8408, 8409, 8483 10 91, 8483 10 92, 8511, 8708, 8714 10	Specified parts/accessories of motor vehicles, motor cars, motor cycles	7.5%/10%	15%
	Footwear		
6401, 6402, 6403, 6404, 6405	Footwear	10%	20%
6406	Parts of footwear	10%	15%
	Jewellery		
7117	Imitation Jewellery	15%	20%
	Electronics / Hardware		
8517 12	Cellular mobile phones	15%	20%
3919 90 90, 3920 99 99, 3926 90 91, 3926 90 99, 4016 99 90, 7318 15 00, 7326 90 99, 8504, 8506, 8507, 8517 70 90, 8518, 8538 90 00, 8544 19, 8544 42, 8544 49	Specified parts and accessories including lithium ion battery of cellular mobile phones	7.5%/10%	15%
8517 62 90	Smart watches / wearable devices	10%	20%
8529 10 99, 8529 90 90	LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	7.5%/10%	15%
	Furniture		
9401	Seats and parts of seats [other than aircraft seats and their parts]	10%	20%
9403	Other furniture and parts	10%	20%
9404	Mattresses supports; articles of bedding and similar furnishing	10%	20%
9405	Lamps and lighting fitting, illuminated signs, illuminated name plates and the like [except solar lanterns or solar lamps]	10%	20%
	Watches and Clocks		
9101, 9102	Wrist watches, pocket watches and other watches, including stop watches	10%	20%

9103	Clocks with watch movements	10%	20%
9105	Other clocks, including alarm clocks	10%	20%
	Toys and Games		
9503	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; puzzles of all kinds	10%	20%
9504	Video game consoles and machines, articles for funfair, table or parlor games and automatic bowling alley equipment	10%	20%
9505	Festive, carnival or other entertainment articles	10%	20%
9506 [except 9506 91]	Articles and equipment for sports or outdoor games, swimming pools and paddling pools [other than articles and equipment for general physical exercise, gymnastics or athletics]	10%	20%
9507	Fishing rods, fishing-hooks and other line fishing tackle; fish landing nets, butter fly nets and similar nets; decoy birds and similar hunting or shooting requisites	10%	20%
9508	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses, traveling menageries and travelling theatres	10%	20%
	Miscellaneous items		
3406	Candles, tapers and the like	10%	25%
4823 90 90	Kites	10%	20%
9004 10	Sunglasses	10%	20%
9611	Date, sealing or numbering stamps, and the like	10%	20%
9613	Cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks.	10%	20%
9616	Scent sprays and similar toilet sprays, and mounts and heads therefor; powder-puffs and pads for the application of cosmetic or toilet preparations.	10%	20%
B.	**Amendments not affecting rates of duty [to be effective from 02.02.2018]* [Clause 101(a) of the Finance Bill, 2018]**		
8507 60 00	Tariff rate of BCD on Lithium-ion batteries [The effective rate of import duty on Lithium-ion batteries [except those for cellular mobile phones will, however, remain unchanged at 10%.]	10%	20%
9018, 9019, 9020, 9021, 9022	Tariff rate of BCD on medical devices [The effective rates of BCD on such medical devices will, however, remain unchanged.]	7.50%	10%

OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES:

HSN Code	Commodity	Rate From	Rate To
	Food processing		
0801 31 00	Cashew nuts in shell [Raw cashew]	5%	2.50%
2009 11 00, 2009 12 00, 2009 19 00	Orange fruit juice	30%	35%
2009 81 00, 2009 90 00	Cranberry Juice	10%	50%
2106 90	Miscellaneous Food preparations (other than soya protein)	30%	50%
	Textiles		
5007	Silk Fabrics	10%	20%
	Capital goods and Electronics		
8504 90 90/ 3926 90 99	Printed Circuit Board Assembly (PCBA) of charger/adapter and moulded plastics of charger/adapter of cellular mobile phones	Nil	10%
Any Chapter	Inputs or parts for manufacture of: a) PCBA, or b) moulded plastics of charger/adapter of cellular mobile phones of cellular mobile phones	Applicable Rate	Nil
8483 40 00, 8466 93 90, 8537 10 00	Ball screws, linear motion guides, CNC systems for manufacture of all types of CNC machine tools falling under headings 8456 to 8463	7.50%	2.50%
70	Solar tempered glass or solar tempered [anti-reflective coated] glass for manufacture of solar cells /panels/modules	5%	Nil
70	Preform of silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables	Nil	5%
8529/4016	12 specified parts for manufacture of LCD/LED TV panels	Nil	10%
	Automobile and automobile parts		
8702, 8703, 8704, 8711	CKD imports of motor vehicles, motor cars, motor cycles	10%	15%
8702, 8704	CBU imports of motor vehicles	20%	25%
	Diamonds and Precious stones		
71	Cut and polished colored gemstones;	2.50%	5%
71	Diamonds including lab grown diamonds-semi processed, half-cut or broken; non-industrial diamonds including lab-grown diamonds (other than rough diamonds), including cut and polished diamonds	2.50%	5%
	Medical Devices		
Any Chapter	Raw materials, parts or accessories for the manufacture of Cochlear Implants	2.50%	Nil
	Edible oils of vegetable origin		
1508, 1509, 1510,1512, 1513, 1515,	Crude edible vegetable oils like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn	12.50%	30%

	oil, Castor oil, Sesame oil, other fixed vegetable fats and oils.		
1508, 1509, 1510,1512, 1513, 1515, 1516 20, 1517 10 21, 1517 90 10, 1518 00 11, 1518 00 21, 1518 00 31	Refined edible vegetable oils, like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils, edible margarine of vegetable origin, Sal fat; specified goods of heading 1518	20%	35%
	Refractory Items		
6815 91 00	Other articles of stone containing magnesite, dolomite or chromite	10%	7.50%
6901	Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths	10%	7.50%
6902	Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths	5%	7.50%
6903	Other refractory ceramic goods	5%	7.50%

Levy of Social Welfare Surcharge, as a duty of Customs on imported goods [Clause 108 of the Finance Bill, 2018]:

HSN Code	Commodity	Rate From	Rate To
Any chapter	Levy of Social Welfare Surcharge on imported goods to finance education, housing and social security [clause 108 of Finance Bill, 2018]	--	10% of aggregate duties of customs
Any chapter	Abolition of Education Cess and Secondary and Higher Education Cess on imported goods [clause 106 of Finance Bill, 2018]	3% of aggregate duties of customs [2% + 1%]	Nil
2710	Motor spirit commonly known as petrol and high speed diesel oil	--	3% of aggregate duties of customs
7106	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of aggregate duties of customs
7108	Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of aggregate duties of customs
Any Chapter	Specified goods hitherto exempt from Education Cess and Secondary and Higher Education Cess on imported goods	--	Nil

Explanatory memorandum to Notifications no. 6/2018-Customs to 23/2018-Customs all Dated 2nd February 2018:

Notification No.	Description
6/2018-Customs dated 02.02.2018	Seeks to further amend notification No. 50/2017- Customs dated the 30th June so as to prescribe effective rate of basic customs duty (BCD) consequent to the changes proposed in the Union Budget 2018-19
7/2018-Customs dated 02.02.2018	Seeks to exempt levy of the whole of the Education Cess on all goods in the First schedule to the Customs Tariff Act, 1975
8/2018-Customs dated 02.02.2018	Seeks to exempt levy of the whole of the Secondary and Higher Education Cess on all goods in the First schedule to the Customs Tariff Act, 1975
9/2018-Customs dated 02.02.2018	Seeks to rescind notification No. 69/2004-Customs dated 09.07.2004 exempting specified goods from the levy of Education Cess.
10/2018-Customs dated 02.02.2018	Seeks to rescind notification No. 28/2007-Customs dated 01.03.2007 exempting specified goods from the levy of Secondary and Higher Education Cess.
11/2018-Customs dated 02.02.2018	Seeks to exempt specified goods from the whole of levy of Social Welfare Surcharge
12/2018-Customs dated 02.02.2018	Seeks to exempt specified goods from the of levy of Social Welfare Surcharge in excess of 3%
13/2018-Customs dated 02.02.2018	Seeks to exempt Integrated tax and Goods and Services Tax compensation cess on imported goods from the whole of levy of Social Welfare Surcharge
14/2018-Customs dated 02.02.2018	Seeks to amend notification No. 82/2017-Customs dated the 27th October 2017 to increase the effective rate of BCD on silk fabrics from 10% to 20%
15/2018-Customs dated 02.02.2018	Seeks to rescind notification No. 6/2015-Customs dated 01.03.2015
16/2018-Customs dated 02.02.2018	Seeks to rescind notification No. 7/2015-Customs dated 01.03.2015
17/2018-Customs dated 02.02.2018	Seeks to rescind notification No. 57/98-Customs dated 01.08.1998
18/2018-Customs dated 02.02.2018	Seeks to rescind notification No. 59/99-Customs dated 11.05.1999
19/2018-Customs dated 02.02.2018	Seeks to exempt Additional Duty of Customs (Road Cess) levied under section 103 of the Finance (No.2) Act, 1998
20/2018-Customs dated 02.02.2018	Seeks to exempt Additional Duty of Customs (Road Cess) levied under section 116 of the Finance Act, 1999
21/2018-Customs dated 02.02.2018	Seeks to exempt Additional Duty of Customs (CVD), in lieu of Additional Duty of Excise (Road and Infrastructure Cess) levied under clause 110 of the Finance Bill, 2018
22/2018-Customs dated 02.02.2018	Seeks to further amend notification No. 57/2017- Customs dated the 30th June, 2017 so as to prescribe effective rates of BCD on specified parts of cellular mobile phones and other electronic goods
23/2018-Customs dated 02.02.2018	Seeks to further amend notification No. 27/2011- Customs dated the 1st March, 2011 so as to prescribe 'Nil' rate of export duty on Electrodes of a kind used for Furnaces

