2018

Chokshi Group (India)

Keeping you ahead…

FOREWARD

Indian economy is now 2.5 trillion dollar economy in the world and expected to become the fifth largest economy very soon, International Monetary Fund (IMF) has projected that India will grow at 7.4% next year. Exports are expected to grow at 15% in 2017-18. India is set to achieve high growth.

The country's exports are slated to report a 15% growth this fiscal year and the economy is expected to grow at more than 7% next fiscal year.

The Finance Minister projected a Fiscal Deficit of 3.3% of GDP for the year 2018-19. The Revised Fiscal Deficit estimates for 2017-18 were put at Rs. 5.95 lakh crore at 3.5% of GDP.

SECTOR HIGHLIGHTS

INFRASTRUCTURE AND FINANCIAL SECTOR DEVELOPMENT

- Increase of budgetary allocation on infrastructure for FY 2018-19 to Rs.5.97 lakh crore against estimated expenditure of Rs.4.94 lakh crore in FY 2017-18.
- To further boost tourism, the Budget proposes to develop ten prominent tourist sites into Iconic Tourism destinations by following a holistic approach involving infrastructure and skill development, development of technology, attracting private investment, branding and marketing.
- Under the Bharatmala Pariyojana, about 35,000 kms road construction in Phase-I at an estimated cost of Rs.5.35 Lakh Crore has been approved.

EDUCATION

- Setting up of Ekalavya Model Residential School on par with Navodaya Vidyalayas to provide the best quality education to the tribal children in their own environment by 2022 in every block with more than 50% ST population.
- At least 20,000 tribal persons with special facilities for preserving local art and culture besides providing training in sports and skill development.
- A major initiative named Revitalizing Infrastructure and Systems in Education (RISE) by 2022 with a total investment of Rs.1,00,000 Crore in next four years was announced.
- To improve the quality of teachers an integrated B.Ed. programme for teachers will be initiated.
- Allocation on National Social Assistance Programme this year has been kept at Rs. 9975 crore.

AGRICULTURE

- Volume of institutional credit provided to the agriculture sector on year-to-year has increased from Rs.8.5 lakh crore in 2014-15 to Rs.10 lakh crore in 2017-18 and it is proposed to raise this to Rs.11 lakh crore for the year 2018-19.
- Setting up an agricultural market fund of Rs 2,000 crore. These reforms are clearly aimed at putting a smile on the farmer's face and encouraging him to continue doing what he does for the country.
- Extend kisan credit card to fisheries & animal husbandry farmers and allocate Rs 10,000 crore for fisheries & aquaculture, animal husbandry funds.
- Allocated Rs 10,000 crore for fisheries, aquaculture and animal husbandry funds. This is going to go a long way in improving the standard of animal rearing in the country and may even significantly improve the quality of meat available in the market.
- A new Scheme “Operation Greens” was announced with an outlay of Rs 500 crore to address the challenge of price volatility of perishable commodities.
- Agri-Market Infrastructure Fund with amount of Rs.2,000 crore will be setup for developing and upgrading agricultural marketing infrastructure in the 22,000 Grameen Agricultural Markets (GrAMs) and 585 APMCs.
- Allocated Rs. 200 crore for organized cultivation of highly specialized medicinal and aromatic plants and organic farming by Farmer Producer Organizations (FPOs) and Village Producers Organizations (VPOs) in large clusters, preferably of 1000 hectares each will be encouraged.
- Similarly, allocation of Ministry of Food Processing has been doubled from Rs.715 crore in 2017-18 to Rs.1400 crore in 2018-19.
- Terming Bamboo as “Green Gold” the Finance Minister announced a *Re-structured National Bamboo Mission* with an outlay of Rs.1,290 crore to promote bamboo sector in a holistic manner.

