INDIA BUDGET 2017

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FOREWORD

It would be fair to say that a New Date (February 1st) of budget presentation was not the only change in this year's Budget. For the first time the budget indicate a resolve for bringing in much needed system based administration with objectivity and transparency. Curbing black money seems to have occupied prominence in the various actions. It also addresses the identification of the real beneficiary of various welfare schemes ensuring inclusive growth.

Honorable Finance Minister Mr. Jaitley carried forward his approach of last year in segmenting the budget into key themes and then addressing each of them. This year he had 10 such themes including farmers, rural population, youth, poor and underprivileged, infrastructure, financial sector, digital economy, public service, prudent fiscal management and tax administration. Merging plan and non-plan expenditure will bring in more objectivity in the spending. Making railway budget as part of the Union Budget will ensure saving in time and energy of the government machinery.

It is commonly discussed that nothing much is done on tax front but one need to see as to whether it is necessary to have changes after changes every year. For a good tax regime stability is one of the fundamental requirements. While not much tinkering is done with the tax laws, certain amendments have been aimed at simplifying and rationalizing the various provisions; prominent among them being advancing timeline for completion of assessment, tax incidence on Joint Development Agreement on completion of the project, deduction for affordable housing – built up to carpet area, enhancing time limit for completion of the project. Certain bold measures such as abolishing FIPB, discouraging cash transaction beyond ₹ 3 Lakhs, reducing tax rate to 25% for companies having turnover up to ₹ 50 Crores, reducing holding period from 3 years to 2 years for immovable property for claiming long term capital gain will improve compliances, facilitate ease of doing business and also tax collection.

Honorable Finance Minister has tried to strike a fine balance between the fiscal deficit, government spending and inflation. Budget outlay of ₹ 21.47 Lakh Crores with 3% fiscal deficit target for FY 2018-19 will create buoyancy and ensure lower interest rate regime. This coupled with narrow scope for inflation will stimulate the economy paving way for 8% GDP growth and hence more job creation.

If one were to summarize the budget in a few words – one can comfortably say that the budget has tried to touch the lives of each and every Indian. The focus of the social spends remains on the poor and the rural economy; the tax reliefs would positively impact the middle-class household across the country. There has been a renewed push to build infrastructure with more than ₹ 3.9 Lakh Crores worth of budget expenditure. Affordable Housing has become a sustainable theme and the government seems to be taking solid steps to realize this vision. A very positive statement that the Honorable Finance Minister used was expanding the 'Tax to GDP' ratio. If the government is able to grow this number meaningfully in the coming years, all other things like expenditure, deficits etc. can fall in place.

Like every year, we have created our Budget Analysis in the following pages from both Macro and Micro perspectives.

Hope you would find this booklet useful. Please send us your suggestions / feedback at info@krestonsgco.com.

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BUDGET HIGHLIGHTS

ECONOMY

- Shift from discretionary, favouritism based to system and transparency based Governance.
- Consumer Price Index (CPI) - based inflation declined from 6% in Jul-2016 to 3.4% in Dec-2016.
- Current Account Deficit declined from about 1% of GDP last year to 0.3% of GDP in the first half of FY 2016-17.
- FDI grew 36% in H1 FY 2016-17 over H1 FY 2015-16, despite 5% reduction in global FDI inflows.
- Foreign exchange reserves reached a level of US$ 361 Bn as on 20-Jan-2017.
- Affordable Housing given infrastructure status.
- Special emphasis on housing for poor, credit support to MSMEs; encouragement to digital transactions.
- Government has taken some bold and decisive measure to curb tax evasion and parallel economy through demonetisation and have been resolving to eliminate corruption, black money, counterfeit currency and terror funding.

BUDGETARY ALLOCATIONS

- ₹ 9,000 Crores for Fasal Bima Yojana scheme.
- ₹ 48,000 Crores for MGNREGA.
- ₹ 40,000 Crores corpus for Long Term Irrigation Fund set up in NABARD.
- ₹ 5,000 Crores for Dedicated Micro Irrigation Fund in NABARD to achieve 'per drop more crop'.
- Dairy Processing and Infrastructure Development Fund to be set up in NABARD with a corpus of ₹ 2,000 Crores and will be increased to ₹ 8,000 Crores over 3 years.
- ₹ 27,000 Crores for Pradhan Mantri Gram Sadak Yojana (PMGSY).
- Allocation for Pradhan Mantri Awaas Yojana – Gramin increased from ₹ 15,000 Crores in FY 2016-17 to ₹ 23,000 Crores in FY 2017-18.

- ₹ 4,000 Crores for Skill Acquisition and Knowledge Awareness for Livelihood Promotion Programme (SANKALP).
- Rashtriya Rail Sanraksha Kosh created with a corpus of ₹ 1 Lakh Crores over a period of 5 years for safety measures.
- Budget allocation for highways increased from ₹ 57,976 Crores in FY 2016-17 to ₹ 64,900 Crores in FY 2017-18.
- Allocation of ₹ 10,000 Crores for re-capitalization of banks.

DIRECT TAX

- For Companies with turnover / gross receipts up to ₹ 50 Crores - tax rate reduced to 25% from present 30%.
- Second slab tax rate for Individual / HUF reduced to 5% from 10%, maximum tax saving of ₹ 12,500.
- Surcharge of 10% on tax levied on individual / HUF earning taxable income above ₹ 50 Lakhs to ₹ 1 Crore.
- One pager income tax return introduced for persons having non-business income upto ₹ 5 Lakhs. No scrutiny proposed in first year of filing return for such assessees unless specific information for high value transaction available with Department.
- Carry forward of MAT / AMT credit for 15 years instead of 10 years.
- Base Year for indexation now 2001 instead of 1981.
- Presumptive tax rate for small traders with turnover upto ₹ 2 Crores under 44AD now reduced to 6% from 8% for entire non-cash turnover.
- Threshold limit for disallowance of revenue expenditure in cash reduced to ₹ 10,000 from present ₹ 20,000.
- Capital expenditure in excess of ₹ 10,000 in cash not to be allowed as cost of asset for calculating depreciation.
- Insertion of new Sec 269ST to penalize any person from receiving amount in cash of ₹ 3 Lakhs or more for any single transaction.
- Domestic transfer pricing will not be applicable in case of payments u/s. 40(A)(2)(b).
- Professionals covered u/s. 44ADA can pay advance tax in 1 installment by 15-Mar of respective FY.
- Time for revising income tax return now reduced to the end of the assessment year.

- Time limit for completion of assessment reduced to 18 months from the end of the assessment year from AY 2018-19 and 12 months from AY 2019-20.
- Period for claiming deduction for consecutive 3 years by start-ups extended to 7 years from present 5 years from the date of incorporation.
- New Sec 194IB inserted for deduction of tax @ 5% on payment of rent exceeding ₹ 50,000 per month by individual or HUF not under tax audit.
- Tax proposed on notional rental income for land and / or building held as stock in trade unsold beyond one year after receipt of completion certificate.
- Measures for promotion of Affordable Housing:
    - o Carpet area concept in place of built up area adopted for considering size of residential unit.
    - o Capital gain tax liability in case of Joint Development Agreement will arise in the year of project completion.
    - o Holding period for immovable property (land and building) reduced to 2 years to classify as long term capital asset.

GOODS AND SERVICES TAX

- The Union Finance Minister reiterated to implement the Goods and Services Tax (GST) by stating that GST is one of tectonic policy initiatives and has seen substantial progress from passage of the Constitution Amendment Bill, including constitution of GST Council and resolving all relevant issues by participation of Centre and State in GST Council Meetings.
- Accordingly, on the fiscal front, not many changes have been made in Service Tax and Central Excise Law in view of the prospective GST. Some Changes, however, have been made in the tax law to rationalize few tax positions and structure of quasi-judicial bodies.
- GST highlight in budget speech is as follows:
    - o GST Council has finalised its recommendations on almost all issues in its 9 meetings held with Centre and States.
    - o Preparation of IT system for GST is also on schedule.
    - o Extensive reach-out efforts to create awareness among trade / industry will start from 01-Apr-2017.

CENTRAL EXCISE

- Basic Excise Duty rates remain unchanged.
- Concessional benefit of excise duty will be valid till 30-Jun-2017 (in anticipation of GST implementation from 01-Jul-2017).
- Excise duty on unmanufactured tobacco raised from 4.2% to 8.3% and on pan masala increased from 6% to 9%.
- Excise duty on non-filter cigarettes has been raised from ₹ 215 per thousand to ₹ 311 per thousand.

SERVICE TAX

- Effective Service Tax rates remain unchanged.
- Retrospective Exemption to one time upfront amount payable for grant of long term lease of industrial plots (30 years or more) by certain State Government organizations.
- Retrospective amendment in Service Tax (Determination of Value) Rules 2006 to ensure that value of service portion in execution of Works Contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include value of property of such land or undivided share of land.

CUSTOMS

- General BCD rates remain unchanged.
- Export duty made applicable on Aluminium Ores and Concentrates at the rate of 15%.
- Silver coins and medallions having silver content of not less than 99.9% are now subjected to CVD.
- BCD on Nickel articles has been abolished.
- LNG – BCD reduced from 5% to 2.5%.

CENVAT CREDIT

- Banks and other financial institutions engaged in providing services by way of extending deposits, loans or advances as far as consideration is represented by interest or discounts, to consider such value of interest or discounts as exempted services for reversal of CENVAT Credit.
- Amendment allowing transfer of CENVAT credit in case of shift of factory or premises or change in ownership etc. by jurisdictional authorities within three months from the date of application.

ECONOMIC OUTLOOK

OVERVIEW:

The global macroeconomic landscape posed lot of challenges in front of world and India last year viz. Brexit, US interest rate hike, various European referendums, US election and rising commodity prices globally. The impact of Brexit and US election though remains unclear, the newly elected US President has invoked a protectionist environment and its impact on various sectors yet to be evaluated.

