Budget 2017-18

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Note: The amendments are generally effective from 1st April 2017 (i.e. FY 2017-18 / AY 2018-19), except as provided otherwise

INCOME-TAX

NON-RESIDENT

Double Tax Avoidance Agreement (DTAA) **[Sections 90 and 90A]**	A non-resident is entitled to claim any relief under a DTAA that India has entered into a country or specified territory of which he is a resident, provided he obtains a tax residency certificate (TRC) from the Government of that country or specified territory. - Before the proposed amendment: *where any term which was used in any DTAA that India has entered into with a country or specified territory; or in any agreement that any specified association in India has entered into with any specified association in the specified territory outside India and where such term was not defined under the said DTAA or agreement or the Act, but was assigned a meaning to it in the notification issued under section 90(3) /90A(3) then, the meaning assigned to such term was deemed to have effect from the date on which the said DTAA or agreement came into force.* - In order to avoid litigation and bring clarity to *'any term'* used in any DTAA that India has entered into with a country or specified territory; or in any agreement that any specified association in India has entered into with any specified association in the specified territory outside India, the meaning of the 'term' shall be: o If the term is used and defined in an agreement entered into, then the said term shall have the same meaning as assigned to it in the agreement; and o If the term is not defined in the said agreement, but is defined in the Act, then it shall have the same meaning as assigned to it in the said Act and any explanation to it by the Central Government
VTPA Comments	This amendment, as regards, a term defined in the agreement or in the Act, is in line with the decision of the Hon'ble Supreme Court in the case of Kulandagan Chettiar [267 ITR 654 (SC)]. The power of the delegated authority, that is, Central Government to explain terms not defined in the agreement, will however, evolve with jurisprudence.

Indirect transfer provisions not applicable to FIIs **[Section 9(1)(i)]**	- The capital assets, being shares and interest in a non-resident company, is deemed to be situated in India if such shares or interest derives its value substantially from the assets located in India as per Explanation 5 to section 9(1)(i) of the Act - Explanation 5A shall be inserted in Section 9(1)(i) of the Act which clarifies that the above mentioned Explanation 5 shall not be applicable to any asset or capital asset, being investment held by non-resident, directly or indirectly, in a foreign institutional investor ('FII') which is registered as Category-I and Category- II Foreign Portfolio Investor ('FPI') under the SEBI Act, 1992 and Regulations thereto - Thus, such non-resident investors investing through FIIs/ FPIs are outside the ambit of taxation of capital gains arising on indirect transfers of shares - This amendment will take effect retrospectively from 1 April, 2012
VTPA Comments	This amendment sets at rest the various debatable issues that were raised by the CBDT Circular No. 41 of 2016, which indicated that such non-resident investors investing through FIIs were chargeable to tax in India.

Offshore funds **[Section 9A]**	- Section 9A of the Act provides for a special regime in respect of offshore funds. An eligible investment fund shall not be said to be resident in India merely because the eligible fund manager undertaking fund management activities on its behalf is located in India. The benefit under section 9A is available subject to certain conditions. - In respect of corpus of the fund which is one of the stipulated condition, the monthly average of the corpus of the fund shall not be less than one hundred crore rupees except where the fund has been established or incorporated in the previous year. - A proviso has been inserted in Section 9A of the Act which clarifies that in the previous year in which the fund is being wound up, the condition that the monthly average of the corpus of the fund shall not be less than one hundred crore rupees, shall not apply. - The amendment will take effect retrospectively from 1 April, 2016

TRANSFER PRICING

Scope of section 92BA of the Income-tax Act relating to Specified Domestic Transactions

Meaning of specified domestic transaction **[Section 92BA]**	- The scope of transfer pricing regulations which were extended to the transactions entered into by domestic related parties or by resident sister undertakings for the purposes of section 40A(2)(b) of the Act are excluded from the scope of section 92BA of the Act - The amendment will take effect from 1 April, 2017

Secondary adjustments in certain cases **[Section 92CE]**	- New section 92CE in the Act is proposed to be inserted to align the transfer pricing provisions in line with the OECD transfer pricing guidelines and international best practices. - It provides instances where assessee is required to carry out secondary adjustments, that is, where the primary adjustment to the transfer price: o has been made suo moto by the assessee in his return of income or, o is made by the Assessing Officer and the assessee has accepted the adjustment or, o is determined by an advance pricing agreement entered into by the assessee under section 92CC of the Act or, o is made as per the safe harbour rules framed under section 92CB or, o arises as a result of resolution of an assessment by way of the mutual agreement procedure under an agreement entered under section 90 or 90A of the Act - Further, as a result of the primary adjustment to the transfer price, if there is an increase in the total income or reduction in the loss of the assessee, then the *'excess money'* (difference between the arm's length price determined in primary adjustment and the price at which the international transaction has actually been undertaken) which is available with its associated enterprise (AE), has to be repatriated to India within the time as may be prescribed