RURAL

- On the loans to Self Help Groups of women (SHGs), it increased to Rs. 42,500 crore in FY 2016-17, growing 37% over previous year and expressed confidence that loans given to SHGs would increase to Rs.75,000 crore by March.
- Increased allocation of Rs. 5,750 crore for National Rural Livelihood Mission in FY 2018-19.
- Ujjwala Scheme distribution of free LPG connections will be given to 8 crore poor women instead of the previous target of 5 crore women.
- Under Saubahagya Yojana, 4 crore poor households are being provided with electricity connection with an outlay of Rs.16,000 crore.
- To fulfil target of “Housing” for all by 2022 ,more than one crore houses will be built by 2019 in rural areas, besides already constructed 6 crore toilets under Swachh Bharat Mission.
- In the FY 2018-19, for creation of livelihood and infrastructure in rural areas, total amount to be spent by the Ministries will be Rs.14.34 lakh crore, including extra-budgetary and non-budgetary resources of Rs.11.98 lakh crore.

DEFENCE

- Ensuring adequate budgetary support to the Defence Sector will be the priority of the Government.
- Emphasis has been placed on modernizing and enhancing the operational capability of the Defence Forces over the last three and a half years.
- A number of initiatives have been taken to develop and nurture intrinsic defence production capability to make the Nation self-reliant for meeting our defence needs.

HEALTH SERVICE

- Announced the world's largest government funded health care programme titled National Health Protection Scheme to cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto Rs. 5 lakh rupees per family per year for secondary and tertiary care hospitalization.
- He also committed Rs. 1,200 crore for the National Health Policy, 2017, along with 1.5 lakh for Health and Wellness Centres which will bring health care system closer to the homes of people.
- The Government also decided to allocate additional Rs.600 crore to provide nutritional support to all TB patients at the rate of Rs.500 per 10 month for the duration of their treatment. The government will be setting up 24 new Government Medical Colleges and Hospitals by upgrading existing district hospitals in the country.

FISCAL MANAGEMENT

- The Budget Revised Estimates for expenditure in FY 2017-18 are Rs. 21.57 lakh crore (net of GST compensation transfers to the States) as against the Budget Estimates of Rs.21.47 lakh crore.
- Fiscal Reform and Budget Management Committee to bring down Central Government's Debt to GDP ratio to 40%.

TRANSPORT

- Railways Capital Expenditure for the FY 2018-19 has been pegged at Rs. 1.48 Lakh crore. A large part of the Capex is devoted to capacity creation.
- Over 3,600 kms of track renewal is targeted during the current fiscal year.
- Redevelopment of 600 major railway stations is being taken up.
- Mumbai's local train network will have 90 kilometers of double line tracks at a cost of over Rs.11,000 crore.
- 150 kilometers of additional suburban network is being planned at a cost of over Rs.40,000 crore, including elevated corridors on some sections.
- A suburban network of approximately 160 kilometers at an estimated cost of Rs.17,000 crore is being planned to cater to the growth of the Bengaluru metropolis.
- The Budget proposes to expand the airport capacity more than five times to handle a billion trips a year under a new initiative - NABH Nirman. Under the Regional connectivity scheme of UDAN (Ude Desh ka Aam Nagrik) initiated by the Government last year, 56 unserved airports and 31 unserved helipads would be connected.

DIGITAL ECONOMY

- Niti Aayog to initiate a National programme to direct efforts in AI
- Various initiatives by Dept. of Science & Technology for establishing centres of research, robotics, AI, big data analysis and Internet of Things (IoT)
- Estimated fund allocation for Digital India is Rs. 3,073 Crores in FY 2018-19
- Steps to be taken to eliminate the use of Crypto-Assets
- Further, Initiatives to explore the use of block chain technology will be taken

MICRO SMALL MEDIUM ENTERPRISE

- A financial support of Rs. 3,974 Crores promised for credit support, capital and interest subsidy and in innovations of the sector.
- Proposed lending of Rs. 3 Lakh crore under MUDRA scheme has been proposed for F.Y 2018-19.
- Corporate tax rate slashed to 25% for companies having a reported turnover of Rs. 250 Crores or more.