Levy of the Road and Infrastructure Cess [Clause 109 of the Finance Bill, 2018]:

HSN Code	Commodity	Rate From	Rate To
2710	Levy of Road and Infrastructure Cess on imported motor spirit commonly known as petrol and high speed diesel oil [clause 109 of Finance Bill, 2018]	--	Rs. 8 per litre
2710	Exemption from additional duty of customs leviable under section 3(1) of the Customs Tariff Act, 1975 in lieu of the proposed Road and Infrastructure cess on domestically produced motor spirit commonly known as petrol and high speed diesel oil	--	Nil
2710	Abolition of Additional Duty of Customs [Road Cess] on imported motor spirit commonly known as petrol and high speed diesel oil [Clause 106 of Finance Bill, 2018]	Rs. 6 per litre	Nil
	Additional duty of customs under sections 3(1) of the Customs Tariff Act, 1975 in lieu of basic excise duty		
2710	(i) Motor spirit commonly known as petrol	Rs. 6.48 per litre	Rs. 4.48 per litre
2710	(ii) High speed diesel oil	Rs. 8.33 per litre	Rs. 6.33 per litre

Service Tax Proposals

Date of Applicability: Applicable on the date of enactment of the Finance Bill, 2018.

(i) Services provided or agreed to be provided by the Naval Group Insurance Fund by way of life insurance to personnel of Coast Guard, under Group Insurance Schemes of Central Government, are proposed to be exempted from service tax for the period commencing from 10.09.2014 and ending with 30.06.2017 both days inclusive). Refund of any service tax paid can be claimed after filing of refund application within a period of 6 months from the date on which Finance Bill, 2018 receives assent of the President. ***(Clause 103 of Finance Bill, 2018)***

(ii) Services provided or agreed to be provided by the Goods and Services Tax Network to Central Government or State Government or Union Territory administration are proposed to be exempted form service tax for period commencing from 28.03.2013 and ending on 30.06.2017 (both days inclusive). Refund of any service tax paid can be claimed after filing of refund application within a period of 6 months from the date on which Finance Bill, 2018 receives assent of the President. ***(Clause 104 of Finance Bill, 2018)***

(iii) Consideration paid to the Government in the form of Government's share of profit petroleum in respect of services provided or agreed to be provided by Government by way of grant of license or lease to explore or mine petroleum crude or natural gas or both, is proposed to be exempted from service tax for period commencing from 01.04.2016 and ending with 30.06.2017 (both days inclusive). Refund of any service tax paid can be claimed after filing of refund application within a period of 6 months from the date on which Finance Bill, 2018 receives assent of the President. ***(Clause 105 of Finance Bill, 2018)***

Income Tax Proposals

Rates of Income Tax for AY 2019-20 (Refer First Schedule of the bill):

The proposed tax rates for Individuals are given in following tables:

Income-tax Rate for Resident Individual

Net Income	AY 2019-20	AY 2018-19
Upto Rs. 2,50,000	Nil	Nil
Rs. 2,50,000 to Rs. 5,00,000	5%	5%
Rs. 5,00,000 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

Note:

1. The above rates are exclusive of Surcharge and Cess.
2. A resident individual, whose taxable income does not exceed Rs. 3,50,000/- can claim a tax rebate under section 87A. The amount of rebate shall be lower of 100% of income-tax or Rs. 2,500.

Income-tax Rate for Senior Citizen (60 years or more at any time during the previous year but less than 80 years)

Net Income	AY 2019-20	AY 2018-19
Upto Rs. 3,00,000	Nil	Nil
Rs. 3,00,000 to Rs. 5,00,000	5%	5%
Rs. 5,00,000 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

Note:

1. The above rates are exclusive of Surcharge and Cess.
2. A resident individual, whose taxable income does not exceed Rs. 3,50,000/- can claim a tax rebate under section 87A. The amount of rebate shall be lower of 100% of income-tax or Rs. 2,500.

Income-tax Rate for Super Senior Citizen (80 years or more at any time during the previous year)

Net Income	AY 2019-20	AY 2018-19
Upto Rs. 5,00,000	Nil	Nil
Rs. 5,00,000 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

Note:

1. The above rates are exclusive of Surcharge and Cess.

It is proposed to abolish existing Education Cess of 2% and Secondary Higher Education Cess of 1% leviable on the amount of income tax and surcharge, if any and a new cess by the name “Health and Education Cess” at the rate of 4% will be levied.

The rate of tax in case of every business entities whether it is a firm, local authority, or domestic company, or even foreign company:

Particulars	**AY 2019-20**	**AY 2018-19**
Firms	30%	30%
Local Authority	30%	30%
Domestic Companies Having Gross Turnover less than Rs. 50 Crore	25%	25%
Domestic Companies Having Gross Turnover less than Rs. 250 Crore but more than 50 crore	25%	30%
Domestic Companies Having Gross Turnover more than Rs. 250 Crore	30%	30%
Foreign Company	40%	40%

Note:

1) The above rates are exclusive of Surcharge and Cess.
2) It is proposed to abolish existing Education Cess of 2% and Secondary Higher Education Cess of 1% leviable on the amount of income tax and surcharge, if any and a new cess by the name “Health and Education Cess” at the rate of 4% will be levied.

Co-operative Society:

Particulars	**AY 2019-20**	**AY 2018-19**
Up to Rs. 10,000	10%	10%
Rs. 10,000 to Rs. 20,000	20%	20%
Above Rs. 20,000	30%	30%

Note:

1. The above rates are exclusive of Surcharge and Cess.
2. It is proposed to abolish existing Education Cess of 2% and Secondary Higher Education Cess of 1% leviable on the amount of income tax and surcharge, if any and a new cess by the name “Health and Education Cess” at the rate of 4% will be levied.

The rate of Surcharge for every taxpayer is as follows:

Ass. Year	Net Income	Individuals/ HUF	Firm/ Local Authority	Domestic Company	Foreign Company	Co-operative Societies
2019-20	Rs. 50 Lakhs to Rs. 1 Crore	10%	Nil	Nil	Nil	Nil
2019-20	Rs. 1 Crore to Rs. 10 Crores	15%	12%	7%	2%	12%
2019-20	Exceeding Rs. 10 Crores	15%	12%	12%	5%	12%
2018-19	Rs. 50 Lakhs to Rs. 1 Crore	10%	Nil	Nil	Nil	Nil
2018-19	Rs. 1 Crore to Rs. 10 Crores	15%	12%	7%	2%	12%
2018-19	Exceeding Rs. 10 Crores	15%	12%	12%	5%	12%

Entities to apply for Permanent Account Number in certain cases (Section 139A of IT Act) (Refer clause 42 of the bill):

Date of Applicability: 01.04.2018

Section 139A inter-alia provides that every person specified therein and who has not been allotted a PAN shall apply to the Assessing Officer for allotment of a Permanent Account Number (PAN). In order to use PAN as Unique Entity Number (UEN) for non-individual entities, it is proposed that every person, not being an individual, which enters into a financial transaction of an amount aggregating to Rs. 2,50,000/- or more in a financial year shall be required to apply to the Assessing Officer for allotment of PAN. In order to link the financial transactions with the natural persons, it is also proposed that the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer or any person competent to act on behalf of such entities shall also apply to the Assessing Officer for allotment of PAN.