	- The excess money which is available with its AE, if not repatriated to India within the time as may be prescribed, then the same shall be deemed to be an advance made by the assessee to such AE and the interest on such advance, shall be computed as the income of the assessee, in the manner which may be prescribed - The assessee shall not carry out secondary adjustment, if o the amount of primary adjustment made in any previous year does not exceed INR 1 crores, and o the primary adjustment is made in respect of an assessment year commencing on or before 1 April, 2016 - The meaning of the terms *'associated enterprise'* and *'arm's length price'* shall have the same meaning as defined under section 92A(1) and section 92A(2) and section 92F(ii) of the Act respectively - The term *'primary adjustment'* to a transfer price means the determination of transfer price in accordance with the arm's length principle resulting in an increase in the total income or reduction in the loss, as the case may be, of the assessee - The term *'secondary adjustment'* means an adjustment in the books of account of the assessee and its AE, to reflect that the actual allocation of profits between them, and are consistent with the transfer price determined as a result of primary adjustment, thereby removing the imbalance between cash account and actual profit of the assessee
VTPA Comments	The terms used in the said provision are not defined in the existing provisions of section 92 to section 92F of the Act, and thus, requires clarity. The adjustment envisaged is notional in nature.

Limitation on interest deduction in certain cases **[Section 94B]**	In line with the Base Erosion and Profit Shifting (BEPS) report of the Organization for Economic Cooperation and Development (OECD) along with the G20 countries, India has taken an important step in implementing Action Plan 4 whereby various measures have been addressed in relation to the issues of excess interest deductions made by the multinational enterprises, that is, to counter cross-border shifting of profit through excessive interest payments, and thus aim to protect a country's tax base. New section 94B is proposed to be inserted in the Act in line with the BEPS Action Plan 4. - The said provision shall be applicable to: o an Indian company, or o a permanent establishment of a foreign company being the borrower who pays interest in respect of any form of debt issued to a non-resident, who is an 'associated enterprise' of the borrower. Further, such interest is allowed as a deduction in computing income chargeable under the head 'Profits and gains of business or profession' - It further provides that where the above mentioned entities pay interest or similar consideration exceeding INR one crores and where the said amount is deductible while computing income chargeable under the head 'Profits and gains of business or profession', interest shall not be deductible in computation of income under the said head to the extent that it arises from the excess interest - The term *'excess interest'* shall mean an amount of total interest paid or payable: o in excess of 30 per cent of its earnings before interest, taxes, depreciation and amortization (EBITDA) of the borrower, or o interest paid or payable to an AE, *whichever is less* - Further, the provision provides a deeming fiction, that is, where the debt is issued by a lender who is not associated but an AE provides an implicit or explicit guarantee to such lender or deposits a corresponding and matching amount of funds with such lender, then such debt shall be deemed to have been issued by an AE

	- The provisions shall allow for carry forward of disallowed interest expense to eight assessment years immediately succeeding the assessment year for which the disallowance was first made and deduction against the income computed under the head 'Profits and gains of business or profession' to the extent of maximum allowable interest expenditure - The said provision shall not apply to any entities engaged in the business of banking or insurance - The meaning of the terms *'associated enterprise'* shall have the same meaning as defined under section 92A(1) and section 92A(2) of the Act - The term *'debt'* means any loan, financial instrument, finance lease, financial derivative, or any arrangement that gives rise to interest, discounts or other finance charges that are deductible in the computation of income chargeable under the head 'Profits and gains of business or profession' - The term *'permanent establishment'* includes a fixed place of business through which the business of the enterprise is wholly or partly carried on
VTPA Comments	This provision is extremely stringent as it tends to equate an implicit guarantee to actual real lending, when in economic substance, the actual lending is done by a third party, and a guarantee is in the nature of an assurance

CORPORATES

Section 115JB [Special provisions for payment of tax by certain companies]

Rationalisation of provisions of section 115JB in line with Indian Accounting Standard (Ind-AS)	The said section provides for levy of tax on certain companies on the basis of book profit which is determined after making certain adjustments to the net profit disclosed in the profit and loss account prepared in accordance with the provisions of the Companies Act, 1956 - The Central Government notified the Indian Accounting Standards (Ind-AS) which have converged with International Financial Reporting Standards (IFRS) and prescribed the Companies (Indian Accounting Standards) Rules, 2015 which laid down a roadmap for implementation of these Ind-AS - As the book profit based on Ind-AS compliant financial statement is likely to be different from the book profit based on existing Indian GAAP, the Central Board of Direct Taxes (CBDT) constituted a committee in June, 2015 for suggesting the framework for computation of minimum alternate tax (MAT) liability under section 115JB for Ind-AS compliant companies in the year of adoption and thereafter - After, receiving various comments/ suggestions in respect of the first and second interim report, the committee examined the same and considered it for its final report which was submitted on 22 December, 2016 - It is proposed to amend the said section so as to align the provisions of section 115JB for the company preparing financial statements in accordance with the provisions of Indian Accounting Standards and to update the provisions of the Companies Act, 1956 referred in the said section in accordance with the provisions of the new Companies Act, 2013. Accordingly, the detailed methodology of computation of book profits for Ind-AS compliant companies have been provided - This amendment is effective from AY 2017-18