DISINVESTMENT

- Government Disinvestment crossed target of Rs 72,500 crore to reach Rs 1,00,000 crore.
- Disinvestment target by the government for the F.Y 2018-19 is Rs. 80,000 Crores.
- The merger of National Insurance Co. Ltd., United India Assurance Co. Ltd., and Oriental India Insurance Co. Ltd. is expected in FY 2018-19.
- The government proposes to disinvest 24 Public sector units.

DIRECT TAX

INCOME TAX:

TAX RATES:

- Rate of Income Tax in case of Domestic Companies shall be 25% if the total Turnover/Gross Receipts of the previous year 2016-17 does not exceed Rs. 250 Crores and in all other cases rate of Income Tax shall be 30%.
- No change in Tax Rates for Others.
- Education Cess & Higher Secondary Education Cess is now discontinued and in its place a new cess known a "Health & Education Cess" will now be charged @ 4%.

DEDUTIONS/EXEMPTIONS:

- (i) Long Term Capital Gains exemption u/s 10(38) in respect of equity shares of a Company or a unit of an equity oriented fund or a unit of a business trust has been withdrawn and made chargeable to tax @ 10% (without indexation), if the amount of capital gain exceeds Rs. 1,00,000/-
  (ii) The amount of Capital Gain shall be: Sale Consideration less Cost of Acquisition
  Cost of acquisition would be higher of the following;
  Actual Cost of Acquisition and
  Lower of: Fair Market Value (FMV) as on 31.01.2018 or Sale Consideration
  FMV, in case of equity shares, is the highest value quoted on the recognized stock exchange and in case of units of equity oriented mutual funds and business trust, the Net Asset Value (NAV) as on 31.01.2018.
  (iii) Rebate u/s 87A shall not be allowed on tax payable on Long Term Capital Gain
  The above provisions are applicable to all assesses including FIIs and are applicable for A Y 2019-20 onwards
- Tax on Distributed income @ 10% is payable by Equity Oriented Mutual Fund

- A Trust or an institution claiming exemption u/s 11, is required to apply 85% of its income towards the objects of the trust or the institution. It is proposed that any payme nt exceeding Rs. 10,000/- in cash will not be considered as application of income and would be chargeable to tax.
- Where no tax has been deducted by the Trust or an institution claiming exemption u/s 11, 30% of such expenses would be disallowed (not considered as application of income) and charged to tax.
- Any compensation received or receivable, whether capital or revenue, with respect to termination or modification of terms and conditions shall be taxable as business income if it is in relation to business and if it is relating to employment, it will be taxable as income from other sources.
- Presumptive taxation rate for heavy goods vehicle (more than 12 Metric Tonnes gross vehicle weight) has been increased to the higher of the following.
  (i) Rs. 1,000/- per ton of gross vehicle weight or unladen weight per month or part of the month
  (ii) Actual amount earned by the assessee.
- Mediclaim premium or preventive health check-up or medical expenditure u/s 80D in case of senior citizen and very senior citizen has been increased to Rs. 50,000/-. In case of single premium covering more than one year, deduction on a proportionate basis would be allowed.
- Monetary limit u/s 80DDB in case of senior citizen and very senior citizen has been increased to Rs. 1,00,000/- for medical treatment of specified diseases.
- Deduction u/s 80TTA for Rs. 10,000/- for interest on savings account has been withdrawn in case of senior citizens and in deduction u/s 80TTB for Rs. 50,000/- for interest on savings and deposits would be allowable
- No TDS on Interest to Senior Citizens where is interest is less than or equal to Rs. 50,000/-
- Standard deduction of Rs. 40,000/- would be allowable to salaried employees. However deduction for transport allowance of Rs 1600/- per month and medical reimbursement for Rs. 15,000/- would be withdrawn.
- 100% deduction in respect of profit extended to Farm Producer Companies (FPC) having total turnover upto Rs. 100 Crores and whose income includes;
  (i) marketing of agricultural produce grown by its members;
  (ii) purchase of agricultural implements, seeds, livestock or other articles intended for agricultural for the purpose of supplying them to its members;
  (iii) processing its agricultural produce of its members.