For India, in the short run, the change in outlook of global interest rates as a result of tightening US monetary policy will pose challenge on capital flows and exchange rates. Developments in the US, especially the rise of US$, may have implications for China's currency and its policies. If China successfully re-balance its economy, the spill-over effects on India and the rest of the world will be positive. On, the other hand, further decline in the yuan, even if dollar-induced, could affect global macro equations.

This year was marked by some historic economic policy developments for India - a constitutional amendment paved the way for the long-awaited and transformational Goods and Services Tax (GST) while demonetisation of the large currency notes signaled a regime shift to take stricter and punitive stance on illicit activities. India growth story suffered a marginal setback due to inconvenience and hardship, especially those in informal and cash intensive sectors of the economy. The impact on formal sectors was minimal and may yield good results due to increased push towards digitization. Demonetisation however has serious impact on real estate prices across country and it may continue to have similar impact in FY 2017-18.

The other parameters like inflation and current account deficit were in extremely comfortable zone and foreign exchange reserves scaled to US$ 360 Bn despite FCNR deposit redemption late in 2016. The rupee has been one of the most stable currencies in FY 2016-17 against USD compared to other emerging economies.

Fiscal discipline was cited as a major reason by rating agencies for not upgrading India's ratings. India however will achieve the targeted 3.5% fiscal deficit this year and has modestly kept a target of 3.2% for FY 2017-18 and 3% for FY 2018-19. Demonetisation & GST, if implemented by 01-Jul-2017, together are expected to expedite the move from informal to formal economy. The GDP growth rate with normal monsoon and increased rural spending are expected to be in the range of 6.75% - 7.50% and India may maintain the fastest growing economy tag. The possibility of lingering effect of demonetisation expected to recede in next two months. The crude oil price rise & expected protectionist stance by US on trade policies may pose some challenge to this number.

The expected increase in tax base and higher tax collection due to two Income Disclosure Schemes is expected to provide Government with additional revenue. This would help Government in pursuing rural and farmer development agendas very aggressively. During the year, Government announced important steps to incentives the production and exports of apparels and similar incentives are announced for leather industry. The agriculture this year saw some respite due to normal monsoon.

The speed of reform is expected to accelerate in FY 2017-18. Lower interest rates may aid infrastructure development, affordable housing. GST may improve the sentiment across economy although administrative adaptation to GST may pose some challenges in FY 2017-18 and revenue collection needs to be seen in that context. The Indian economy may however emerge stronger than FY 2016-17 in every aspect and strong footing may be laid down for future growth.

ECONOMIC GROWTH RATE:

To begin with, many will be tempted to compare this year's real GDP growth estimate to last year's growth of 7.6%. However, certain key factors have influenced this year's performance – demonetisation being just one of them. As per the first advance estimate (AE) released by CSO, the Indian economy is estimated to register a GDP growth rate of 7.1% in FY 2016-17. It is likely that this will be revised downwards as the CSO first advance estimates was based on data mainly upto Oct / Nov-2016 and hence reflects the economic situation prior to demonetisation.

The growth rate of Gross Value Added (GVA) at constant basis prices for FY 2016-17, as per the first AE, is placed at 7% as against 7.2% in FY 2015-16. Services contributed 52% to GVA in FY 2015-16, Industry contributed 32% and balance 16% contributed by Agriculture. In the current FY 2016-17, growth of agriculture and allied sectors has improved to 4.1% (AE) over 1.2% in FY 2015-16 (PE) following the normal monsoon which was preceded by sub-par monsoon rainfall in FY 2014-15 and FY 2015-16. Industry growth has moderated in FY 2016-17 to 5.2% (AE) after achieving growth of 7.4% (PE) in FY 2015-16. As in the PYs, Services sector continues to contribute majorly to the growth of the economy – 8.8% growth in FY 2016-17.

Contribution of components to real GDP growth

Final expenditures	Growth (%)			
	2013-14	2014-15	2015-16 (PE)	2016-17 (AE)
Private final consumption	6.8	6.2	7.4	6.5
Government final consumption	0.4	12.8	2.2	23.8
Fixed capital formation	3.4	4.9	3.9	(0.2)
Change in stock	(18.6)	20.3	5.5	5.2
Valuables	(42.2)	15.4	0.3	(33.5)
Export of goods and services	7.8	1.7	(5.2)	2.2
Import of goods and services	(8.2)	0.8	(2.8)	(3.8)
GDP growth rate a constant market prices	**6.6**	**7.2**	**7.6**	**7.1**

FISCAL DEVELOPMENTS:

Government has committed to continue with fiscal consolidation and projected fiscal deficit at 3.5% of GDP for the FY 2016-17, down from 3.9% in FY 2015-16. This was sought to be achieved through increase in gross tax revenue of 11.9% over FY 2015-16 (Provisional Actuals) and significant stride in non-tax revenue and non-debt capital receipts, despite upside compulsions on expenditure side primarily necessitated by implementation of Seventh Pay Commission recommendations.

Overall tax collections, especially union excise duty and service tax, have been buoyant in the CY till Nov-2016, however the demonetisation impact to be seen for the remaining months in this year. The realisation of the gross tax revenue as ratio of budget estimate is much higher than the corresponding figure in the PY (57.2% as ratio of Budget estimate in Apr-Nov CY vis-à-vis 53% in same period PY). The growth in revenue expenditure during Apr–Nov 2016 is also high which has to be viewed keeping in mind the salary commitment under the Seventh Pay Commission, increase in subsidy primarily on account of food subsidy and increase in grants for creation of capital assets during Apr-Nov 2016.

PRICES:

The headline Consumer Price Index (CPI) remained under control for a successive third financial year. Average CPI was 4.8% during Apr to Dec-2016 compared to 4.9% in FY 2015-16 (was higher at 5.9% in FY 2014-15). Though initial months of FY 2016-17, CPI hardened due to increase in prices of pulses and vegetables, however it has dipped to 3.4% in Dec-2016 - a two-year low. However, Core CPI (non-food and excl. fuel) has remained sticky so far – averaging around 5% in current financial year.

Also, looking at the average wholesale price index (WPI) declined to (-) 2.5% in FY 2015-16 from 2.0% in FY 2014-15. However, on account of rising global commodity and energy costs in the current financial year, the WPI downward trend has reversed currently. The average WPI inflation during Apr -Dec 2016 was 2.9% and its 3.4% in Dec-2016. The outlook for CPI-based inflation is projected to remain below 5% in view of decelerated wholesale and retail prices of key food items so far (in second half of CY). However the global commodity prices which has moved up may pose an upside risk to WPI.

MONETARY MANAGEMENT & FINANCIAL INTERMEDIATION:

The Government amended the RBI Act, 1934 during the current financial year to provide for inflation target setting by Government in consultation with the RBI once every five years and also provided for a statutory basis for constitution of an empowered Monetary Policy Committee (MPC). As per this framework, Government has fixed inflation target of 4% with tolerance level of + 2% for period beginning from 5-Aug-2016 to 31-Mar-2021. Government has also notified MPC in Sept-2016. The MPC in its first meeting held in Oct 2016 reduced the benchmark repo rate to 6.25%. RBI has been managing the liquidity through its framework and conditions are under control so far. Post Jun-2016, Ten year government security (G-Sec) yield started softening and as of 30-Dec-2016 stood at 6.63%. The performance of the banking sector, particularly public sector banks, remained subdued in the current financial year with asset quality further deteriorating. Gross NPA to total advances ratio of scheduled commercial banks increased to 9.1% from 7.8% between Mar and Sept-2016. RBI undertook number of measures to strengthen the corporate bond market in India including accepting many recommendations of the Khan committee to boost investor participation and market liquidity in the corporate bond market.

BALANCE OF PAYMENTS:

Current Account – India's external sector position has been comfortable which has contracted from 4.8% of GDP (US$ 88.2 Bn) to 1.1% of GDP (US$ 22.2 Bn). The Current Account Deficit (CAD) has further narrowed to 0.3% of GDP.

Capital / Finance Account – In H1 FY 2016-17, India had robust inflow of FDI (US$ 21.3 Bn – a growth of 29% over corresponding period PY). Also, there was Net inflow of FPI amounting to US$ 8.2 Bn in H1 FY 2016-17 as against outflow of US$ 3.5 Bn in same period PY. Banking capital recorded net outflow of US$ 6.8 Bn and net repayment of external commercial borrowings resulted in outflow of US$ 4.6 Bn in H1 FY 2016-17. Hence, net capital flows remaining higher than CAD has lead to net accretion to India's foreign exchange reserves.

Foreign Exchange Reserves – In H1 FY 2016-17, India's foreign exchange reserves increased by US$ 15.5 Bn on BoP basis while in nominal terms the increase was to the tune of US$ 11.8 Bn (this difference primarily on account of valuation as US$ appreciated against major currencies).

Exchange rate – Rupee has moved in a narrow range in H1 of FY 2016-17 on account of FII inflows and positive sentiments generated by a narrower CAD. Subsequent depreciation of ₹ was primarily due to strengthening of US$ against major currencies following US presidential election and tightening of monetary policy by the Federal Reserve. If we compare Rupee to most of the other emerging market currencies, it has performed very well as can be seen:

Y-O-Y Depreciation against US$ during Apr-Dec 2016			
Indian Rupee	Mexican Peso	Chinese Renminbi	South African Rand
3.4%	14.4%	6.3%	8.6%

EXTERNAL DEBT:

As of Sept-2016, India's external debt stock stood at US$ 484.3 Bn – a marginal decline from Mar-2016. Share of Government debt (Sovereign) stood at 20.1% in total external debt as of Sept-2016. US-dollar denominated debt accounted for 55.6% of India's total external debt followed by Indian rupee (30.1%), SDR (5.8%), Japanese Yen (4.8%), Euro (2.4%) and others (1.3%). The maturity pattern of India's external debt indicates dominance of long-term borrowings accounting for 83.2% of total external debt. Foreign exchange reserves provide a cover of 76.8% to total external debt stock.