There is always a natural person who enters into the transaction on behalf of the non-individual entity. Therefore, the amendment shall be of no use if the related natural person behind such entities doesn't obtain the PAN. Thus, in order to make the amendment useful, it is also proposed that the managing director, director, partner, trustee, author, founder, karta, CEO, principal officer or office bearer or any person competent to act on behalf of such entities will also have to apply for allotment of PAN.

Capital Gains and Dividend

Long-term capital gains on sale of equity shares (Section 10(38) and 112A of IT Act) (Refer clause 5 and 31 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Under the existing regime, long term capital gains arising from transfer of long term capital assets, being equity shares of a company or an unit of equity oriented fund or an unit of business trusts , is exempt from income-tax under section 10(38) of the Act. However, transactions in such long term capital assets carried out on a recognized stock exchange are liable to STT. Consequently, this regime is inherently biased against manufacturing and has encouraged diversion of investment in financial assets. It has also led to significant erosion in the tax base resulting in revenue loss. The problem has been further compounded by abusive use of tax arbitrage opportunities created by these exemptions.

In order to minimize economic distortions and curb erosion of tax base, it is proposed to withdraw the exemption under section 10(38) and to introduce a new section 112A in the Act to provide that long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% of such capital gains exceeding Rs. 1 lakh.

This concessional rate of 10% will be applicable to such long term capital gains, if:
i) in a case where long term capital asset is in the nature of an equity share in a company , STT has been paid on both acquisition and transfer of such capital asset; and
ii) in a case where long term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust, securities transaction tax has been paid on transfer of such capital asset.

Further, section 112A(4) empowers the Central Government to specify by notification the nature of acquisitions in respect of which the requirement of payment of STT shall not apply in the case of equity share in a company. Similarly, the requirement of payment of STT at the time of transfer of long term capital asset, being a unit of equity oriented fund or a unit of business trust, shall not apply if the transfer is undertaken on recognized stock exchange located in any International Financial Services Centre (IFSC) and the consideration of such transfer is received or receivable in foreign currency.

Further, the new provision of section 112A also proposes to provide the following:
i) The long term capital gains will be computed without giving effect to the first and second provisos to section 48, i.e. inflation indexation in respect of cost of acquisitions and cost of improvement, if any, and the benefit of computation of capital gains in foreign currency in the case of a non-resident, will not be allowed.

ii) The cost of acquisitions in respect of the long term capital asset acquired by the assessee before the 01.02.2018, shall be deemed to be the higher of:
a) the actual cost of acquisition of such asset; and
b) the lower of:
(I) the fair market value of such asset; and
(II) the full value of consideration received or accruing as a result of the transfer of the capital asset.

iii) “equity oriented fund” has been defined to mean a fund set up under a scheme of a mutual fund specified under section 10(23D) and,
a) In a case where the fund invests in the units of another fund which is traded on a recognized stock exchange:
(I) A minimum of 90% of the total proceeds of such funds is invested in the units of such other fund ; and
(II) such other fund also invests a minimum of 90% of its total proceeds in the equity shares of domestic companies listed on recognized stock exchange; and
b) in any other case, a minimum of 65% of the total proceeds of such fund is invested in the equity shares of domestic companies listed on recognized stock exchange.

iv) Fair market value has been defined to mean:

a) in a case where the capital asset is listed on any recognized stock exchange, the highest price of the capital asset quoted on such exchange on the 31.01.2018. However, where there is no trading in such asset on such exchange on 31.01.2018, the highest price of such asset on such exchange on a date immediately preceding 31.01.2018 when such asset was traded on such exchange shall be the fair market value; and

b) in a case where the capital asset is a unit and is not listed on recognized stock exchange, the net asset value of such asset as on 31.01.2018.

v) The benefit of deduction under chapter VIA shall be allowed from the gross total income as reduced by such capital gains. Similarly, the rebate under section 87A shall be allowed from the income tax on the total income as reduced by tax payable on such capital gains.

This new provision to tax the long-term capital gains arising from transfer of listed equity shares shall be applicable for all those share trades which are done on or after April 1, 2018. To provide an interim relief and to provide an opportunity to the investors to plan their affairs, the investors are given an option to assume the cost of acquisitions of the shares forming part of their portfolio different from the one they have actually paid to acquire them.

DDT on dividend payouts to unit holders in an equity oriented fund (Section 115R of IT Act) (Refer clause 40, 41 and 214 of the bill):

Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)

The existing provisions of section 115R, inter alia, provide any amount of income distributed by the specified company or a Mutual Fund to its unit holders shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income at the rate specified in the section. However, in respect of any income distributed to a unit holder of equity oriented funds is not chargeable to tax under the said section.

With a view to providing a level playing field between growth oriented funds and dividend paying funds, in the wake of new capital gains tax regime for unit holders of equity oriented funds, it is proposed to amend the said section to provide that where any income is distributed by a Mutual Fund being, an equity oriented fund, the mutual fund shall be liable to pay additional income tax at the rate of 10% on income so distributed. For this purpose, equity oriented fund will have the same meaning assigned to it in the new section 112A of the Act.

Widening of scope of Accumulated profits for the purposes of Dividend (Section 2(22) of IT Act) (Refer clause 3 of the bill):

Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)

Section 2 of the Act defines various terms used in the Act. Clause (22) of the said section defines "dividend" to include distribution of accumulated profits (whether capitalized or not) to its shareholders by a company, whether it is in the nature of:
(a) Release of all or any of its assets,
(b) Issue of debentures in any form (with or without interest) or distribution of bonus to its preference shareholders,
(c) Distribution of proceeds on liquidation,
(d) On the reduction of capital, or
(e) In the case of an unlisted company, any loan or advance given to a shareholder having shareholding of 10% or above, or to a concern in which such shareholder holds substantial

interest (exceeding 20% of shareholding or interest) or any payment by such company on behalf of or for the individual benefit of such shareholder.

Explanation 2 to the said clause provides the definition of the term 'accumulated profits' for the purposes of the said clause, as all profits of the company up to the date of distribution or payment or liquidation, subject to certain conditions.

Instances have come to light whereby companies are resorting to abusive arrangements in order to escape liability of paying tax on distributed profits. Under such arrangements, companies with large accumulated profits adopt the amalgamation route to reduce capital and circumvent the provisions of sub-clause (d) of clause (22) of section 2 of the Act. With a view to preventing such abusive arrangements and similar other abusive arrangements, it is proposed to insert a new Explanation 2A in clause (22) of section 2 of the Act to widen the scope of the term 'accumulated profits' so as to provide that in the case of an amalgamated company, accumulated profits, whether capitalised or not, or losses as the case may be, shall be increased by the accumulated profits of the amalgamating company, whether capitalized or not, on the date of amalgamation.

Application of Dividend Distribution Tax to Deemed Dividend (Section 2(22) and 115O of IT Act) (Refer clause 38 and 39 of the bill):

Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)

At present dividend distributed by a domestic company is subject to dividend distribution tax payable by such company. However, deemed dividend under section 2(22)(e) the Act is taxed in the hands of the recipient at the applicable marginal rate. The taxability of deemed dividend in the hands of recipient has posed serious problem of the collection of the tax liability and has also been the subject matter of extensive litigation.

With a view to bringing clarity and certainty in the taxation of deemed dividends, it is proposed to delete the Explanation to Chapter XII-D occurring after section 115Q of the Act so as to bring deemed dividends also under the scope of DDT under section 115-O. Further, such deemed dividend is proposed to be taxed at the rate of 30% (without grossing up) in order to prevent camouflaging dividend in various ways such as loans and advances.

This amendment relating to imposition of dividend distribution tax on deemed dividend will apply to transactions referred to section 2(22)(e) of the Act undertaken on or after 1st April, 2018.

Taxation of long-term capital gains in the case of Foreign Institutional Investor (Section 10(38) and 115AD of IT Act) (Refer clause 32 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

The existing provisions of section 115AD of the Act inter alia, provide that where the total income of a FII includes income by way of long-term capital gains arising from the transfer of certain securities, such capital gains shall be chargeable to tax at the rate of 10%. However, long term capital gains arising from transfer of long term capital asset being equity shares of a company or a unit of equity oriented fund or a unit of business trusts, is exempt from income-tax under section 10(38) of the Act.