  The said benefit shall be available for a period of five years from the FY 2018-19.
- Deduction to start-ups is eligible for 3 consecutive years out of 7 years at the option of the assessee if;
  (i) The Start-up is incorporated on or after the 01.04.2019 but before 01.04.2021;
  (ii) Requirement of turnover not exceeding Rs. 25 Crores would apply to seven previous years commencing from date of incorporation;
  (iii) Definition of eligible business has been expanded to include scalable business model with a high potential of employment generation or wealth creation.

- 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;
  a. Bond or Global Depository Receipt, as referred in section 115AC(1); or
  b. Rupee denominated bond of an Indian Company; or
  c. Derivative.
- For the unit located in an International Financial Service Center, AMT shall be charged @ 9%.
- Section 80JJA 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 first year but continues to remain employed for the minimum period in subsequent year.
- Further, the relaxation of minimum period of 240 days is reduced to 150 days in case of apparel industry, footwear and leather industry.
- Trading in agricultural commodity derivatives which are not subject to Commodity Transaction Tax (CTT) in a registered stock exchange or registered association, will be treated as non-speculative transactions.
- Any income arising to a Foreign Company on account of sale of leftover stock of crude oil, if any from a facility in India if the agreement or the arrangement is terminated in accordance with the terms mentioned therein shall be exempt subject to such conditions as may be notified by the Central Government.
- Any income arising to non-resident, not being company or a foreign company, by way of royalty or fees for technical services rendered in or outside India to, the National Technical Research Organization (NTRO) will be exempt from income tax. Consequently NTRO will not be liable to deduct TDS on such payments.
- In case of rehabilitating company, 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.
- Section 115JB 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 in section 44AB/Section 44BB/Section 44BBA/Section 44BBB and such income has been offered to tax at the rates specified in the said sections.
- Section 79 with respect to carry forward and set off of losses will not applicable to the company seeking insolvency resolution under Insolvency and Bankruptcy Code, 2016 since it involves change in the beneficial owners of shares beyond the permissible limit u/s. 79.
- Section 140 of the Act has been amended 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.
- Scrutiny Assessment Proceedings to be carried through e-assessment i.e. email based communication under new section 143(3A) of Income Tax Act, 1961.

- ❖ Options in Commodity in Futures is included in the definition of taxable commodities transaction. Commodity Transaction Tax to be paid as under:

Sr. No.	Particulars	CTT Paid by
1.	Sale of an Option on Commodity Derivative where option is not exercised	Seller
2.	Sale of an Option on Commodity Derivative where option is exercised	Purchaser

- ❖ All Companies are required to file returns on or before the due date and in case, it is not filed as required, such companies will be liable for prosecution irrespective of the fact whether it has tax liability of Rs 3,000 or not.
- ❖ Joint Director shall also be vested with the power to approve an order imposing a penalty under section 46 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015. The Assistant Director and Deputy Director is also included.
- ❖ Section 55 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 has also empowered the Principal Director General or the Director General to issue instructions or directions to the tax authorities for institution of proceedings for an offence under the Act.
- ❖ No adjustment under section 143(1) while processing on account of mismatch with Form 26AS, Form 16 and Form 16A.
- ❖ Country-by-Country Report has to be furnished, by the Parent Entity or Alternative Reporting Entity, Constituent Entity (having a non-resident parent), resident in India, within a period of 12 months from the end of reporting accounting year.
- ❖ Section 115BA with regards to certain domestic companies set up and registered on or after 01/03/2016 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 scheduler rate will continue to be so taxed.
- ❖ All subscribers are entitled to 40% of exemption on withdrawal from National Pension Scheme.
- ❖ Assessee in order to claim deduction under Chapter VI-A under the heading 'C- Deductions in respect of Certain Income' for example 80IA, 80IAB, 80-IB etc. has to file return of income within the due date as prescribed.
- ❖ Provision of Section 43CA, 50C and 56(2)(x) being amended to allow 5% of sale consideration in variation vis a vis stamp duty value. On account of location, disadvantage etc.
- ❖ Conversion of stock in trade to capital asset to be charged as business income in the year of conversion on Fair Market value on the date of conversion.
- ❖ Transaction for money or property between a wholly owned subsidiary Company and its holding company is excluded from the purview of Section 56.
- ❖ Exemption u/s 54EC of Rs. 50 Lakhs is now allowable only in case Long Term capital gains arising from sale of Land or Building or Both.
- ❖ Investment u/s 54EC Capital Gains Bonds will now have a lock in period of 5 years.