SECTORAL DEVELOPMENTS

Agriculture

The growth rate of Agriculture and Allied sectors is estimated to be 4.1% as per AE of FY 2016-17. Production of kharif food-grains is estimated to be 135 Mn tonnes compared to 124.1 Mn tonnes in FY 2015-16. Agriculture credit for FY 2016-17 has been fixed at ₹ 9 Lakh Crores against ₹ 8.5 Lakh Crores for FY 2015-16.

Industrial, Corporate and Infrastructure Performance

As per AE of CSO, growth rate of industrial sector comprising mining, quarrying, manufacturing, electricity and construction is projected to decline from 7.4% in FY 2015-16 to 5.2% in FY 2016-17 primarily due to moderation in mining and manufacturing. The performance of Corporate sector highlighted that growth in sales was 1.9% in Q2 of FY 2016-17 as compared to near stagnant growth of 0.1% in Q1 of FY 2016-17. Government has liberalised and simplified FDI policy in sectors like defence, railway infrastructure, construction etc. Many initiatives have also been taken by the Government to facilitate ease of doing business in the country as well as facilitate investment.

Service Sector

The services sector continues to remain the key driver of India's economic growth. Services sector growth is expected to remain at same level in FY 2016-17 as FY 2015-16. As per WTO data, India's commercial services exports increased from US$ 51.9 Bn in 2005 to US$ 155.3 Bn in 2015. Growth of software exports which accounted for 48.1% share in services exports was 1.4% in FY 2015-16 and 0.1% in H1 FY 2016-17. India's tourism sector witnessed a growth of 4.5% in terms of foreign tourist arrivals (FTA) (8.2 Mn arrivals) and a growth of 4.1% in foreign exchange earnings (FEE) (US$ 21.1 Bn) in 2015. FTA increased by 10.7% in 2016 (Jan-Dec 16) (8.9 Mn arrivals) and FEE were at US$ 23.1 Bn – a growth of 9.8%.

OUTLOOK

The rising crude oil prices, protectionist environment by some developed economies may pose a challenge to India's growth going forward but the various reforms implemented by the government and its commitment to improve the ease of doing business is likely to strengthen the economy. Also, with GST on its way to be implemented by 01-Jul-2017, the long term scenario puts India on a strong footing. In the last year, Indian economy fundamentally showed lot of strength despite various shocks from across the globe. The domestic consumption remained very strong and vulnerability of the consumption theme was minimal and auto numbers post demonetisation were case in point. For FY 2017-18, it is expected that the growth would return to normal as the new currency notes in required quantities come back into circulation. The domestic consumption is expected to bounce more aggressively. Normal monsoon, increased infra spending, focus on SME sectors, possibility of stable global growth have prospect to spring surprises on GDP growth. There is high expectation that the private capex may improve this year. The accelerated impetus on tax compliance and focus on increasing the tax base will improve the government balance sheet Multifold over coming years. There is a strong likelihood that Indian economy may recover back to a growth of 6.75% to 7.5% in FY 2017-18.

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DIRECT TAX PROPOSALS

(Unless Specified, proposals shall take effect from AY 2018-19)

RATES OF TAX / THRESHOLD LIMIT

a. Individual, HUF, AOP or BOI, Artificial Judicial Person

- Tax rate in second slab reduced from 10% to 5%.
- Surcharge of 10% for income exceeding ₹ 50 Lakhs to ₹ 1 Crore. No change in surcharge for income above ₹ 1 Crore.
- Maximum rebate u/s. 87A is reduced from ₹ 5,000 to ₹ 2,500 for resident individual.
- Effective tax rate shall be as under (subject to AMT).

Taxable Income Slab (₹)	Tax Rates (including surcharge & cess)		
	General	Senior Citizen	Very Senior Citizens
Up to 2,50,000	NIL	NIL	NIL
2,50,001 to 3,00,000	5.15%	NIL	NIL
3,00,001 to 5,00,000	5.15%	5.15%	NIL
5,00,001 to 10,00,000	20.60%	20.60%	20.60%
10,00,001 to 50,00,000	30.90%	30.90%	30.90%
50,00,001 to 1,00,00,000	33.99%	33.99%	33.99%
1,00,00,001 and above	35.54%	35.54%	35.54%

b. Firm/LLP

- No change in basic tax rate, surcharge and cess.
- Tax rates shall be as under (subject to AMT)

Taxable Income	Firm/LLP
Up to ₹ 1 Crore	30.90%
Above ₹ 1 Crore	34.61%

c. Companies:

- Tax rate reduced from 30% to 25% for companies having turnover/gross receipts not exceeding ₹ 50 Crores in FY 2015-16.
- No change in surcharge and cess.

- Effective tax rates shall be as under (Subject to MAT):

Particulars	Domestic Company	Foreign Company
Turnover/Gross Receipts up to ₹ 50 Crores in FY 2015-16		
Taxable Income Up to ₹ 1 Crore	25.75%	41.20%
Taxable Income above ₹ 1 Crore to ₹ 10 Crores	27.55%	42.02%
Taxable Income above ₹ 10 Crores	28.84%	43.26%
Turnover/Gross Receipts above ₹ 50 Crores in FY 2015-16		
Taxable Income Up to ₹ 1 Crore	30.90%	41.20%
Taxable Income above ₹ 1 Crore to ₹ 10 Crores	33.06%	42.02%
Taxable Income above ₹ 10 Crores	34.61%	43.26%

d. Dividend Distribution Tax (DDT)

- No change in basic tax rate, cess and surcharge.

e. Minimum Alternative Tax (MAT)

- No change in the basic tax rate, cess and surcharge.
- MAT credit allowed to be carried forward for 15 years (existing 10 years).

f. Tax on unexplained items (Sec 115BBE)

- Tax (including surcharge and cess) of 77.25% to be levied on unexplained credits / investment / money / expenditure, etc.
- This has been introduced by way of separate Amendment Act passed few days prior to introduction of budget.

AFFORDABLE HOUSING AND REAL- ESTATE SECTOR

a. Holding period of immovable property reduced for Long Term Capital Gains – Sec 2(42A)

- It is proposed to bring down the period of holding for immovable property (land or building or both) to qualify as long term capital asset from 36 months to 24 months.

b. Rationalization of deductions for affordable housing projects - Sec 80-IBA

- In order to promote Affordable Housing, it is proposed to amend Sec 80-IBA as follows:-
  - o Size of residential units / shops / commercial establishments shall be measured on the basis of "carpet area" as defined in RERA, 2016 and not "built-up area".
  - o Project completion period condition shall be increased to 5 years.
  - o For places located within 25 kms from municipal limits of metropolitan cities, maximum residential unit size of 30 sq mtr increased to 60 sq mtr.

c. Special provision for computation of capital gains in case of joint development agreement - Sec 45 & 49

- It is proposed that capital gains arising to an individual or HUF from transfer of capital asset (land or building or both) under a Joint Development Agreement shall be chargeable to tax as income in the PY in which Completion Certificate for the whole or part of the project is issued by the Competent Authority.
- It is also proposed that stamp duty value on the date of issue of certificate plus any monetary consideration received shall be deemed to be the full value of consideration for transfer of the said capital asset.
- It is also proposed that this Sec shall not apply to an assessee who transfers his share in the project on or before the date of issue of Completion Certificate and capital gains (as determined under general provisions of the Act) shall be deemed to be income in the PY in which such transfer takes place.

d. Notional rent income for property held as stock-in-trade – Sec 23

- It is proposed that in case where house property (building or land appurtenant thereto) is held as stock-in-trade and the property or part property is not let-out during the whole or part of the PY; the annual value of such property or part property shall be considered as Nil for 1 year from the end of the financial year in which construction completion certificate is obtained. In other words, after the period of 1 year from the end of the PY in which completion certificate is obtained, taxability of notional rent income under 'deemed to be let out' provisions would get triggered.

PROMOTING DIGITAL ECONOMY

a. Penalty on cash transactions of ₹ 3 Lakhs and above. (w.e.f. AY 2017-18)

As a part of the Government's plan to proceed towards a cash less economy and in the attempt to curb black money circulation, it is proposed to insert following new section.

- **Sec 269ST -** To restrict receipts of amounts of ₹ 3 Lakhs or more *otherwise than by account payee cheque or account payee bank draft or use of electronic clearing system.*
    - o in aggregate from a person in a day; or
    - o in respect of a single transaction; or
    - o in respect of transactions relating to one event or occasion.
- **Sec 271DA –** to provide for levy of penalty equal to sum of amount so received in contravention of provisions of Sec 269ST.

Provisions of the above said Secs are not applicable to the Government, any banking company, post office savings bank or cooperative bank.

b. Restricting deduction in respect of Cash Donations to certain funds, charitable institutions etc. – Sec 80G

- In order to move towards a cash less economy and provide transparency, it is proposed to amend Sec 80G so as to limit deduction on cash donation upto ₹ 2,000 as against existing limit of ₹ 10,000.

c. Disallowance of revenue expenditures incurred in cash above ₹ 10,000 – Sec 40A

- It is proposed to amend Sec 40A, so as to provide that any revenue expenditure incurred by a mode otherwise than *by account payee cheque or account payee bank draft or use of electronic clearing system* above ₹ 10,000 to a person in a day (earlier this threshold was ₹ 20,000) shall be disallowed while calculating "income from business and profession".

d. Lower rate of presumptive taxation scheme for digital transactions – Sec 44AD.

- In order to push digital transactions and to encourage small unorganized businesses to accept digital payments, it is proposed to amend Sec 44AD so as to reduce the rate of presumptive taxation to 6% against existing 8% in respect of total turnover for which payment is received by account payee cheque or *account payee bank draft or use of electronic clearing system* on or before the date of filing return of income.