Availability of tax credit on MAT / AMT [Section 115JAA and Section 115JD]	- Where the foreign tax credit (FTC) available under section 90 or 90A or 91 of the Act, allowed against the tax payable under the provisions of MAT / Alternate Minimum Tax (AMT), exceeds the amount of such FTC admissible against the tax payable under the normal provision of the Act, then such excess FTC shall be ignored, while computing tax credit allowed under section 115JAA and 115JD of the Act - In order to provide relief to tax payer, carried forward of tax credit available under MAT / AMT is proposed to be extended to fifteen assessment years instead of ten assessment years as per the prevailing provisions

Income from transfer of carbon credits [Section 115BBG]	- Any income by way of transfer of carbon credits shall be chargeable at ten percent - The assessee shall not be eligible for deduction in respect of any expenditure or allowance in computing the above income - Carbon credit in respect of one unit shall mean reduction of one tonne of carbon dioxide emission/ emissions of its equivalent gases which is validated by the United Nations Framework on climate change and which can be traded in market at its prevailing market price - The Kyoto Protocol commits certain developed countries to reduce their Green House gases emissions and for this, they will be given carbon credits. A reduction in emissions entitles the entity to a credit in the form of a Certified Emission Reduction (CER) certificate. The CER is tradable and its holder can transfer it to an entity which needs carbon credits to overcome an unfavourable position on carbon credits.
VTPA Comments	The new section 115BBG has been proposed to be inserted, however, the transfer of carbon credit has been held as capital receipt by various High Courts viz. a. My Home Power Ltd. [2014-TIOL-978-HC-AP-IT] b. Subhash Kabini Power Corporation Ltd. [2016-TIOL-1001-HC-KAR-IT] It would therefore need to be seen how jurisprudence evolves on the taxability of transfer / sale of carbon credits.

Deduction of profits and gains [Section 10AA]	The amount of deduction provided under section 10AA shall be allowed from the total income of the assessee computed in accordance with the provisions of the Act before giving effect to the provisions of the section 10AA and the deduction under section 10AA in no case shall exceed the said total income
VTPA Comments	Recently the Supreme Court in the case of CIT & Anr Vs. M/s Yokogawa India Ltd (Civil Appeal No. 8498 of 2013) has held that Section 10A, is a provision for deduction, the stage of deduction would be while computing the gross total income of the eligible undertaking under Chapter IV of the Act and not at the stage of computation of the total income under Chapter VI. It thus needs to be seen how jurisprudence will evolve in light of the above.

Extending the period of deduction to start-ups [Section 80IAC]	In view the fact that start-ups may take time to derive profit out of their business, deduction can be claimed by an eligible start-up for any three consecutive assessment years out of seven years beginning from the year in which such eligible start-up is incorporated

CAPITAL GAINS

Development of affordable housing sector [Section 80-IBA]	In order to promote the development of affordable housing sector, it is proposed to amend section 80-IBA so as to provide the following relaxations: a. The size of residential unit shall be measured by taking into account the 'carpet area' as defined in Real Estate (Regulation and Development) Act, 2016 and not the 'built-up area' b. The restriction of 30 square meters on the size of residential units shall not apply to the place located within a distance of 25 kms from the municipal limits of the Chennai, Delhi, Kolkata or Mumbai c. The condition of period of completion of project for claiming deduction under this section shall be increased from existing three years to five years.

Period of holding immovable property [Section 2(42A)]	With a view to promote the real estate sector, the period of holding is reduced from the existing 36 months to 24 months in case of immovable property, being land or building or both, to qualify as long term capital asset.