- Marked to Market losses or other expected losses computed as per ICDS only will be allowed as deduction u/s 36(1)(xviii). No other market to market losses, or expected losses will be allowed as deduction.
- Any gain or loss arising due to the effect of changes in foreign exchange rates in respect of foreign currency transaction shall be calculated as per ICDS and treated as income or loss.
- Percentage Completion method to be applied for Construction Contracts and Service Contracts.
- Contract revenue includes retention money.
- Contract Cost shall not be reduced by incidental interest, dividend and capital gains.
- Valuation of inventory at Cost or Net Realizable Value (NRV), whichever is lower as per ICDS
- Valuation of purchase and sale of goods/services to include tax, duty cess or fees actually paid or incurred.
- Unlisted/Unquoted securities to be valued at actual cost initially recognized, as per ICDS.
- Listed Securities to be valued category wise, at cost or NRV, whichever is lower.
- Interest on compensation or enhanced compensation shall be taxed in year in which it is received.
- Claim for escalation of price in a contract or export incentive to be charged to tax in year in which reasonable certainty of its realization is achieved.
- Subsidy to be taxed in year of receipt.

OTHERS:

- PAN mandatory for all persons other than an individual who enters into a financial transaction for an amount of Rs. 2,50,000/- or more in a financial year.
- In order to link financials transactions with the natural persons, all persons competent to act on behalf of such entities are required to obtain a PAN.
- The definition of accumulated profits for deemed dividend is proposed to be amended wherein the accumulated profits (whether capitalized or not) shall be increased by the accumulated profits of the amalgamating Company (whether capitalized or not) on the date of amalgamation.
- Companies to pay Dividend Distribution Tax @ 30% (without grossing up) in case of transactions covered as deemed dividend.
- Where the person fails to furnish the statement of financial transaction or reportable account within the prescribed time limit, the penalty is increased to Rs. 500/- per day of default. Where the person fails to furnish the statement of financial transaction or reportable account within the time limit specified in the notice issued, the penalty is increased to Rs. 1,000/- per day of default.
- Order passed by CIT(A) with regard to Penalty levied for furnishing incorrect information in a report or certificate is now appealable before the ITAT.

INTERNATIONAL TAX:

- OECD under BEPS Action Plan 7 has amended the definition of 'PE', consequent modification in India’s bilateral tax treaties as covered by MLI shall be applicable. This amendment prevents circumvention of existing PE definition by way of commissionaire arrangements or fragmentation of business activities.

- The existing definition of an ‘Agent’ has been expanded to cover a person who habitually plays a significant role leading to conclusion of contracts.
- “Anti-Fragmentation Rules” have been introduced to prevent the tax payer from resorting to fragmentation of functions which are in substance, a whole activity in order to avail the benefit of exemption. These rules will lead to consequential modifications in India’s Bilateral Tax Treaties with other Countries (DTAAs).
- The definition of “business connection” has been widened to include any person, acting on behalf of the non-resident, habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by the non-resident.

  It is further proposed that the contracts should be:

  (i) in the name of the non-resident; or

  (ii) for the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that the non-resident has the right to use; or

  (iii) for the provision of services by that non-resident

- **Digital Economy Tax**

  ‘Significant economic presence’ in India shall lead to presence of ‘Business Connection’ in India

  The following shall refer to “significant economic presence”:

  (i) any transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India if the aggregate of payments arising from such transaction or transactions during the previous year exceeds the amount as may be prescribed; or

  (ii) systematic and continuous soliciting of its business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means.

  This amendment will take effect from 1st April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent assessment years.