- The rate of 8% shall still prevail for that part of turnover in respect of which payment is received by modes otherwise than *account payee cheque or account payee bank draft or use of electronic clearing system*.

e. Restricting depreciation & other allowance on capital expenditure incurred in cash above ₹ 10,000

- In order to promote digital economy, it has been proposed that any capital expenditure incurred by a mode otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system above ₹ 10,000 to a person in a day –
  - o Shall be ignored for determination actual cost of capital asset for the purpose of calculating depreciation.
  - o Shall not be considered for deduction for the purposes of Sec 35AD, in respect of expenditure on specified business.

BUSINESS INCOME

a. Extension of scope of Sec 43D to co-operative banks

- It is proposed to include co-operative banks (other than primary agricultural credit society or primary co-operative agricultural and rural development bank) under the ambit of Sec 43D. Further u/s. 43B, it is proposed to allow deduction to assessee if interest is paid on any loan or advance from a co-operative bank before due date of filing return of income.

b. Increase in deduction limit for banks for provision for doubtful debts

- Deduction in respect of provision for bad and doubtful debts proposed to be increased to 8.5% of the total income for banks from earlier 7.5% in case of scheduled, non-scheduled or a co-operative bank.

c. Relaxation of Advance Tax in case of presumptive taxation for professionals

- It is proposed that professionals opting for presumptive taxation u/s. 44ADA can discharge their advance tax liability by way of single installment on or before 15-Mar instead of quarterly instalments.

d. Relaxation of limits for maintenance of books of accounts – Sec 44AA

- It is proposed that individual and HUF carrying on business profession (except specified profession) shall be required to maintain books of accounts only if income from business/ profession exceeds ₹ 2,50,000 or total sales/ turnover/ gross receipt exceeds ₹ 25,00,000 as against the earlier limits of ₹ 1,20,000 and ₹ 10,00,000 respectively.

e. Relaxation of limits for Tax Audit for assessee's under presumptive taxation – Sec 44AB

- It is proposed to be clarified that tax audit provision u/s. 44AB shall not be applicable to person carrying on business if his turnover does not exceed ₹ 2 Crores and if he declares income under presumptive taxation scheme as per Sec 44AD.

f. MAT provisions u/s. 115JB – Measures to streamline tax issues arising from adoption of Ind AS

- It is proposed to amend Sec 115JB by providing adequate modalities to streamline framework for computation of book profits for Ind AS Compliant Financial Statements.

g. MAT / AMT credit

- MAT / AMT credit proposed to be carried forward for 15 years (from existing 10 years).

DEDUCTIONS

a. Clarifications on deduction u/s. 10AA

- It is clarified that the amount of deduction u/s. 10AA shall mean deduction (and not exemption) from total income of the assesse, before giving effect to the provisions of this Sec It is also provided that deduction u/s. 10AA should not exceed the total income. The said amendment overrides existing jurisprudence on the issue.

b. Extension of time limit for claiming deduction by start-ups - Sec 80IAC

- It is proposed to amend Sec 80IAC to provide that an eligible start-up shall be able to claim deduction for an amount equal to 100% of profits and gains derived from an eligible business for consecutive three assessment years out of seven years beginning from its date of incorporation. Currently, the deduction was available for consecutive three AY out of five AY.

c. Deduction in respect of contribution to National Pension Scheme – Sec 80CCD

- In order to provide parity between a salaried employee and self-employed individual, it is proposed to amend Sec 80CCD so as to increase the limit of deduction for contribution to National Pension Scheme by self – employed individuals to 20% as against existing 10% of gross total income.

d. Phase out of deduction u/s. 80CCG for investment in specified listed securities

- It is proposed to phase out the deduction available for three consecutive years to a resident individual from investment made in listed equity shares or listed units of an equity oriented fund of ₹ 25,000 from AY 2018-19.
- However, assesse claiming this deduction in AY 2017-18 shall be entitled to claim it till AY 2019-20.

CAPITAL GAINS

a. Exemption of long term capital gain tax u/s. 10(38)

- With a view to prevent misuse of Sec 10(38), it is proposed to provide that LTCG on transfer of equity shares of a company which are listed on a recognized stock exchange shall be exempt only if STT was paid at the time of acquisition of such shares. It is also proposed to notify certain transfers to which the above amendment shall not be applicable to protect the exemption for genuine cases.

b. Taxability based on Fair Market Value - Insertion of new Sec 50CA

- It is proposed that in case of transfer of shares of a company other than quoted shares held as capital asset, if the amount of sale consideration is less than the FMV of such share on the date of transfer, then the FMV of such shares shall be deemed to be the full value of consideration for the purpose of computing income under the head "capital gains".

c. Shifting of base year from 1981 to 2001 for computation of Capital Gains – Sec 48 & 55

- It is proposed to revise the base year for computation of capital gains from 01-Apr-1981 to 01-Apr-2001 i.e. cost of acquisition of asset acquired before 01-Apr-2001 shall be allowed to be taken at fair market value as on 01-Apr-2001 and the cost of improvement shall include capital expenses incurred after on or after 01-Apr-2001. Cost Inflation Index provisions shall be amended accordingly.

d. Conversion of preference shares to equity shares – not taxable

- It is proposed to amend Sec 47, so as to provide that the conversion of preference share of a company into its equity share shall not be regarded as transfer. Accordingly, the cost of acquisition and period of holding of preference shares would be considered for the purpose of computing capital gain on sale of equity shares.

e. Cost of acquisition in tax neutral demerger of a foreign company

- It is proposed to amend Sec 49, so as to provide that in case of demerger of foreign company, the cost of acquisition of shares of Indian company in the resulting foreign company would be the same as in the hands of the demerged company.

TRANSFER PRICING

a. Scope of Domestic Transfer Pricing restricted – Sec 92BA (w.e.f. AY 2017-18)

- In order to reduce the compliance burden of taxpayers, it is proposed to exclude expenditure in respect of payments made to related parties as per Sec 40A(2)(b) from the scope of Domestic Transfer Pricing.

b. Secondary adjustments in certain cases - New Section 92CE

- Secondary adjustment provisions have been inserted in line with OECD Transfer Pricing guidelines and international best practices. Assessee shall be required to make a secondary adjustment where a primary adjustment to transfer price:-
  - o has been made suo moto by the assessee in his return of income;
  - o made by the AO has been accepted by the assessee;
  - o is determined by an APA;
  - o is made as per the safe harbour rules; or
  - o is arising as a result of resolution of an assessment by way of the MAP under an agreement entered into u/s. 90 or u/s. 90A for avoidance of double taxation.
- Secondary adjustment provisions are not applicable if primary adjustment is less than or equal to ₹ 1 Crore and primary adjustment is made on or before AY 2016-17.

- Further, where as a result of primary adjustment, there is an increase in the total income or reduction in the loss of the assessee, the excess money which is available with its associated enterprise, if not repatriated to India within the time as may be prescribed, shall be deemed to be an advance made by the assessee to such associated enterprise and the interest on such advance, shall be computed as the income of the assessee.

c. Limitation of interest payment to NR AE – New Section 94B

- In line with the recommendations of OECD BEPS Action Plan 4, it is proposed that where an Indian company or Indian PE of foreign company pays interest exceeding ₹ 1 Crore (threshold limit for applicability of provision) for any debt issued by non-resident associated enterprise, interest deduction shall be restricted to 30% of EBITDA or interest paid/ payable to associated enterprise whichever is less. The provision shall not apply to banking or insurance companies.
- Disallowed interest expenditure shall be allowed to be carried forward for 8 AYs and allowed as deduction in any following AY to the extent of maximum allowable interest expenditure as mentioned above.
- Debt shall be deemed to be treated as issued by associated enterprise if it provides an implicit or explicit guarantee to the lender or the associated enterprise deposits a corresponding and matching amount of funds with the lender.

NON-RESIDENT TAXATION

a. Clarification of indirect transfer provisions in relation to FII – Sec 9 (w.e.f. 01-Apr-2012)

- It is proposed to be clarified that provision of indirect transfer of shares shall not apply in relation to transfer of investments held by a non-resident in a FII.
- FII shall mean an investor notified by Central Government and registered as category – I or category – II foreign portfolio investor under SEBI regulations.

b. Extension of concessional tax rate on interest u/s. 194LC & 194LD

- Benefit of 5% tax rate on interest on ECB's and rupee denominated bonds proposed to be extended to borrowings made before 30-Jun-2020 u/s. 194LC and similar benefit has been extended to interest payments made to FII's & QFI's before 30-Jun-2020 u/s. 194LD. Currently, the concessional rate was applicable for borrowings made and interest paid before 30-Jun-2017, respectively.

c. Clarification regarding Sec 90 and 90A

- Explanation has been inserted in Sec 90 and 90A to clarify that any term used in the agreement shall have the same meaning assigned to it in the agreement and where the term is not defined in the agreement, but defined in the Act it shall have the same meaning as assigned to it in the Act and any explanation given by Central Government.

PROCEDURAL CHANGES

a. Fees for delayed filing of Return of Income

- It is proposed to insert a new Sec 234F to provide that fees shall be levied on the assessee in case Return of Income is not filed within the time specified u/s. 139(1). The proposed fees structure is as under:-

Date of filing ROI	Fees
On or before 31-Dec of the relevant assessment year	₹ 5,000
In any other case	₹ 10,000

- The above fees is restricted to ₹ 1,000 in case of assessees having total income not exceeding ₹ 5,00,000.
- In view of insertion of this Sec, provisions of Sec 271F in respect of penalty for failure to furnish ROI is proposed to be deleted.

b. Extension of period of block assessment u/s. 153A & 153C (w.e.f. 01-Apr-2017)

- It is proposed to enable the Assessing Officer to issue notice beyond the 6th AY upto 10th AY based on evidences found during search if:
  - o Income which has escaped assessment is equal to ₹ 50 Lakhs or more in 1 year or in aggregate in relevant 4 AYs; and
  - o Income escaping assessment is represented in form of assets;
- It is also proposed to omit clause (c) of Sec 197 of the Finance Act, 2016 relating to unfattered power to tax income/asset related to period beyond 6 PYs.

c. Penalty on professionals for furnishing incorrect information in statutory report or certificate (w.e.f. 01-Apr-2017)

- In order to ensure due diligence on the part of professionals, a new section 271J is proposed to be inserted so as to provide that if professionals furnish incorrect information in a report or certificate, the Assessing Officer or the CIT(Appeals) may levy penalty of ₹ 10,000 for each such report or certificate. Amendment is also proposed in Sec 273B which provides that if such professional proves that there was reasonable cause for such failure then penalty shall not be imposable.

d. Non- levy of interest u/s. 234C to dividend income from domestic company.