Consequent to the proposal for withdrawal of exemption under section 10(38) of the Act, such long term capital gain will become taxable in the hands of FIIs also. As in the case of domestic investors, the FIIs will also be liable to tax on such long term capital gains only in respect of amount of such gains exceeding Rs. 1 lakh. The provisions of section 115AD are proposed to be amended accordingly.

Measures to promote International Financial Services Centre (IFSC) (Section 115JC and 47 of IT Act) (Refer clause 17, 36 and 37 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Section 47 of the Act provides for tax neutrality relating to certain transfer. In order to promote the development of world class financial infrastructure in India, it is proposed to amend the section 47 of the Act so as to provide that transactions in the following assets, by a non-resident on a recognized stock exchange located in any International Financial Services Centre shall not be regarded as transfer, if the consideration is paid or payable in foreign currency:

(i) bond or Global Depository Receipt, as referred to in sub-section (1) of section 115AC; or

(ii) rupee denominated bond of an Indian company; or

(iii) derivative.

Section 115JC of the Act provides for alternate minimum tax at the rate of 18.50% of adjusted total income in the case of a non-corporate person.

In order to promote the development of world class financial infrastructure in India, it is further proposed to amend the section 115JC so as to provide that in case of a unit located in an International Financial Service Centre, the alternate minimum tax under section 115JC shall be charged at the rate of 9%. Consequential amendment in section 115JF is also proposed to be made.

Rationalisation of the provisions relating to Commodity Transaction Tax (Section 117 of IT Act) (Refer clause 215 of the bill):

Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)

The existing clause (7) of section 116 of the Finance Act, 2013 provides the definition of “taxable commodities transaction” to mean a transaction of sale of commodity derivatives in respect of commodities, other than agricultural commodities, traded in recognised association.
In order to align the definition of “taxable commodities transaction” with instruments allowed for transaction in commodity derivatives, it is proposed to amend the clause (7) of section 116 so as to include “options in commodity futures” in the definition of “taxable commodities transactions”.

The existing section 117 of the Finance Act, 2013 provides the rate at which a CTT in respect of every commodities transaction, being sale of commodity derivative shall be chargeable and such tax shall be payable by the seller.

In order to propose rates for option on commodity derivative, it is proposed to amend the provisions of section 117 so as to prescribe the rate at which sale of an option on commodity derivative shall be chargeable and such tax shall be payable by the seller.

It is further proposed to amend the provisions of section 117 so as to prescribe the rate at which sale of an option on commodity derivative, where option is exercised, shall be chargeable and such tax shall be payable by the purchaser.

The existing section 118 of the Finance Act, 2013 provides the value of taxable commodities transactions, being commodity derivative and chargeable under section 117 of the Finance Act, 2013.

It is proposed to amend the provisions of section 118 so as to include the value of taxable commodities transaction, being option on commodities, chargeable under section 117 of the Finance Act, 2013, in the said section.

Deductions

Deductions available to senior citizens in respect of health insurance premium and medical treatment (Section 80D of IT Act) (Refer clause 24 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Section 80D, inter-alia, provides that a deduction upto Rs 30,000/- shall be allowed to an assessee, being an individual or a Hindu undivided family, in respect of payments towards annual premium on health insurance policy, or preventive health check-up, of a senior citizen, or medical expenditure in respect of very senior citizen. It is proposed to amend section 80D so as to raise this monetary limit of deduction from Rs 30,000/- to Rs 50,000/-.

In case of single premium health insurance policies having cover of more than one year, it is proposed that the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specified monetary limit.

A summary of deduction allowable under Section 80D is explained in below table:

	Family Members		**Parents**	
Nature of Amount Paid	**Age below 60 years**	**Age 60 years or more**	**Age below 60 years**	**Age 60 years or more**
Medical Insurance	25,000	50,000	25,000	50,000
CGHS	25,000	50,000	Nil	Nil
Health Check-up	5,000	5,000	5,000	5,000
Medical Expenditure	Nil	50,000	Nil	50,000
Maximum Deductions	**25,000**	**50,000**	**25,000**	**50,000**

Enhanced deduction to senior citizens for medical treatment of specified diseases (Section 80DDB of IT Act) (Refer clause 25 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Section 80DDB of the Act, inter-alia, provide that a deduction is available to an individual and Hindu undivided family with regard to amount paid for medical treatment of specified diseases in respect of very senior citizen up to Rs 80,000/- and in case of senior citizens up to Rs 60,000/- subject to specified conditions. It is proposed to amend the provisions of section 80DDB of the Act so as to raise this monetary limit of deduction to Rs 1,00,000/- for both senior citizens and very senior citizens.

Deduction in respect of interest income to senior citizen (Section 80TTA and 194A of IT Act) (Refer clause 29, 30 and 47 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

At present, a deduction up to Rs 10,000/- is allowed under section 80TTA to an assessee in respect of interest income from savings account. It is proposed to insert a new section 80TTB so as to allow a deduction up to Rs 50,000/- in respect of interest income from deposits held by senior citizens. However, no deduction under section 80TTA shall be allowed in these cases. ***Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)***

It is also proposed to amend section 194A so as to raise the threshold for deduction of tax at source on interest income for senior citizens from Rs 10,000/- to Rs 50,000/-. ***Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)***

The Senior Citizen covered under this section will not eligible for deduction under Section 80TTA i.e. deduction in the respect of saving bank upto Rs. 10,000.

Standard deduction on salary income (Section 16 of IT Act) (Refer clause 7 and 8 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Section 16, inter-alia, provides for certain deduction in computing income chargeable under the head "Salaries". it is proposed to allow a standard deduction up to Rs 40,000/- or the amount of salary received, whichever is less. Consequently the present exemption in respect of Transport Allowance (except in case of differently abled persons) and reimbursement of medical expenses is proposed to be withdrawn.

Deductions in respect of certain incomes not to be allowed unless return is filed by the due date (Section 80AC of IT Act) (Refer clause 23 of the bill):

Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)

The existing provisions contained in the section 80AC of the Act provide that no deduction would be admissible under section 80-IA or section 80-IAB or section 80-IB or section 80-IC or section 80-ID or section 80-IE, unless the return of income by the assessee is furnished on or before the due date specified under sub-section (1) of section 139 of the Act. This burden is not cast upon assesses claiming deductions under several other similar provisions.

In view of the above, it is proposed to extend the scope of section 80AC to provide that the benefit of deduction under the entire class of deductions under the heading "C: Deductions in respect of certain incomes" in Chapter VIA shall not be allowed unless the return of income is filed by the due date.

This means that for claiming deduction under Section 80JJA, 80JJAA, 80LA, 80O, 80P, 80Q, 80QQA, 80QQB, 80R, 80RR, 80RRA, 80RRB filling Return of Income under Section 139(1) is now mandatory. In case of belated return, deduction under above section cannot be claimed.

Deduction in respect of income of Farm Producer Companies (Section 80P of IT Act) (Refer clause 28 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Section 80P provides for 100 percent deduction in respect of profit of cooperative society which provides assistance to its members engaged in primary agricultural activities.

It is proposed to extend similar benefit to Farm Producer Companies (FPC), having a total turnover up to Rs 100 Crore, whose gross total income includes any income from:
(i) the marketing of agricultural produce grown by its members, or
(ii) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or
(iii) the processing of the agricultural produce of its members

The benefit shall be available for a period of 5 years from the financial year 2018-19.

Measures to promote start-ups (Section 80-IAC of IT Act) (Refer clause 26 of the bill):

Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)

Section 80-IAC of the Act, inter alia, provides that deduction under this section shall be available to an eligible start-up for three consecutive assessment years out of seven years at the option of the assessee, if:
(i) it is incorporated on or after the 01.04.2016 but before the 01.04.2019;
(ii) the total turnover of its business does not exceed Rs. 25 crore in any of the previous years beginning on or after 01.04.2016 and ending on 31.03.2021; and
(iii) it is engaged in the eligible business which involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

In order to improve the effectiveness of the scheme for promoting start ups in India, it is proposed to make following changes in the taxation regime for the start ups:
(i) The benefit would also be available to start ups incorporated on or after 01.04.2019 but before 01.04.2021;
(ii) The requirement of the turnover not exceeding Rs 25 Crore would apply to 7 previous years commencing from the date of incorporation;
(iii) The definition of eligible business has been expanded to provide that the benefit would be available if it is engaged in innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation.