INDIRECT TAX

- Name of Central Board of Excise and Customs is being changed to Central Board of Indirect Taxes and Customs.
- **REPEAL OF CERTAIN ENACTMENTS :**
    - Additional duty of Customs & Excise on Motor Spirit commonly known as Petrol are being abolished
    - Additional duty of Customs & Excise on High Speed Diesel oil are being abolished
    - Education Cess & Secondary and Higher Education Cess on imported goods are being abolished
- **CUSTOMS TARIFF ACT, 1975 :**

FOLLOWING ARE THE CHANGE IN RATE OF BCD (RATES TO BE EFFECTIVE FROM 02.02.2018):

Sr. No	Chapter No.	Commodity	Existing Rate	New Rate
1	3303	Perfumes and toilet waters	10%	20%
2	3304	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments)	10%	20%
3	3305	Preparations for use on the hair	10%	20%
4	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%
5	4011 20 10	Truck and Bus radial tyres	10%	15%

Sr. No	Chapter No.	Commodity	Existing Rate	New Rate
6	8407, 8408, 8409 8483 1091, 8483 1092, 8511, 8708, 871410	Specified parts/accessories of motor vehicles, motor cars, motor cycles	7.5%/10%	15%
7	7117	Imitation Jewellery	15%	20%
8	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%
9	851762 90	Smart watches/ wearable devices	10%	20%
10	852910 99 852990 90	LCD/LED/OLED panels and other parts of LCD/LED/OLEDTVs	7.5%/10%	15%
11	9401, 9403, 9404, 9405	Furniture	10%	20%
12	9101,9102, 9103, 9105	Watches and clocks	10%	20%
13	9503, 9504, 9505, 9506 (except 9506 91), 9507, 9508	Toys & Games	10%	20%
14	9613	Cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks.	10%	20%
15	850760 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%
16	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.]	7.5%	10%

❖ CHANGES IN BASIC CUSTOMS DUTY RATES (PROPOSAL):

Sr. No.	Heading, subheading and tariff items	Commodity	From	To
1	080131 00	Cashew nuts in shell [Raw cashew]	5%	2.5%
2	200911 00 200912 00 200919 00	Orange fruit juice	30%	35%
3	200981 00, 200990 00	Cranberry Juice	10%	50%
4	210690	Miscellaneous Food preparations (other than soya protein)	30%	50%
5	5007	Silk Fabrics	10%	20%
6	850490 90/ 39269099	Printed Circuit Board Assembly (PCBA) of charger/adapter and molded plastics of charger/adapter of cellular mobile phones	Nil	10%
7	Any Chapter	Inputs or parts for manufacture of: a) PCBA, or b) molded plastics of charger/adapter of cellular mobile phones	Applicable Rate	Nil
8	70	Solar tempered lassor solar tempered [anti-reflective coated] glass for manufacture of solar cells/ panels/ modules	5%	Nil
9	70	Preform of silica for use in the manufacture of telecommunication grade optical fibers or optical fiber cables	Nil	5%
10	8529/4016	12 specified parts for manufacture of LCD/LED TV panels	Nil	10%
11	8702, 8703, 8704, 8711	CKD imports of motor vehicles, motorcars, motorcycles	10%	15%
12	8702,8704	CBU imports of motor vehicles	20%	25%
13	71	Cut and polished colored gemstones;	2.5%	5%
14	71	Diamonds including lab grown diamonds-semi processed, half-cut or broken; non-industrial diamonds	2.5%	5%

Sr. No.	Heading, subheading and tariff items	Commodity	From	To
		including lab-grown diamonds(other than rough diamonds),including cut and polished diamonds		
15	Any Chapter	Raw materials, parts or accessories for the manufacture of Cochlear Implants	2.5%	Nil
16	6815, 9100	Other articles of stone containing magnesite, dolomite or chromite	10%	7.5%
17	6901	Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths	10%	7.5%
18	6902	Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths	5%	7.5%
19	6903	Other refractory ceramic goods	5%	7.5%