- It is proposed that interest for short payment of advance tax installments u/s. 234C shall not be applicable to dividend income from domestic company referred to in Sec 115BBDA.

e. Interest on refund due to tax deductor – Sec 244A (1B)

- It is proposed that the tax deductor will be entitled to a simple interest at the rate of 0.5% percent on refund for every month or part thereof:
- in the case of an order passed in appeal, from the date on which tax is paid till the date on which the refund was granted.
- in other cases, from the date of claim of refund in the prescribed form.

f. Rectification for claim of foreign tax credit – Sec 155

- It is proposed that rectification u/s. 155 can be carried out in a case where the credit for foreign taxes paid were not allowed in the assessment on the grounds that payment for such tax was under dispute and the assessee within 6 months from the end of month in which dispute is settled furnishes evidence of settlement of dispute alongwith a declaration.

g. Reduction in time-limit for filing revised return – Sec 139(5)

- The time limit for filing revised return is proposed to be reduced from "one year of completion of assessment year" to "completion of assessment year".

h. Rationalization of power to call for information – Sec 133 (w.e.f. from 01-Apr-2017)

- The power to call for information for the purpose of any inquiry or proceeding has been proposed to be extended to the Joint

Director, the Deputy Director and the Assistant Director without seeking approval of higher authorities.

i. Processing of return u/s.143(1) & issue of refund in case of scrutiny (w.e.f. 01-Apr-2017)

- In order to address the grievance of delay in issue of refund in genuine cases, it is proposed to remove the provision for non-processing of return u/s. 143(1) where the case has been selected for scrutiny.
- Further, a new Sec is proposed to be introduced which provides that where in the opinion of AO, the grant of refund is likely to adversely affect the revenue, the AO may withhold the refund determined u/s. 143(1) upto the date on which assessment is made subject to the following conditions:
  - o reasons to be recorded in writing, and
  - o previous approval of Pr. CIT or CIT.

j. Revision in power of provisional attachment of authorized officer (w.e.f. 01-Apr-2017)

- It is proposed that the authorized officer can provisionally attach the property of the assessee under search for a period of 6 months. It is also proposed to allow the authorized officer to make a reference to the Valuation Officer to value the property.

k. The following amendments are proposed in time limits for completion of search and non-search assessments

Type of Assessment	***Time Limit***		***Applicability of new proposal***
	Earlier	***Proposed***	
Regular assessment u/s. 143(3) and Best judgement assessment u/s. 144	21 months from the end of the AY	18 months from the end of AY	AY 2018-19
		12 months from the end of AY	AY 2019-20 onwards
Reassessment u/s. 147	9 months from the end of the FY in which notice u/s. 148 was served	12 months from the end of FY in which notice u/s. 148 was served	Notice u/s. 148 served on or after 01-Apr-2019
Fresh assessment in pursuance of an order u/s. 254 or u/s. 263 or u/s. 264	9 months from the end of the FY in which order is received or passed	12 months from the end of FY in which order is received or passed	Order passed or received on or after 01-Apr-2019

Type of Assessment	Time Limit		Applicability of new proposal
	Earlier	Proposed	
Block assessment u/s. 153A	21 months from the end of the FY in which last of the authorization for search or requisition was executed	18 months from the end of FY in which search was concluded	Search and seizure conducted in AY 2018-19
		12 months from the end of FY in which search was concluded	Search and seizure conducted in AY 2019-20 onwards
Assessment u/s. 153C	21 months from the end of the FY in which last of the authorization for search or requisition was executed OR	18 months from the end of FY in which last of the authorization for search or requisition was executed OR 12 months from the end of FY in which books / documents / assets handed over to jurisdictional A.O.	Search and seizure conducted in AY 2018-19
	9 months from the end of the FY in which books / documents / assets handed over to jurisdictional A.O.	12 months from the end of FY in which last of the authorization for search or requisition was executed OR 12 months from the end of FY in which books / documents / assets handed over to jurisdictional A.O.	Search and seizure conducted in AY 2019-20 onwards

TAX DEDUCTION/COLLECTION AT SOURCE (TDS/TCS)

a. Insertion of New Section 194-IB (w.e.f. 01-Jun-2017)

- It is proposed that individual and HUF who are not liable to tax audit u/s. 44AB will be required to deduct tax at the rate of 5% on rent exceeding ₹ 50,000 for a month or part of a month, payable to a resident.
- Certain other provisions are also proposed to facilitate easy compliance and remove hardship of the assessee's.

b. TDS on monetary consideration under Joint Development Agreement – New Section 194-IC [w.e.f. 01-Apr-2017]

- TDS proposed at the rate 10% on monetary consideration payable under Joint Development Agreement to residents.

c. Tax deduction at source on fees for professional and technical services - Sec 194J (w.e.f 01-Jun-2017)

- It is proposed to reduce TDS rate to 2% instead of 10% for payments made to call centers.

d. Amendments relating to TCS provisions (w.e.f. AY 2017-18)

- No Tax shall be collected at source in respect of cash sale of Jewellery. This amendment is proposed in view of the wider provisions restricting cash transactions for all assessee.
- Currently, TCS provisions are also applicable on cash sale of bullion and other goods. It needs to be clarified whether jewellery would still get covered within 'other goods'.

e. Furnishing PAN under TCS regime – Sec 206CC (w.e.f. 01-Apr-2017)

- It is proposed to insert new Sec 206CC to provide that the person paying any sum or amount (collectee) on which tax is collected at source under Chapter XVIIBB shall be responsible to furnish PAN to the person collecting tax (collector), else the tax shall be collected at twice the rate mentioned in the relevant Sec or at the rate of 5%, whichever is higher.

OTHERS

a. Tax on income from transfer of Carbon Credits

- New Sec 115BBG is proposed to be inserted, to tax income from transfer of carbon credit at the rate of 10%, without providing any deduction of any expenditure or allowance.

b. Restriction on set-off of losses from House Property

- It is proposed to restrict the setoff of loss under the head "Income from House Property" against any other head of income to the extent of ₹ 2 Lakhs. Unabsorbed loss shall be allowed to be carried forward as per the existing provisions.

c. Relaxations on carry forward of losses of eligible start-ups

- The condition of continuous holding of 51% voting rights for carry forward of losses is proposed to be relaxed as long as the original investment of promoter is not diluted in case of eligible start-ups referred to in Sec 80-IAC.

d. Taxability of Dividends u/s. 115BBDA

- It is proposed to widen the scope of super-rich tax on dividend income at the rate of 10% to all resident assesses except domestic companies, certain funds, trusts, institutions etc.

e. Exemption in respect of partial withdrawal from National Pension Scheme – Sec 10(12A)

- In order to provide further relief to an employee subscriber of National Pension Scheme, it is proposed to amend Sec 10(12A) thereby providing exemption on partial withdrawal upto 25% of total contribution made by employee.

f. Widening scope of Income from other sources (w.e.f. 01-Apr-2017)

- In order to prevent the practice of receiving sum of money or property without consideration or for inadequate consideration in the hands of assessee other than individual and HUF, it is proposed to insert a new clause (x) in sub-Sec 2 of Sec 56 to include all the assessees within the ambit of this provision in place of clause (vii) and (viib) of sub Sec 2 of Sec 56 of the Act.

g. Rationalizing Deduction from Income from Other Sources- Sec 58

- With a view to improve compliance of provisions relating to deduction of TDS, it is proposed to amend Sec 58 so as to provide that in respect of expenses claimed u/s. 57 of the Act, the provision of Sec 40(a)(ia) shall apply in computing income under the head "Income from Other Source" as they apply in computing the income under the head "Profit and Gains of Business and Profession.