Incentive for employment generation (Section 80JJAA of IT Act) (Refer clause 27 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

At present, under section 80-JJAA of the Act, a deduction of 30% is allowed in addition to normal deduction of 100% in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year. However, the minimum period of employment is relaxed to 150 days in the case of apparel industry. In order to encourage creation of new employment, it is proposed to extend this relaxation to footwear and leather industry.

Further, it is also proposed to rationalize this deduction of 30% by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.

Business and Profession

Taxability of compensation in connection to business or employment (Section 28 of IT Act) (Refer clause 3, 9 and 21 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Under the existing provisions of the Act, certain types of compensation receipts are taxable as business income under section 28. However, the existing provisions of clause (ii) of section 28 is restrictive in its scope as far as taxation of compensation is concerned; a large segment of compensation receipts in connection with business and employment is out of the purview of taxation leading to base erosion and revenue loss.

Therefore, it is proposed to amend section 28 of the Act to provide that any compensation received or receivable, whether revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its business shall be taxable as business income. It is further proposed that any compensation received or receivable, whether in the nature of revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its employment shall be taxable under section 56 of the Act.

Presumptive income under section 44AE in case of goods carriage (Section 44AE of IT Act) (Refer clause 16 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Section 44AE, inter alia provides that, the profits and gains shall be deemed to be an amount equal to Rs. 7500/- per month or part of a month for each goods carriage or the amount claimed to be actually earned by the assessee, whichever is higher. The current presumptive income scheme is applicable uniformly to all classes of goods carriages irrespective of their tonnage capacity. The only condition which needs to be fulfilled is that the assessee should not have owned more than 10 goods carriages at any time during the previous year. Accordingly, the transporters who owns (less than 10) large capacity/ size goods carriages are also availing the benefit of section 44AE. It is necessary to mention here that the legislative intent of introducing this provision was to give benefit to small transporters in order to reduce their compliance burden. Even though the profit margins of large capacity goods carriages are higher than small capacity goods carriages, the tax consequences are similar which is against the principle of tax equity.

In view of the above, it is proposed to amend the section 44AE of the Act to provide that, in the case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would deemed to be an amount equal to Rs. 1000/- per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of a month for each goods vehicle or the amount claimed to be actually earned by the assessee, whichever is higher. The vehicles other than heavy goods vehicle will continue to be taxed as per the existing rates.

Amendments in relation to notified Income Computation and Disclosure Standards (Section 145 of IT Act) (Refer clause 10, 11, 13, 15 and 45 of the bill):

Date of Applicability: 01.04.2017 (w.e.f. AY 2017-18)

At present, section 145 of the Act empowers the Central government to notify Income Computation and Disclosure Standards (ICDS). In pursuance the central government has notified ten such standards effective from 01.04.2017 relating to Assessment year 2017-18.These are applicable to all assesses (other than an individual or a Hindu undivided family who are not subject to tax audit under section 44AB of the said Act) for the purposes of computation of income chargeable to income-tax under the head "Profits and gains of business or profession" or "Income from other sources".

In order to bring certainty in the wake of recent judicial pronouncements on the issue of applicability of ICDS, it is proposed to:

(i) amend section 36 of the Act to provide that marked to market loss or other expected loss as computed in the manner provided in income computation and disclosure standards notified under sub-section (2) of section 145, shall be allowed deduction.

(ii) amend 40A of the Act to provide that no deduction or allowance in respect of marked to market loss or other expected loss shall be allowed except as allowable under newly inserted clause (xviii) of sub-section(1) of section 36.

(iii) insert a new section 43AA in the Act to provide that, subject to the provisions of section 43A, any gain or loss arising on account of effects of changes in foreign exchange rates in respect of specified foreign currency transactions shall be treated as income or loss, which shall be computed in the manner provided in ICDS as notified under sub-section (2) of section 145.

(iv) insert a new section 43CB in the Act to provide that profits arising from a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method except for certain service contracts, and that the contract revenue shall include retention money, and contract cost shall not be reduced by incidental interest, dividend and capital gains.

(v) amend section 145A of the Act to provide that, for the purpose of determining the income chargeable under the head "Profits and gains of business or profession:
(a) the valuation of inventory shall be made at lower of actual cost or net realizable value computed in the manner provided in income computation and disclosure standards notified under (2) of section 145.
(b) the valuation of purchase and sale of goods or services and of inventory shall be adjusted to include the amount of any tax, duty, cess or fee actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation.
(c) inventory being securities not listed, or listed but not quoted, on a recognised stock exchange, shall be valued at actual cost initially recognised in the manner provided in income computation and disclosure standards notified under (2) of section 145.
(d) inventory being listed securities, shall be valued at lower of actual cost or net realisable value in the manner provided in income computation and disclosure standards notified under (2) of section 145 and for this purpose the comparison of actual cost and net realisable value shall be done category-wise.

(vi) insert a new section 145B in the Act to provide that:

a. interest received by an assessee on compensation or on enhanced compensation, shall be deemed to be the income of the year in which it is received.
b. the claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realisation is achieved.
c. income referred to in sub-clause (xviii) of clause (24) of section 2 shall be deemed to be the income of the previous year in which it is received, if not charged to income tax for any earlier previous year.

Recent judicial pronouncements have raised doubts on the legitimacy of the notified ICDS. However, a large number of taxpayers have already complied with the provisions of ICDS for computing income for assessment year 2017-18. In order to regularise the compliance with the notified ICDS by a large number taxpayers so as to prevent any further inconvenience to them, it is proposed to bring the amendments retrospectively with effect from 01.04.2017 i.e. the date on which the ICDS was made effective and will, accordingly, apply in relation to assessment year 2017-18 and subsequent assessment years.

Tax treatment of transactions in respect of trading in agricultural commodity derivatives (Section 43(5) of IT Act) (Refer clause 12 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Section 43(5) defines speculative transaction. The proviso to the said clause, however, stipulates certain transactions to be non-speculative nature even though the contracts are settled otherwise than by the actual delivery or transfer of the commodity or scraps. The clause (e) to the said proviso provides that trading in commodity derivatives carried out in a recognised stock exchange, which is chargeable to commodity transaction tax is a non-speculative transaction.

CTT was introduced vide Finance Act 2013 to bring transactions relating to non-agricultural commodity derivatives under the tax net while keeping the agricultural commodity derivatives exempt from CTT.

Since no CTT is paid, the benefit of clause (e) of the proviso to section 43(5) is not available to transaction in respect of trading of agricultural commodity derivatives and accordingly, such transactions are held to be speculative transactions.

In order to encourage participation in trading of agricultural commodity derivatives, it is proposed to amend the provisions of clause (5) of section 43 to provide that a transaction in respect of trading of agricultural commodity derivatives, which is not chargeable to CTT, in a registered stock exchange or registered association, will be treated as non-speculative transaction.

Exemption of income of Foreign Company from sale of leftover stock of crude oil on termination of agreement or arrangement (Section 10(48A) and 10(48B) of IT Act) (Refer clause 5 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Section 10(48A) provides that any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil there from to any person resident in India shall be exempt, if:
(i) storage and sale is pursuant to an agreement or an arrangement entered into or approved, by the Central Government; and

(ii) having regard to the national interest, the foreign company and the agreement or arrangement are notified by the Central Government.

Further section 10(48B) provides that any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil after the expiry of the agreement or arrangement shall be exempt subject to such conditions as may be notified by the Central Government.

The benefit of exemption is presently not available on sale out of the leftover stock of crude in case of termination of the said agreement or the arrangement.

Given the strategic nature of the project benefitting India to augment its strategic petroleum reserves, it is proposed to amend section 10(48B) to provide that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.

Royalty and FTS payment by NTRO to a non-resident to be tax-exempt (Section 10 and 195 of IT Act) (Refer clause 5 of the bill):

Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)

Section 195 requires a person to deduct tax at the time of payment or credit to a non-resident. Given the business exigencies of the National Technical Research Organisation (NTRO), it is proposed to amend section 10 so as to provide that the income arising to non-resident, not being a company, or a foreign company, by way of royalty from, or fees for technical services rendered in or outside India to, the NTRO will be exempt from income tax. Consequently, NTRO will not be required to deduct tax at source on such payments.