❖ **SOCIAL WELFARE SURCHARGE, AS A DUTY OF CUSTOMS ON IMPORTED GOODS:**

Sr. No	Heading	Description	Existing Rate	New Rate
1	Any chapter	Levy of Social Welfare Surcharge on imported goods to finance education, housing and social security	NIL	10%of aggregate duties of customs
2	Any chapter	Abolition of Education Cess and Secondary and Higher Education Cess on imported goods	3%of aggregate duties of customs [2% + 1%]	Nil

Sr. No	Heading	Description	Existing Rate	New Rate
3	2710	Motor spirit commonly known as petrol and high speed diesel oil	--	3% of aggregate duties of customs
4	7106	Silver unwrought or in semi- manufactured form, or in powder form	--	3% of aggregate duties of customs
5	7108	Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of aggregate duties of customs
6	Any Chapter	Specified goods hitherto exempt from Education Cess and Secondary and Higher Education Cess on imported goods	--	Nil

❖ **LEVY OF THE ROAD AND INFRASTRUCTURE CESS:**

Sr. No	Heading	Description	Existing Rate	New Rate
1	2710	Levy of Road and Infrastructure Cess on imported motor spirit commonly known as petrol and high speed diesel oil	--	Rs. 8 per litre
2	2710	Abolition of Additional Duty of Customs [Road Cess] on imported motor spirit commonly known as petrol and high speed diesel oil	Rs.6 per litre	Nil
3	Additional duty of customs under section 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.4.48per litre
	2710	(ii) High speed diesel oil	Rs.8.33 per litre	Rs.6.33per litre

- ## EXCISE:

PROPOSAL FOR CHANGES IN EXCISE DUTY RATES:

Sr. No	Commodity	Form	To
1	Levy of Road and Infrastructure Cess on motor spirit commonly known as petrol and high speed diesel oil	--	Rs. 8 per litre
2	Abolition of Additional Duty of Excise [Road Cess] on motor spirit commonly known as petrol and high speed diesel oil	Rs. 6 per litre	Nil
3	Basic excise duty on Unbranded Petrol	Rs. 6.48 per litre	Rs. 4.48 per litre
4	Basic excise duty on Branded petrol	Rs. 7.66 per litre	Rs. 5.66 per litre
5	Basic Excise duty on Unbranded diesel	Rs. 8.33 per litre	Rs. 6.33 per litre
6	Basic Excise duty on Branded diesel	Rs. 10.69 per litre	Rs. 8.69 per litre
7	Road and Infrastructure Cess on petrol and diesel manufactured in and cleared from 4 specified refineries located in the North-East	--	Rs. 4 per litre

- ## SERVICE TAX (EXEMPTIONS) :

- Services provided or agreed to be provided by the Naval Group Insurance Fund by way of life insurance to personnel of Coast Guard under the Group Insurance Schemes of the Central Government, during the period commencing from the 10th day of September, 2004 and ending with the 30th day of June, 2017 (both days inclusive).
- Services provided or agreed to be provided by the Goods and Services Tax Network to the Central Government or the State Government or the Union territory Administration, during the period commencing from the 28th day of March, 2013 and ending with the 30th day of June, 2017.

RECENT AMENDMENTS PRIOR TO BUDGET

A. Foreign Direct Investment policy in Single Brand Retail Trading

The Union Cabinet has given its approval to a number of amendments in the Foreign Direct Investment (FDI) Policy on the 10th January, 2018.

These amendments are intended to liberalize and simplify the FDI Policy so as to provide ease of doing business in country.

Government has put in place an investor friendly policy on FDI, under which FDI up to 100%, is permitted on the automatic route in most sectors/ activities. In the recent past, the Government has brought FDI policy reforms in a number of sectors viz. Defence, Construction Development, Insurance, Pension, Other Financial Services, Asset reconstruction Companies, Broadcasting, Civil Aviation, Pharmaceuticals, Trading etc.

Measures undertaken by the Government have resulted in increased FDI inflows in to the country which has given a rise to the FDI all time higher in the year 2016-2017.