INDIRECT TAX PROPOSALS

(Changes to come into effect immediately unless otherwise specified)

CUSTOMS

I. Tariff Items

a. Change in Effective BCD Rates (Notification No. 5/2017–Customs)

Description of Goods	*Old BCD*	*New BCD*
Items required for initial setting up of fuel cell based system for generation of power, subject to conditions prescribed	10% / 7.5%	5%
Items required for balance of systems operating on biogas or bio-methane or by product hydrogen, subject to conditions prescribed	10% / 7.5%	5%
Cashew nut, roasted, salted or roasted and salted	30%	45%

b. Change in Effective Duty Rate (Notification No. 12 / 2012 – Customs)

Chapter / CTH	*Description of Goods*	*Duty Type*	*Old Rate*	*New Rate*
27111100	Liquefied natural gas (LNG)	BCD	5%	2.5%
28182090	Clay 2 Powder (Alumax) for use in ceramic substrate for catalytic convertors (*)	BCD	10%	5%
32019020	Myrobalan fruit extract	BCD	7.5%	2.5%
32012000	Wattle extract	BCD	7.5%	2.5%
38159000	Catalyst for use in manufacture of cast components of Wind Operated Electricity Generator (*)	BCD	7.5%	5%
39094090	Resin for use in manufacture of cast components of Wind Operated Electricity Generator (*)	BCD	7.5%	5%

Chapter / CTH	Description of Goods	Duty Type	Old Rate	New Rate
5404 19 90	Nylon monofilament yarn for use in Monofilament long line systems for tuna fishing (#)	BCD	7.5%	5%
70	Solar tempered glass or solar tempered (anti reflective coated) glass for manufacture of Solar cells/panels/modules (*)	BCD	5%	NIL
7106 92	Silver medallions and coins having silver content not below 99.9%, other semi-manufactured forms of silver or articles of silver	CVD	Nil	10%
7208	Hot rolled coils for use in the manufacture of welded tubes and pipes falling under heading 7305 or 7306 (*)	BCD	12.5%	10%
7225 19 90	Magnesium Oxide (MgO) coated cold rolled steel coils steel (CRGO) falling under 7225 11 00 (*)	BCD	15%	5%
7212 40 00	Co-polymer coated MS tape/ stainless steel tape for manufacture of telecommunication grade optical fibres or optical fibre cables (*)	BCD	15%	10%
75	Nickel and articles	BCD	2.5%	NIL
8483 40 00	Ball screws for use in the manufacture of all types of CNC machine tools falling under headings 8456 to 8463 (*)	BCD	7.5%	2.5%
8466 93 90	Linear motion suides for use in the manufacture of all types of CNC machine tools falling under headings 8456 to 8463 (*)	BCD	7.5%	2.5%
8537 10 00	CNC Systems for use in the manufacture of all types of CNC machine tools falling under headings 8456 to 8463 (*)	BCD	10%	2.5%

Chapter / CTH	Description of Goods	Duty Type	Old Rate	New Rate
84 and 85	Micro ATMs as per standards version 1.5.1, fingerprint reader / scanner and Iris Scanner and miniaturised POS card reader for mPOS (other than Mobile phone or Tablet Computer) on parts and components for manufacture of these devices (*)	BCD	7.5%	NIL
Any Chapter	All parts/inputs used in the manufacture of LED Lights or fixtures including LED Lamps, LED Driver or metal core printed circuit board ($)	BCD	10%	5%

(This list of changes in rates of duties is illustrative and not exhaustive)

(*) Subject to actual user conditions, ($) Subject to importer follows prescribed procedure.

(#) Subject to certain conditions prescribed.

c. Other Changes in SAD (Notification No. 21/2012–Customs)

Chapter or CTH	Description of Goods	Old Rate	New Rate
3815 90 00	Catalyst use in manufacture of cast components Wind Operated Electricity Generator (*)	4%	NIL
3909 40 90	Resin use in manufacture of cast components Wind Operated Electricity Generator (*)	4%	NIL
8517 70	Populated Printed Circuit Board's (PCB's) for use in manufacture of mobile phones (*)	4%	2%

** Following goods will attract SAD till 30-Jun-2017 at the given rates.*

Chapter or CTH	Description of Goods	Export Duty Rate
2606 0090	Other aluminium ores, including laterite	15%
2606 0090	All goods, other than goods mentioned at serial number 24E	Nil

d. Other Changes

- Condition 40A amended to levy duty on goods falling under CTH 84 or any other CTH whereby goods are imported for petroleum or coal bed methane operations by availing exemption and which are not required anymore, can be disposed by paying customs duties on depreciated value calculated as per straight line method (depreciated value not to be less than 30% of original value) of such goods. Applicable in case of domestically manufactured goods supplied against international competitive bidding at Nil excise duty.

- Manufacturer of leather footwear or synthetic footwear or other leather products can now import duty free buckles; 'D' rings; eyes; rivets; studs; etc. upto 5% of FOB value of goods exported during preceding financial Year.

II. Non-Tariff

- Definition of Beneficial Owner introduced to include any person on whose behalf goods are being imported or exported or who exercises effective control over goods being imported or exported (Effective from enactment of the Finance Bill, 2017).
- In case of Self-Assessment, customs officer is being empowered to ask any document or information required to ascertain levy of duty on import or export of goods (Effective from enactment of the Finance Bill, 2017).
- Provision of Unjust Enrichment not to apply in case of refund where duty has been paid in excess and such excess payment is evident from bill of entry or in case of reassessment, reassessed bill of entry (Effective from enactment of the Finance Bill, 2017).
- Facility of storage of goods imported for home consumption in public warehouse, pending clearance is now extended to imported dutiable goods, entered for warehousing. However, earlier benefit to deposit in private warehouse removed (Effective from enactment of the Finance Bill, 2017).

CENTRAL EXCISE

I. Tariff Items Rates

a. Standard as valorem duty rate

- No change in standard ad valorem rate of Excise duty i.e. 12.5%.

b. Major Changes in Rate of Central Excise Duty

- **Power Generating / Bio Gas System:**

Tariff No.	*Description of Goods*	*Existing Rate*	*New Rate*
All goods	All items of machinery, including instruments, apparatus and appliances, transmission equipment and auxiliary equipment (including testing and quality control) and components	12.5%	6% *
* Subject to fulfillment of conditions specified in Notification no. 5/2017-CE dated 02-Feb-2017.			

- **Glass and Glassware:**

Tariff No.	*Description of Goods*	*Existing Rate*	*New Rate*
70	Solar tempered glass for use in manufacture of: a. solar photovoltaic cells or modules; b. solar power generating equipment or systems; c. flat plate solar collectors; d. solar photovoltaic module and panel for water pumping and other applications (Subject to fulfillment of specified conditions)	Nil	6%
Any Chapter	Parts / Raw material for use in manufacture of Solar tempered glass for use in: a. solar photovoltaic cells or modules; b. solar power generating equipment or systems; c. flat plate solar collectors; d. solar photovoltaic module and panel for water pumping and other applications. (Subject to fulfillment of Specified conditions)	12.5%	6%

- **Machinery and Equipment:**

Tariff No.	*Description of Goods*	*Existing Rate*	*New Rate*
84 or 85	(i) Micro ATMs as per standards version 1.5.1; (ii) Fingerprint reader / scanner; (iii) Iris scanner; (iv) Miniaturised POS card reader for mPOS (other than mobile phone or tablet computer); (v) Parts and components for use in the manufacture of the goods mentioned at (i) to (iv) above	Applicable Duty	Nil (Note 1 items covered sr. no. v)
85 or 94	All parts for use in the manufacture of LED lights or fixtures including LED lamps	6%	6% (Note 1)
Any Chapter	Parts (except solar tempered glass) consumed within the factory of production for the manufacture of goods specified in List 8 (Note 2)	Nil	Nil

Note: 1. Fulfillment of conditions of removal of goods at concessional rate of duty for manufacture of excisable goods rules, 2001.

2. Entry substituted "parts (except solar tempered glass)".

- **Motor Vehicles:**

Tariff No.	*Description of Goods*	*Existing Rate*	*New Rate*
87029021, 87029022, 87029028 & 87029029	Motor Vehicle for transport of more than 13 persons	12.5%	12.5% *

* *Rate of duty 27% applicable from 01-Jan-2017 to 10-Jan-2017. Now tariff rate of excise duty of 12.5% as against 27% retrospectively amended from 01-Jan-2017.*

- **Jewellery:**

Tariff No.	*Description of Goods*	*Existing Rate*	*New Rate*
7105 or 7112	Waste and scrap of precious metals or metals clad with precious metals, arising in course of manufacture of goods falling in Chapter 71	Nil	Nil *
	Strips, wires, sheets, plates and foils of silver	Nil	Nil *
	Articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire	Nil	Nil *
	Silver coin of purity of 99.9% and above, bearing a brand name when manufactured from silver on which appropriate duty of customs or excise has been paid	Nil	Nil *
** Condition that no CENVAT credit is availed under Rule 3 on input, input service and capital goods.*			

- **Miscellaneous:**

Tariff No.	*Description of Goods*	*Existing Rate*	*New Rate*
38159000	Catalyst for use in manufacture of cast components of Wind Operated Electricity Generator	Applicable Duty	Nil (Note 1)
39094090	Resin for use in manufacture of cast components of Wind Operated Electricity Generator	Applicable Duty	Nil (Note 1)
39211900	Membrane sheet and tricot / spacer for use in manufacture of Reverse Osmosis (RO) membrane for household type filters	Applicable Duty	6% (Note 2)
Note 1: Before clearance of goods, manufacturer produce certificate to the DC/AC-Central Excise, from the Government of India- Ministry of Renewable Energy recommending the grant of this exemption. 2: Fulfillment of conditions of removal of goods at concessional rate of duty for manufacture of excisable goods rules, 2001.			

II. Central Excise Act, 1944

Clarification in relations to Export Oriented Unit (EOU)

- Sec 5A(1) of Central Excise Act, 1944 provides that no exemption would be available, unless specifically provided, wherein excisable goods are produced or manufactured by an EOU and cleared to Domestic Tariff Area (DTA).

- Customs duty exemption is also not available to EOU, for goods manufactured or produced by it and cleared to DTA, even if such goods otherwise can be imported at Nil or concessional rate.

- Further, various customs and excise exemptions available to specified inputs / raw materials for use in manufacture of specified goods are not available / extended to EOU.

- Now, it is clarified that Sec 5A (1) is applicable only in case of goods manufactured / produced by EOU and is cleared to DTA. It would not be applicable in case of inputs / raw materials procured domestically and cleared to DTA.

- It is also clarified that EOU's will be eligible to import or procure raw materials / inputs at NIL or concessional rate provided conditions specified are satisfied by EOU's for availing such Nil or concessional rate.

SERVICE TAX

I. Rate of Taxes

- No Change has been proposed in Service Tax rate.

II. New Exemptions

(To be effective on the day the Finance Bill, 2017 receives assent of the President)

- Exemption available to two-year full time residential Post Graduate Programmes (PGP) in Management for Post Graduate Diploma in Management (PGDM) provided by Indian Institute of Management has been extended to two-year full time PGP whether residential or non-residential.
- Service provided to Central Government for transportation of passengers with or without accompanied belongings by air, embarking from or terminating at a Regional Connectivity Scheme Airport against consideration in the form of Viability Gap Funding (VGF).
- Above exemption will not be applicable after one year from the date of commencement of operations of Regional Connectivity Scheme Airport as notified by Ministry of Civil Aviation.