Taxation of foreign exchange fluctuation (Section 43AA) (Refer clause 13 of the bill):

Date of Applicability: 01.04.2018

It is proposed to insert a new section 43AA to provide that any gain or loss arising on account of any change in foreign exchange rates shall be treated as income or loss, as the case may be, and such gain or loss shall be computed in accordance with the income computation and disclosure standards notified under 145(2). It is further proposed to provide that gain or loss arising on account of the change in foreign exchange rates shall be in respect of all foreign currency transactions including those relating to monetary items and non-monetary items or translation of financial statements of foreign operations or forward exchange contracts or foreign currency translation reserves.

New provision for construction and service contracts (Section 43CB) (Refer clause 15 of the bill):

Date of Applicability: 01.04.2018

The proposed new section provides that profits and gains of a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method in accordance with the income computation and disclosure standards notified under 145(2).

It is further proposed to provide that in the case of a contract for providing services with duration less than ninety days, the profits and gains shall be determined on the basis of project completion method. It is also proposed to provide that in the case of a contract for provision of services involving indeterminate number of acts over a specific period of time, the profits and gains arising from such contract shall be determined on the basis of a straight line method.

It is also proposed to provide that for this purpose the contract revenue shall include retention money and the contract costs shall not be reduced by any incidental income in the nature of interest, dividends or capital gains.

Relief from liability of MAT (Section 115JB of IT Act) (Refer clause 35 of the bill):

Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)

Section 115JB of the Act, provides for levy of a MAT on the "book profits" of a company. In computing the book profit, it provides, inter alia, for a deduction in respect of the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account. Consequently, where the loss brought forward or unabsorbed depreciation is Nil, no deduction is allowed. This non-deduction is a barrier to rehabilitating companies seeking insolvency resolution.

In view of the above, it is proposed to amend section 115JB to provide that the aggregate amount of unabsorbed depreciation and loss brought forward (excluding unabsorbed depreciation) shall be allowed to be reduced from the book profit, if a company's application for corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 has been admitted by the Adjudicating Authority.

Consequently, a company whose application has been admitted would henceforth be entitled to reduce the loss brought forward (excluding unabsorbed depreciation) and unabsorbed depreciation for the purposes of computing book profit under section 115JB. ***(applicable w.e.f. AY 2018-19)***

A clarificatory amendment is also proposed in section 115JB of the Act to provide that the provisions of section 115JB of the Act shall not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, if- its total income comprises solely of profits and gains from business referred to in section 44B or section 44BB or section 44BBA or section 44BBB and such income has been offered to tax at the rates specified in the said sections. ***(applicable w.e.f. AY 2001-02)***

Others

Benefit of carry forward and set off of losses (Section 79 of IT Act) (Refer clause 22 and 43 of the bill):

Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)

Section 79 of Act provides that carry forward and set off of losses in a closely held company shall be allowed only if there is a continuity in the beneficial owner of the shares carrying not less than 51% of the voting power, on the last day of the year or years in which the loss was incurred.

In general, the case of a company seeking insolvency resolution under Insolvency and Bankruptcy Code, 2016, involves change in the beneficial owners of shares beyond the permissible limit under section 79. This acts as a hurdle for restructuring and rehabilitation of such companies.

In order to address this problem, it is proposed to relax the rigors of section 79 in case of such companies, whose resolution plan has been approved under the Insolvency and Bankruptcy Code, 2016, after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner. ***(applicable w.e.f. AY 2018-19)***

It is also proposed to amend section 140 of the Act so as to provide that during the resolution process under the Insolvency and Bankruptcy Code, 2016, the return shall be verified by an insolvency professional appointed by the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016. ***(applicable to all returns filed on or after 01.04.2018)***

New scheme for scrutiny assessment (Section 143 of IT Act) (Refer clause 44 of the bill):

Date of Applicability: 01.04.2018

Section 143 of the Act provides for the procedure for assessment. Sub-section (3) of the said section empowers the Assessing Officer to make, by an order in writing, an assessment of total income or loss of the assessee, and determine the sum payable by him or refund of any amount due to him on the basis of such assessment.

It is proposed to prescribe a new scheme for the purpose of making assessments so as to impart greater transparency and accountability, by eliminating the interface between the Assessing Officer and the assessee, optimal utilization of the resources, and introduction of team-based assessment.
Therefore, it is proposed to amend the section 143, by inserting a new sub-section (3A), after sub-section (3), enabling the Central Government to prescribe the aforementioned new scheme for scrutiny assessments, by way of notification in the Official Gazette.

It is further proposed to insert sub-section (3B) in the said section, enabling the Central Government to direct, by notification in the Official Gazette, that any of the provisions of this Act relating to assessment shall not apply, or shall apply with such exceptions, modifications and adaptations as may be specified therein. However, no such direction shall be issued after the 31st March 2020.

It is also proposed to insert sub-section (3C) in the said section, to provide that every notification issued under the sub-section (3A) and sub-section (3B), shall be laid before each House of Parliament, as soon as may be.

Rationalisation of section 276CC relating to prosecution for failure to furnish return (Section 276CC of IT Act) (Refer clause 52 of the bill):

Date of Applicability: 01.04.2018

Section 276CC of the Act provides that if a person wilfully fails to furnish in due time the return of income which he is required to furnish, he shall be punishable with imprisonment for a term, as specified therein, with fine.

The sub-clause (b) of clause (ii) of proviso to the section 276CC further provides that a person shall not be proceeded against under the said section for failure to furnish return for any assessment year commencing on or after 01.04.1975, if the tax payable by him on the total income determined on regular assessment as reduced by the advance tax, if any, paid and any tax deducted at source, does not exceed Rs. 3000/-.

In order to prevent abuse of the said proviso by shell companies or by companies holding Benami properties, it is proposed to amend the provisions of the said sub-clause so as to provide that the said sub-clause shall not apply in respect of a company.

As per the proposed amendment the immunity from prosecution under section 276CC is not available to a company even if the amount of tax payable is Rs. 3,000 or less.

Rationalisation of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (Refer clause 216 of the bill):

Date of Applicability: 01.04.2018

Section 46 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 provides for the procedure for imposing penalty.

Sub-section (4) of the said section provides that an order imposing a penalty shall be made with the approval of the Joint Commissioner, in the circumstances specified therein.

The Assistant Director or the Deputy Director, investigating a case of undisclosed foreign income or asset, can also be assigned the concurrent jurisdiction of the Assessing Officer and, therefore, can also initiate penalty. However, the said authorities shall require approval of the superior officers of the rank of Joint Director or Additional Director for imposition of penalty.

Accordingly, it is proposed to amend the said sub-section so as to provide that the Joint Director shall also be vested with the power to approve an order imposing a penalty. It is also proposed to amend clause (b) of the said sub-section so as to include reference to the Assistant Director and Deputy Director therein.

Section 55 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 provides for institution of proceedings for an offence under that Act.

Sub-section (1) of the said section provides that a person shall not be proceeded against for an offence under section 49 to section 53 except with the sanction of the Principal Commissioner or Commissioner or the Commissioner (Appeals).

Sub-section (2) of the said section provides that the Principal Chief Commissioner or the Chief Commissioner may issue such instructions, or directions, to the tax authorities referred to in sub-section (1), as he may think fit for the institution of proceedings.

It is proposed to amend the said sub-section so as to empower the Principal Director General or the Director General also to issue instructions or directions to the tax authorities under the said sub-section.

It is also proposed to amend the marginal heading of the said section accordingly so as to include the reference of Principal Director General or Director General.

Rationalisation of prima-facie adjustments during processing of return of income (Section 143 of IT Act) (Refer clause 44 of the bill):

Date of Applicability: 01.04.2018 (w.e.f. AY 2018-19)

Sub-section (1) of the section 143 provides for processing of return of income made under section 139, or in response to a notice under sub-section (1) of section 142.

Clause (a) of the said sub-section provides that at the time of processing of return, the total income or loss shall be computed after making the adjustments specified in sub-clauses (i) to (vi) thereof.

Sub-clause (vi) of the said clause provides for adjustment in respect of addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return.

With a view to restrict the scope of adjustments, it is proposed to insert a new proviso to the said clause to provide that no adjustment under sub-clause (vi) of the said clause shall be made in respect of any return furnished on or after the assessment year commencing on 01.04.2018.