It has been felt that country has potential to attract far more foreign investment which can be achieved by further liberalizing and simplifying the FDI regime. Therefore, the Government has decided to introduce a number of amendments in the FDI policy.

Government approval is no longer required for FDI in Single Brand Retail Trading (SBRT)

- **i.** Extant FDI policy on SBRT allows 49% FDI under automatic route, and FDI beyond 49% and up to 100% through Government approval route. It has now been decided to permit 100% FDI under automatic route for SBRT.

- **ii.** It has been decided to permit single brand retail trading entity to set off its incremental sourcing of goods from India for global operations during initial 5 years, beginning 1st April of the year of the opening of first store against the mandatory sourcing requirement of 30% of purchases from India. For this purpose, incremental sourcing will mean the increase in terms of value of such global sourcing from India for that single brand (in INR terms) in a particular financial year over the preceding financial year, by the non-resident entities undertaking single brand retail trading entity, either directly or through their group companies. After completion of this 5 year period, the SBRT entity shall be required to meet the 30% sourcing norms directly towards its India's operation, on an annual basis.

- **iii.** A non-resident entity or entities, whether owner of the brand or otherwise, is permitted to undertake 'single brand' product retail trading in the country for the specific brand, either directly by the brand owner or through a legally tenable agreement executed between the Indian entity undertaking single brand retail trading and the brand owner.

B. UPDATES ON FOREIGN INVESTMENT IN INDIA

The Reserve Bank of India, in consultation with the Government of India, has revised the Regulations on foreign investment in India and has repealed and replaced the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 (Notification No. FEMA 20) and Foreign Exchange Management (Investment in a Firm or Proprietary Concern in India) Regulations, 2000 (Notification No. FEMA 24) both dated May 3, 2000 with the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2017 dated November 7, 2017 (Notification No. FEMA 20(R)).

It may be recalled that the Reserve Bank had informed that the rationalization exercise is being undertaken vide Press Release on "RBI rationalizes FEMA Regulations" dated February 4, 2016. The rationalized Regulations have been framed keeping in view the objective of promoting ease of doing business, both from the regulatory as well as supervisory perspective.

Consequent to the rationalization, the Master Direction on 'Foreign investment in India' consolidating all the instructions relevant to foreign investment in India is being issued.

Below are few Amendments in the Master Direction -

Old Provisions	New Provisions
Prohibited sectors/person 1. Chit funds 2. Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	**Prohibited sectors/person** 1. Chit funds *(except for investment made by NRIs and OCIs on a non-repatriation basis).* 2. Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes. *The prohibition is on manufacturing of the products mentioned and foreign investment in other activities relating to these products including wholesale cash and carry, retail trading etc. will be governed by the sectorial restrictions laid down in Regulation 16 of FEMA 20(R).*
Pricing Guidelines **Additional conditions for issue of partly paid shares and warrants** The Indian company whose activity/ sector falls under government route would require prior approval of the Foreign Investment Promotion Board (FIPB), Government of India for issue of partly-paid shares/ warrants.	**No such additional condition is specified.**

Old Provisions	New Provisions
No such provision exist	**Subscription to Memorandum of Association** Where shares in an Indian company are issued to a person resident outside India in compliance with the provisions of the Companies Act, 2013, by way of subscription to Memorandum of Association, such investments shall be made at face value subject to entry route and sectoral caps.
Remittance of sale proceeds AD Category – I bank can allow the remittance of sale proceeds of a security (net of applicable taxes) to the seller of shares resident outside India, provided the security has been held on repatriation basis, the sale of security has been made in accordance with the prescribed guidelines and NOC / tax clearance certificate from the Income Tax Department has been produced.	An authorised dealer bank may permit the remittance of sale proceeds of a security (net of applicable taxes) to the seller resident outside India provided: (a) the security was held by the seller on repatriation basis; and (b) either the security has been sold in compliance with the pricing guidelines or the Reserve Bank's approval has been obtained in other cases for sale of the security and remittance of the sale proceeds thereof.

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THANK YOU