III. Amendments in Mega Exemption Notification

(To be effective from date of enactment of the Finance Bill, 2017)

- Exemption available under Negative List omitted to be included in Mega Exemption.
  - o to a process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption.
- Further exemption has been broadened to include intermediary production process as job work not amounting to manufacture or production in relation to –
  - o agriculture, printing or textile processing;
  - o cut and polished diamonds and gemstones; or plain and studded jewellery of gold /precocious materials (falling under Chapter 71 of CETA).
  - o any other goods (except alcoholic liquor) where duty is discharged by principal manufacturer;
  - o electroplating, zinc plating, anodizing, heat treatment, powder coating, painting including spray painting or auto black, during the course of manufacture of parts of cycles or sewing machines (upto aggregate value of ₹ 1.5 Crores in a FY) subject to that such value has not exceeded ₹ 1.5 Crores in previous FY.

IV. Exemption from Retrospective Date

(To be effective from date of enactment of Finance Bill, 2017)

- One Time upfront amount for Long Term Lease.
  - o Government vide its Notification No. 41 / 2016-ST dated 22-Sept-2016 has exempted long term lease of Industrial Plots granted by State Government Industrial Corporations / Undertakings to industrial units from service tax applicable on one time upfront amount (called as premium, salami, cost, development charges).
  - o The exemption has been now granted from period 01-Jun-2007 till 21-Sept-2016.
  - o Refund application for amount paid earlier needs to be made within six months.
- Services of Army, Naval and Air Force Group Insurance Funds.
  - o Exemption being granted to services of Army, Naval and Air Force Group Insurance Funds provided by way of Life Insurance to members of Army, Navy and Air Force under

the group insurance scheme of Central Government (to be effective from the day Finance Bill, 2017 receives assent of the President).

- o Exemption has also been granted from 10-Sept-2004, the date from which the service of life insurance became taxable.
- o Refund application for amount paid earlier needs to be made within six months.

V. Determination of Valuation Rules - Works Contracts - Amended

(*To be effective from enactment of the Finance Bill, 2017)*

- Rule 2A of Service Tax (Determination of Value) Rules, 2006 is being amended with effect from 01-Jul-2010 as to make clear that the value of service portion in execution of works contract involving transfer of goods and land or undivided share of land, as the case may be, shall not include value of property in such land or undivided share of land.

VI. CENVAT Credit Rules –Amendment

- Banks and Financial Institution, who have opted for CENAVT Credit reversal provision under Rule 6(3) and 6(3A) (opts not to follow 50% reversal of CENVAT Credit - Rule 6(3B)), will now be required to include value of exempted services for services provided by way of extending deposits, loans or advances so far as the consideration is represented by way of interest or discounts.
- Earlier time limit was not prescribed to Central Excise officer to transfer CENVAT credit due to shift of factory or premises by manufacturer or provider of output service or factory / premises is transferred on account of change in ownership, sale, merger, amalgamation, lease or transfer.
  - o Now time limit has been prescribed whereby jurisdictional Deputy / Assistant Commissioner would be required to transfer CENVAT Credit within a period of 3 months from the date of receipt of application.
  - o Above period may be extended to 6 months on sufficient cause being shown and approved by Principal Commissioner or Commissioner of Central Excise.

MISCELLANEOUS:

(To be Effective from date of enactment of the Finance Bill, 2017)

- Advance Ruling Authority under Customs, Excise and Service tax has been proposed to be changed and to be same as Advance Ruling Authority u/s. 245-O of the Income Tax Act, 1961;
    - o All pending matters before current Authority on the day of enactment of Finance Bill, 2017 would be transferred to Advance Ruling Authority under Income Tax.
    - o Application Fees for Advance Ruling has been increased from ₹ 2,500 to ₹ 10,000.
    - o Time limit to pronounce Advance Ruling has been increased from 90 days to 6 months.
- Settlement Commission under Customs and Excise - Person other than assessee is enabled to make an application before Settlement Commission.
    - o Settlement Commission is now enabled to amend its order to rectify any error apparent the face of record.
- Research and Development Cess Act, 1956 ("RnD Cess") is proposed to be repealed.
    - o Previously, RnD Cess was levied on all payments made towards Import of Technology by an industrial concern and benefit of such cess paid was allowed as deduction from service tax liability so payable.
    - o From 01-Apr-2017, only service tax will be levied on all payments made towards Import of Technology. This may also result in increase in availment of CENVAT Credit.

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KEY POLICY CHANGES FY 2016-17

FEMA/ RBI

- Framework of External Commercial Borrowings (ECB) Policy amended wherein medium and long term foreign currency denominated ECB with Minimum Average Maturity (MAM) of 3/5/10 years as well as Indian Rupee denominated ECB with MAM of 3/5 years permitted.
- Startups allowed to raise ECB subject to certain conditions. [A.P. (DIR Series) Circular No. 13 dated 27-Oct-2016].
- Penalties/ Compounding procedure on account of non-compliances disclosed. [A.P. (DIR Series) Circular No. 73 dated 26-May-2016].
- Limit of foreign investment in Insurance and Pension Sector increased from 26% to 49% under automatic route subject to certain conditions. [DIPP Press Note 1 and 2 (2016 series)].
- 100% FDI is permitted in market place model of e-commerce (B2B) under automatic route subject to certain conditions. However, FDI is not permitted in inventory based model of e-commerce (B2C). [DIPP Press Note 3 (2016 series).
- Relaxation in FDI Policies in the following sectors subject to conditions [DIPP Press Note 5 (2016 series)].

Sr. No.	***Sector***	***Relaxations***
1	Manufacturing of food products	100% FDI under Government Approval Route in respect of trading of food manufactured and/ or produced in India
2	Pharmaceutical - Brownfield	100% FDI permitted: 74% under Automatic Route and beyond under Government route
3	Private Security Agencies	FDI upto 74% permitted: 49% under Automatic Route and beyond under Government route
4	Single Brand Retail Trading (SBRT)	Mandatory local sourcing norm not applicable upto 3 years from commencement of business i.e. opening of the first store for entities undertaking SBRT of products have 'state of art' and 'cutting-edge' technology and where local souring is not possible

- 100% FDI allowed under Automatic route in Other Financial Services activities regulated by RBI, SEBI, IRDA, Pension Fund Regulatory and Development Authority (PFRDA), National Housing Bank (NHB) subject to certain conditions. [DIPP Press Note 6 (2016 series)].

OTHER MAJOR DEVELOPMENTS

- Key Tax treaties Mauritius, Cyprus and Singapore renegotiated. Capital gains exemption removed.
- Final guidelines for POEM framed.
- New major laws brought into force related to Insolvency, Benami Property Laws and RERA.

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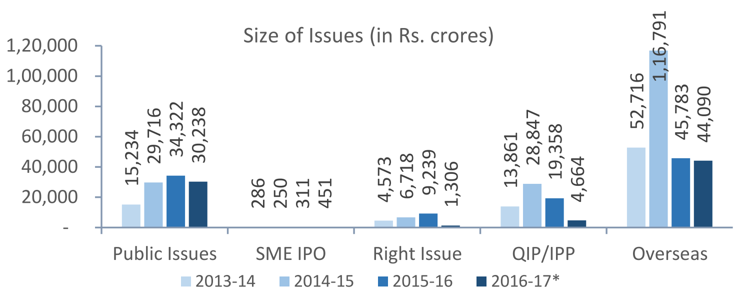
CAPITAL MARKET

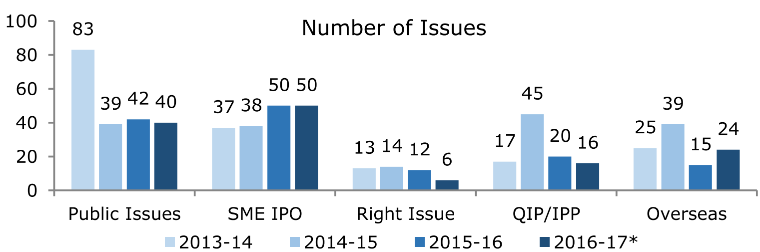
PRIMARY EQUITY MARKETS

- The Indian stock market has selectively performed during 2016. It has also been an excellent year for IPOs as Indian companies have raised $4.5 Bn from IPOs so far. Some of the major IPOs included those of ICICI Prudential, Advanced Enzyme Technologies, Quess Corp., RBL Bank, Laurus Labs, etc.

- First half of the year saw equity markets getting stimulus for growth from above average monsoon forecasts as well as from GST bills getting passed in both houses. But then the market lost its momentum in second half of the year, due to bearish sentiments unleashed by twin events of demonetisation and Donald Trump getting elected as US President.

- Indian IPO activity is expected to see a blockbuster end to the financial year, with the pipeline looking good for FY 2017-18. This is supported by an upbeat economic sentiment, improved business confidence, easing inflationary pressure and stable foreign direct investment inflows.