Rationalisation of provisions relating to Country-by-Country Report (Section 286 of IT Act) (Refer clause 53 of the bill):

Date of Applicability: 01.04.2017 (w.e.f. AY 2017-18)

Section 286 of the Act contains provisions relating to specific reporting regime in the form of Country-by-Country Report (CbCR) in respect of an international group. Based on model legislation of Action Plan 13 of Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD) and others, following amendments are proposed to be made so as to improve the effectiveness and reduce the compliance burden of such reporting:

(i) the time allowed for furnishing the Country-by-Country Report (CbCR), in the case of parent entity or Alternative Reporting Entity (ARE), resident in India, is proposed to be extended to twelve months from the end of reporting accounting year;

(ii) constituent entity resident in India, having a non-resident parent, shall also furnish CbCR in case its parent entity outside India has no obligation to file the report of the nature referred to in sub-section (2) in the latter's country or territory;

(iii) the time allowed for furnishing the CbCR, in the case of constituent entity resident in India, having a non-resident parent, shall be twelve months from the end of reporting accounting year;

(iv) the due date for furnishing of CbCR by the the ARE of an international group, the parent entity of which is outside India, with the tax authority of the country or territory of which it is resident, will be the due date specified by that country or territory;

(v) Agreement would mean an agreement referred to in sub-section (1) of section 90 or sub-section (1) of section 90A, and also an agreement for exchange of the report referred to in sub-section (2) and sub-section (4) as may be notified by the Central Government;
(vi) "reporting accounting year" has been defined to mean the accounting year in respect of which the financial and operational results are required to be reflected in the report referred to in sub-section (2) and sub-section (4).

These amendments are clarificatory in nature.

Rationalisation of provision of section 115BA relating to certain domestic companies (Section 115BA of IT Act) (Refer clause 33 of the bill):

Date of Applicability: 01.04.2017 (w.e.f. AY 2017-18)

Section 115BA of the Act provides that the total income of a newly set up domestic company engaged in business of manufacture or production of any article or thing and research in relation thereto, or distribution of such article or thing manufactured or produced by it, shall, at its option, be taxed at the rate of 25% subject to conditions specified therein. This benefit is available from assessment year 2017-18.

However, there are certain incomes which are subject to a scheduler tax at a rate which is lower or higher than 25%. Consequently tax payers have been subjected to unintended hardship or unwarranted relief. Accordingly it is proposed to amend section 115BA so as to clarify that the provisions of section 115BA is restricted to the income from the business of manufacturing, production, research or distribution referred to therein; and income which are at present taxed at a scheduler rate will continue to be so taxed.

Extending the benefit of tax-free withdrawal from NPS to non-employee subscribers (Section 10(12A) of IT Act) (Refer clause 5 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Under the existing provisions of the section 10(12A) of the Act, an employee contributing to the NPS is allowed an exemption in respect of 40% of the total amount payable to him on closure of his account or on his opting out. This exemption is not available to non-employee subscribers. In order to provide a level playing field, it is proposed to amend section 10(12A) of the Act to extend the said benefit to all subscribers.

Rationalization of section 43CA, section 50C and section 56 (Refer clause 14, 19 and 21 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

At present, while taxing income from capital gains (section 50C), business profits (section 43CA) and other sources (section 56) arising out of transactions in immovable property, the sale consideration or stamp duty value, whichever is higher is adopted. The difference is taxed as income both in the hands of the purchaser and the seller.

It has been pointed out that this variation can occur in respect of similar properties in the same area because of a variety of factors, including shape of the plot or location. In order to minimize hardship in case of genuine transactions in the real estate sector, it is proposed to provide that no adjustments shall be made in a case where the variation between stamp duty value and the sale consideration is not more than five percent of the sale consideration.

Rationalisation of provision relating to conversion of stock-in-trade into Capital Asset (Section 24, 45, 2(24), 49 and 2(42A) of IT Act) (Refer clause 3, 9 and 18 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Section 45 of the Act, inter alia, provides that capital gains arising from a conversion of capital asset into stock-in-trade shall be chargeable to tax. However, in cases where the stock in trade is converted into, or treated as, capital asset, the existing law does not provide for its taxability.

In order to provide symmetrical treatment and discourage the practice of deferring the tax payment by converting the inventory into capital asset, it is proposed to amend the provisions of:
(i) Section 28 so as to provide that any profit or gains arising from conversion of inventory into capital asset or its treatment as capital asset shall be charged to tax as business income. It is also proposed to provide that the fair market value of the inventory on the date of conversion or treatment determined in the prescribed manner, shall be deemed to be the full value of the consideration received or accruing as a result of such conversion or treatment;

(ii) Clause (24) of section 2 so as to include such fair market value in the definition of income;

(iii) Section 49 so as to provide that for the purposes of computation of capital gains arising on transfer of such capital assets, the fair market value on the date of conversion shall be the cost of acquisition;

(iv) Clause (42A) of section 2 so as to provide that the period of holding of such capital asset shall be reckoned from the date of conversion or treatment.

Tax neutral transfers (Section 47 and 56 of IT Act) (Refer clause 21 of the bill):

Date of Applicability: 01.04.2018

Section 47 provides for certain tax neutral transfers. Section 56 also excludes income arising out of certain tax neutral transfers from its ambit. However, the transfers referred to in clause (iv) and clause (v) of section 47 have not been excluded from the scope of section 56.

In order to further facilitate the transaction of money or property between a wholly owned subsidiary company and its holding company, it is proposed to amend the section 56 so as to exclude such transfer from its scope.

Rationalization of the provisions of section 54EC (Section 54EC of IT Act) (Refer clause 20 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

Section 54EC of the Act provides that capital gain, arising from the transfer of a long-term capital asset, invested in the long-term specified asset at any time within a period of 6 months after the date of such transfer, shall not be charged to tax subject to certain conditions specified in the said section.

The section also provides that “long-term specified asset” for making any investment under the section on or after 01.04.2007 means any bond, redeemable after 3 years and issued on or after 01.04.2007 by the National Highways Authority of India or by the Rural Electrification Corporation Limited; or any other bond notified by the Central Government in this behalf.

In order to rationalise the provisions of section 54EC of the Act and to restrict the scope of the section only to capital gains arising from long-term capital assets, being land or building or both and to make available funds at the disposal of eligible bond issuing company for more than three years, it is proposed to amend the section 54EC so as to provide that capital gain arising from the transfer of a long-term capital asset, being land or building or both, invested in the long-term specified asset at any time within a period of 6 months after the date of such transfer, the capital gain shall not be charged to tax subject to certain conditions specified in this section.

It is also proposed to provide that long-term specified asset, for making any investment under the section on or after 01.04.2018, shall mean any bond, redeemable after 5 years and issued on or after 01.04.2018 by NHAI or by RECL or any other bond notified by the Central Government in this behalf.

Rationalisation of the provisions of section 115BBE (Section 115BBE of IT Act) (Refer clause 34 of the bill):

Date of Applicability: 01.04.2017 (w.e.f. AY 2017-18)

Section 115BBE provides for tax on income referred to in section 68 or section 69 or section 69A or section 69B or section 69C or section 69D at a higher rate of 60%. Sub-section (2) of said section provides that no deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed to the assessee under any provision of the Act in computing his income referred to in clause (a) of sub-section (1). In order to rationalize the provisions of section 115BBE, it is proposed to amend the said sub-section (2) so as to also include income referred to in clause (b) of sub-section (1).

Tax deduction at source on 7.75% GOI Savings (Taxable) Bonds, 2018 (Refer clause 46 of the bill):

Date of Applicability: 01.04.2018

Government of India introduced 8% Savings (Taxable) Bonds, 2003 in 2003. Under the existing law, the interest received by the investor is taxable. Further the payer is liable to deduct tax at source under section 193 of the Act at the time of payment or credit of such interest in excess of rupees ten thousand to a resident. Government has now decided to discontinue the existing 8% Savings (Taxable) Bonds, 2003 with a new 7.75% GOI Savings (Taxable) Bonds, 2018. The interest received under the new bonds will continue to be taxed as in the case of the earlier once. The provisions of section 193 are proposed to be amended to allow for deduction of tax at source at the time of making payment of interest on such bonds to residents. However, no TDS will be deducted if the amount of interest is less than or equal to Rs. 10,000/- during the financial year.

Penalty for failure to furnish statement of financial transaction or reportable account (Section 271FA of IT Act) (Refer clause 51 of the bill):

Date of Applicability: 01.04.2018

Section 271FA of the Act provides that if a person who is required to furnish the statement of financial transaction or reportable account under sub-section (1) of section 285BA, fails to furnish such statement within the prescribed time, he shall be liable to pay penalty of Rs. 100/- for every day of default.