** Up to 31-Dec-2016* *Source: Prime Database*

SECONDARY MARKETS

- Other types of capital raising have punctuated the year – a block trade here and a qualified institutional placement there – but listings are what drove the year's strong performance.
- Foreign Institutional Investors (FIIs) have pulled out more than $3 Bn from the country's secondary market in 2016, the highest in the last 8 years in terms of foreign investments. However the consistent inflows by Domestic Institutional Investors (DIIs) have supported the market and cushioned the negative impact of FIIs outflows.
- Foreign Portfolio Investors (FPIs) have purchased stocks worth about ₹ 20,566 Crore in 2016, but sold bonds to the tune of more than ₹ 43,646 Crores, resulting in net outflows of ₹ 23,080 Crores ($3.2 Bn), according to depository data.
- Surprisingly, it is the debt instruments that have taken the biggest hit, after remaining a preferred investment avenue for foreign funds in recent years, while equities continued to attract net inflows but not enough to compensate the huge outflows from the bond market.
- The inflationary tendencies on the back of rising bond yields in the developed world bond market coupled with a resilient recovery in crude have led to profit booking. Dollar strength and expectations of rate hike by the US Federal Reserve, the surprising US presidential outcome and the demonetisation drive, which created domestic cash crunch, sparked intense selling pressure in the capital markets.
- The uncertainties are expected to settle down and reforms will start counting in for the economy in the second half of 2017, accelerating the growth momentum.
- 2016 has seen AUM of the Indian MF Industry grew from ₹ 3.26 trillion as on 31-Mar-2007 to ₹ 16.50 trillion as on 30-Nov-2016, which is the highest AUM ever - a five-fold increase in a span of less than 10 years. India's AUM to GDP ratio is poor compared to its developing counterparts such as Russia and Brazil. So, there is huge scope of growth in India and demonetization effect should see huge inflows in MF AUMs as cash in the economy moves to banks and then to MFs for deployment.

M&A AND PE ACTIVITY

- Some hits and some misses – on one hand, while the mergers and acquisitions (M&A) market looked up in 2016 leaving the investor fraternity a happy lot, private equity (PE) and venture capital (VC) activity witnessed a slowdown, leaving fund managers gasping for more.

- The M&A landscape in India witnessed a big boost in 2016 with the return of some big-ticket transactions that led to the overall M&A values being the highest in the last 5 years. As per data, as many as 668 M&A deals were sealed worth ₹ 1,76,868 Crores ($26.3 Bn) between Jan and Sept 2016. In terms of value it signals a wave of consolidation, specifically in energy and natural resource, manufacturing and telecom sectors. The average deal size increased from ₹ 181 Crores in CY 2015 to ₹ 265 Crores in CY 2016(*).
- A summary is as follows: Value in ₹ in Crores

Deal Summary Year	Volume (No.)		Value		Avg. Deal Value	
	CY 2015	CY 2016*	CY 2015	CY 2016*	CY 2015	CY 2016*
Domestic	513	398	69,727	120,378	136	302
Cross Border						
- Inbound	272	154	65,114	41,695	239	271
- Outbound	145	116	33,795	14,795	233	128
Total M & A	**930**	**668**	**168,636**	**176,868**	**181**	**265**

**2016YTD represents the period 1-Jan-16 to 30-Sept-16.*

Average US$ Exchange rate – 2015: 64.15; 2016: 67.25

- After a bumper investment year of 2015 that recorded the highest number of private equity (PE) deals worth a whopping ₹ 1,10,983 Crores ($17.3 Bn) in India, risk capital investors infused ₹ 1,02,220 Crores ($15.2 Bn) across 620 deals in 2016, making it the second biggest year for investments in India. Even as the volume and value of investments in 2016 fell from 2015, it was much expected as the flurry of investments in 2015 was due to the increased number of startup deals that year.
- In 2016, as many as 405 venture deals were sealed worth ₹ 9,415 Crores ($1.4 Bn), while the amount stood higher at ₹ 12,830 Crores ($2 Bn) for 512 deals in 2015.

DEBT CAPITAL MARKETS

- As of 31-Jan-2017, the G Sec – 5 year decreased by 86 basis points and 10 year bonds yield by 104 basis points to 6.41% from levels, respectively from 31-Mar-2016. This is due to significant reduction in inflation and appropriate RBI policy actions. The 10 years credit spread has shown slight increase in case of AAA spread and more than 25% rise in case of AA+ spread, while 5 years has come down from 55 to 44 in case of AAA spread and remain stable in case of AA+ spread.

Particulars	5 year			10 year		
	Mar-15	Mar-16	Mar-17*	Mar-15	Mar-16	Mar-17*
G Sec	7.74%	7.44%	6.58%	7.74%	7.46%	6.41%
AAA spread (bps)	47	55	44	43	71	79
AA+ Spread (bps)	51	67	67	50	86	108

** As on 31-Jan-2017* *Source: Research Report*

- Improved market sentiment and the passing of the new bankruptcy code encouraged foreign and domestic fund managers to bet big in the space. There has been a dip in public issues, private placement and commercial paper of debt in 2016 (data is for 9 months) as depicted in the table below:

Value in ₹ in Crores

Particulars	FY 2014-15		FY 2015-16		FY 2016-17	
	No.	Value	No.	Value	No.	Value
Public Issues*	25	9,713	20	33,812	12	27,097
Private Placement*	2298	482,635	4,935	982,789	2,189	478,338
Commercial Paper#	4,976	589,412	6,135	859,367	4,956	768,824
Total	**7,299**	**1,081,760**	**11,090**	**1,875,968**	**7,157**	**1,274,259**

** As on 31-Dec-2016, # As on 20-Jan-2017* *Source: Prime Database*

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SECTORAL ANALYSIS

Agriculture — Positive

Budget Proposals

- Target for agricultural credit in FY 2017-18 has been fixed at a record level of ₹ 10 Lakh Crores.
- Government committed to double farmer income in five years.
- Government to support NABARD for computerisation and integration of all 63,000 functional Primary Agriculture Credit Societies with the Core Banking System of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of ₹ 1,900 Crores.
- Coverage under Fasal Bima Yojana Scheme will be increased from 30% of cropped area in FY 2016-17 to 40% in FY 2017-18 and 50% in FY 2018-19.
- Dairy Processing and Infrastructure Development Fund to be set up in NABARD with a corpus of ₹ 2,000 Crores and will be increased to ₹ 8,000 Crores over 3 years.
- MGNREGA allocation to be the highest ever at ₹ 48,000 Crores in FY 2017-18.

Impact

- Agro economy benefits from a targeted allocation and focus on the farmer's income rather than diffused spending on the sector as a whole.
- Government spending in schemes such as MNREGA & Pradhan Mantri Awas Yojna is highest-ever. This is a boost for core sectors such as rural, agriculture, steel, manufacturing etc. and is expected to convert into increase in consumption in rural India.
- Proposal to increase area coverage under crop insurance to 50% by FY 2018-19 will aid in improving the asset quality in agri sector as the adverse impact of crop failures on loan servicing abilities of farmers can be reduced.

Housing & Real Estate — Positive

Budget Proposals

- Affordable housing gets infrastructure status.
- National Housing Bank will refinance individual housing loans of about ₹ 20,000 Crores in FY 2017-18.
- 1 Crore houses to be completed by FY 2017-18 for the homeless.

- Under the scheme for profit-linked income tax deduction for promotion of affordable housing, carpet area instead of built up area of 30 and 60 Sq.mtr. will be counted.
- Reduction in the holding period for computing long term capital gains from transfer of immovable property from 3 years to 2 years. Also, the base year for indexation is proposed to be shifted from 1-Apr-1981 to 1-Apr-2001 for all classes of assets including immovable property.

Impact

- Increased participation from private players in the affordable housing segment.
- Will act as a catalyst to meet the objectives of housing to all by 2022.
- Credit off-take towards affordable segment of housing will lead to creation of supply especially for both stake holders the first home buyer and developer who will now have access to cheaper funding.
- The move to provide clarity for taxation of Joint Development Agreement to the date of completion of project would provide a great fillip to unlocking land for development and reduce litigation.

Infrastructure / Transportation / Oil & Gas — Positive

Budget Proposals

- In the road sector, budget allocation for highways increased from ₹ 57,976 Crores in BE 2016-17 to ₹ 64,900 Crores in FY 2017-18.
- For transportation sector as a whole, including rail, roads, shipping, provision of ₹ 2,41,387 Crores has been made in FY 2017-18.
- Second phase of Solar Park development to be taken up for additional 20,000 MW capacity.
- To set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. This will take strategic reserve capacity to 15.33 MMT.
- Propose to create an integrated public sector 'oil major' which will be able to match the performance of international and domestic private sector oil and gas companies.

Impact

- Consolidation in the oil & gas space a great positive.

- Increased focus on transportation sector, which has a higher multiplier effect on the economy also will contribute to GDP growth.

Banking, Finance and Insurance — Positive

Budget Proposals

- Foreign Investment Promotion Board to be abolished in FY 2017-18 and further liberalisation of FDI policy is under consideration.
- To double the lending target of Pradhan Mantri Mudra Yojana and set it up at ₹ 2.44 Lakh Crores.
- 5% TDS insurance agents removed.
- FPI to be exempt from indirect transfer provision.
- Government to further liberalise FDI policy.
- Listing and trading of Security Receipts issued by a securitization company or a reconstruction company under the SARFAESI Act will be permitted in SEBI registered stock exchanges.
- Banks have targeted to introduce additional 10 Lakh new POS terminals by Mar-2017. They will be encouraged to introduce 20 Lakh Aadhar based POS by Sept-2017.
- In line with the 'Indradhanush' roadmap, ₹ 10,000 Crores for recapitalisation of Banks provided in FY 2017-18.

Impact

- Abolition of FIPB would lead to seamless approval through 100% automatic route, unless there is an alternate institution being planned to set up, in turn speeding the entire process.
- Listing and trading of Security Receipts will enhance the liquidity and volume and also the capital flows into the securitization industry. Eventually, it will help banks to liquidate its NPA assets in a much faster manner.

Manufacturing — Neutral

Budget Proposals

- For creating an eco-system to make India a global hub for electronics manufacturing a provision of ₹ 745 Crores in FY 2017-18 in incentive schemes like M-SIPS and EDF.

Impact

- Direct correlation to employment generation and therefore demand for housing in and around the identified manufacturing nodes.

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This document summarizes the proposals of the Union Budget 2017 and the recent key policy announcements
Expert guidance may be sought before acting upon the proposals