The proviso to the said section further provides that in case such person fails to furnish the statement of financial transaction or reportable account within the period specified in the notice issued under sub-section (5) of section 285BA, he shall be liable to pay penalty of Rs. 500/- for every day of default.

In order to ensure compliance of the reporting obligations under section 285BA, it is proposed to amend the section 271FA so as to increase the penalty leviable from Rs. 100/- to Rs. 500/- and from Rs. 500/- to Rs. 1000/-, for each day of continuing default.

Default	Existing Penalty	Proposed Penalty
Penalty for not filing Statement within due date	Rs. 100 per day during which the default continues	Rs. 500 per day during which the default continues
Penalty for not filing Statement within time limit given in notice	Rs. 500 per day during which the default continues	Rs. 1,000 per day during which the default continues

Chartered Accountants can file appeal to ITAT (Section 253):

Date of Applicability: 01.04.2018 (Applicable from AY 2018-19)

A tax officer is authorized to levy a penalty on accountant/ merchant banker/ registered valuer, in case incorrect information is found in any report or certificate furnished by them in the course of any proceedings under Income-tax Act. By purview of Section 271J the penalty amount would be Rs. 10,000 for each such report or certificate. These penalty orders under section 271J are currently not appealable to ITAT. The Finance Bill, 2018 proposes to amend Section 253 so that an appeal can be filed with ITAT against the penalty order of Assessing Officer under section 271J.

Prevention of Money-Laundering Act, 2002

Date of Applicability: From the date of notification of Finance Bill, 2018

Amendment to the Definition of 'Proceeds of Crime': As per existing definition of 'Proceeds of crime' under Section 2(1)(u) of the Prevention of Money Laundering Act, 2002, it means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property or where such property is taken or held outside the country, then the property equivalent in value held within the country. *Under the proposed definition of crime proceeds, the property equivalent in value held within the country or abroad shall be treated as proceeds of crime.*

Computing period of 180 days for provisionally attachment of property: A new proviso is proposed to be inserted in Section 5(1) which provides for attachment of property involved in money-laundering. As per the new proviso for computing the period of 180 days for provisional attachment of the property, the period during which the proceedings under this section is stayed by the High Court shall be excluded and a further period not exceeding 30 days from the date of order of vacation of such stay order shall be counted.

Proposal to tighten provisions relating to Bail: An amendment has been proposed to Section 45 which prescribes offences to be cognizable and non-bailable. Under the proposed amendment, no person accused of an offence under this Act shall be released on bail or on his own bond unless following two conditions are satisfied:

- Public Prosecutor has been given an opportunity to oppose the application for such release;
- Where Public Prosecutor opposes the application, the court is satisfied that there are reasonable grounds for believing that he is not guilty of such offence and that he is not likely to commit any offence while on bail.

Under the extant norms, those offences which are punishable for a term of imprisonment more than 3 years under part A of the Schedule are considered cognizable and non-bailable.

Bail in case of offences involving money laundering less than 1 Crore: First proviso to Section 45(1) has been proposed to be amended to include a person who is accused on his own or along with other co-accused of money-laundering of a sum of less than Rs. 1 Crore may be released on bail, if Special Court so directs. Currently there is no such monetary limit for categorizing offence as bailable or non-bailable.

Disclosure of information by Director or any other authority: New sub section (2) has been proposed to be inserted in section 66 that Director or such other authority shall share the information with the concerned agency for necessary action if such Director or other authority specified is of the opinion on the basis of information or material in his possession that the provisions of any other law for the time being in force are contravened.

Punishment for fraud under Companies Act, 2013 to be included in scheduled offence: Section 447 of the Companies Act, 2013 which deals with punishment for fraud has been included in the list of Scheduled offence under the Prevention of Money Laundering Act, 2002. The implications of this proposal are that any offence of fraud committed by any person under section 477 Companies Act, 2013 shall also attract PMLA. The term any person can include Company's Director, Company Secretary, Key Managerial Person, or any person who commits fraud.

The Bill also proposes a proviso to section 8(8) of the Prevention of Money-Laundering Act, 2002. The proposed proviso empowers the Central Government to make rules for considering the claim of the claimant for the purposes of restoration of confiscated properties during the trial of the case.

RBI Act:

Amendments to the Reserve Bank of India Act, 1934: Section 17 of the said Act prescribes the business which the bank may carry out. A new clause (1A) has been proposed to be inserted to Section 17 of the RBI Act, 1934 whereby the Bank has been authorized to accept money as deposits repayable with interest from banks or any other person under Standing Deposit Facility Scheme for the purpose of liquidity management. The Standing Deposit Facility helps the RBI to absorb surplus funds without having to provide lenders collateral in exchange.

Provisions for NGO's

Disallowance of Expenditures in case of NGO's (Section 10(23C), 11, 40(a) and 40A of IT Act) (Refer clause 5 and 6 of the bill):

Date of Applicability: 01.04.2019 (w.e.f. AY 2019-20)

The third proviso to section 10(23C) of the Act provides for exemption in respect of income of the entities referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of said clause in a case where such income is applied or accumulated during the previous year for certain purposes in accordance with the relevant provisions. Section 11 of the Act also contains provisions relating to income from property held for charitable or religious purposes.

At present, there are no restrictions on payments made in cash by charitable or religious trusts or institutions. There are also no checks on whether such trusts or institutions follow the provisions of deduction of tax at source under Chapter XVII-B of the Act. This has led to lack of an audit trail for verification of application of income.

In order to encourage a less cash economy and to reduce the generation and circulation of black money, it is proposed to insert a new Explanation to the section 11 to provide that for the purposes of determining the application of income under the provisions of sub-section (1) of the said section, the provisions of section 40(ia)(a), and of sub-sections (3) and (3A) of section 40A, shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head "Profits and gains of business or profession".

It is also proposed to insert a similar proviso in section 10(23C) so as to provide similar restriction as above on the entities exempt under sub-clauses (iv), (v), (vi) or (via) of said clause in respect of application of income.

The Finance Act 2018 has linked Section 40A(3) with the Trust and NGOs. Section 40A(3) is about the requirement of payment of any expenditure exceeding Rs.10,000/- in a day by A/c Payee cheque or use of ECS through a bank account. Similarly Sec. 40A(3A) provides that whenever expenditures claimed on the basis of a liability then subsequently such liability is also required to be paid by A/c Payee cheque or A/c payee bank draft or use of ECS through a bank account provided a payment in a day exceeds Rs.10,000/-. All cash payment exceeding Rs. 10,000/- shall not form part of Application of Income. Where an expenditure is claimed as Application on the basis of liability, then such liability which exceeds Rs. 10,000/- in a day should not be paid in cash otherwise it will be disallowed.

Section 40(a)(ia) provides that 30% of any sum payable should be disallowed on which TDS should have been deducted and such tax has not been deducted or, after deduction, has not been paid on or before the due date of filing of return. The law allows deduction if tax has been deducted in any subsequent year, or has been deducted during the previous year but paid after the due date, 30% of such sum shall be allowed as a deduction in computing the income of the previous year in which such tax has been paid. In other word the 30% disallowance can be claimed in subsequently.

The proposed amendment provides that if any payment on which tax is required to be deducted but not deducted or tax has been deducted but not paid within the due date of filing of Income Tax Return, then, such amount on which tax was liable to be deducted shall not be considered as Application during the financial year.

30% of the amount shall not be treated as application however any such disallowance would result in increase in taxable income. Because unlike business entities for NGOs any disallowance does not result in taxable income. Therefore even after disallowance the NGOs income will not become taxable unless the total unspent income including such disallowance exceeds 15% of total income. It may be noted that trusts and NGOs are required to apply 85% of the total income during the year. However if the total unspent income and disallowance put together exceed 15% then such excess amount shall be subjected to tax.

FCRA, 2010:

Retrospective amendment to definition of 'Foreign Source': The Finance Bill 2018 has proposed an amendment to the FCRA 1976 w.e.f. from 05.08.1976. It is pertinent to note that proposed amendment relates to an act which has been repealed since September 2010.

Earlier, the Finance Act 2016 had amended the Section 2(1)(j)(vi) of the FCRA, 2010. By virtue of this amendment all contributions made by Indian Companies with foreign shareholding in excess of 50% were excluded from the definition of foreign source. It may be noted that prior to this amendment all Indian Companies with more than 50% shareholding by foreigners were treated as foreign source and FCRA law was applicable. Ironically under this law even some well-known Indian companies were not entitled to give donations even to their own foundations without FCRA prior permission or registration.