Restricting scope of Exemption of LTCG on sale of equity shares **[Section 10(38)]**	- Section 10(38) is proposed to be amended to provide exemption under this section for income arising on transfer of equity share acquired or on after 1 October, 2004 shall be available only if the acquisition of share is chargeable to STT under Chapter VII of the Finance (No 2) Act, 2004 - However, to protect the exemption for genuine cases where the STT could not have been paid like acquisition of shares in IPO, FPO, bonus or right issue by a listed company, acquisition by non-resident in accordance with FDI policy of the Government, etc., the memorandum states that detailed guidelines would be brought out for such transactions

Capital gain in case of Joint Development Agreement [Section 45(5A)]	- The capital gains arising to an assessee, being an individual or a Hindu undivided family, from the transfer of a capital asset, being land or building or both, under a specified agreement shall be chargeable to tax, in the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority - The stamp duty value of the share, being land or building or both, in the project on the date of issue of the said certificate of completion, as increased by any monetary consideration received, if any, shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset - The benefit shall not apply to an assessee who transfers his share in the project to any other person on or before the date of issue of said certificate of completion. In such case, the capital gains as determined under general provisions of the Act shall apply accordingly
TDS on Consideration [Section 194-IC]	In case any monetary consideration is payable under the specified agreement, tax at rate of 10% shall be deductible from such payment.

Period of Holding [Section 2(42A)]	- In case of preference shares converted into equity shares, the period of holding shall be the period for which the preference shares were held by the assessee. - In the case of units of mutual fund in the consolidating plan, the period of holding shall be the period for which the unit / units were held by the assessee
Cost of Acquisition [Section 49(2AE) and Section 49(2AF)]	- the cost of acquisition of the equity shares shall be deemed to be the cost of the preference share - the cost of acquisition of the units of mutual fund in the consolidating plan shall be deemed to be the cost of acquisition to him of the unit / units
Transaction not regarded as Transfer [Section 47(viiaa) and Section 47(xb)]	Transaction not regarded as transfer: - Any transfer, made outside India, of a capital asset being rupee denominated bond of an Indian company issued outside India, by a non-resident to another non-resident; and - Any transfer by way of conversion of preference shares of a company into equity shares of that company;

Mode of Computation of Capital Gain [Section 48]	Shifting of base year from 1981 to 2001 for computation of capital gain - The cost of acquisition of an asset acquired before 01.04.2001 shall be allowed to be taken as fair market value as on 1st April, 2001 and the cost of improvement shall include only those capital expenses which are incurred after 01.04.2001.

Fair Market value to be full value of consideration in certain cases [Section 50CA]	In case of transfer of shares of a company other than quoted share, the fair market value of such shares determined in the prescribed manner shall be deemed to be the full value of consideration for the purpose of computing income chargeable to tax as capital gains.

ASSESSMENTS

Search and Seizure [Section 132 (1) and 132(1A)]	- Section 132 of the Act which provides the power of search and seizure subject to fulfilment of conditions specified therein, has been proposed be amended by insertion of an Explanation to declare that the 'reason to believe' or 'reason to suspect', as the case may be, shall not be disclosed to any person or any authority or the Appellate Tribunal. - These amendments shall take effect retrospectively from the insertion of the primary provision i.e. 1 April 1962.

Provisional attachment under search and seizure [Section 132(9B) and 132(9C)]	- The authorised officer has been empowered to provisionally attach any property belonging to the assessee with the prior approval of higher authority, during the course of a search or seizure or within a period of sixty days from the date on which the last of the authorisations for search was executed - Such provisional attachment shall cease to have effect after the expiry of six months from the date of order of such attachment - This amendment is effective from AY 2017-18

Extension of power of survey [Section 132]	- The income-tax authority has been empowered to enter any place, at which an activity for charitable purpose is carried on, for the purposes of conducting a survey - Earlier they were empowered to enter any place, at which a business or profession is carried on, or at which any books of account or other documents or any part of cash or stock or other valuable article or thing relating to the business or profession are kept - This amendment is effective from AY 2017-18

Due date for revising income-tax return [Section 139(5)]	- The income-tax return could be revised within one year from the end of the relevant assessment year of filing such return. - However, in order to expedite assessments of the department it is proposed to curtail the due date of revising income-tax return within the end of relevant assessment year or before the completion of assessment, whichever is earlier

Fee for delayed filing of return **[Section 234F, 143, 140A and 271F]**	- A fee has been proposed to be levied for delay in furnishing of return in a case where the return is not filed within the specified due dates. The proposed fee structure is as follows: (i) five thousand rupees - if the return is furnished after the due date but on or before the 31 December of the assessment year; (ii) ten thousand rupees - in any other case - However, in a case where the total income does not exceed five lakh rupees, it is proposed that the fee amount shall not exceed one thousand rupees. - In computation of amount payable or refund due, as the case may be, on account of processing of return, the fee payable under section 234F shall also be taken into account - No penalty for failure to furnish return of income

Time limit for completion of assessments [Section 153, 153B]

- Section 153 provides time limit for completion of assessment, reassessment and re-computation being specified number of months from the end of the assessment year

- It has been proposed to revise / reduce such specified time limits as follows:

Particulars	Existing Time Limits	Revised Time Limits
I. Assessment order u/s. 143, 144		
(i) An order of assessment relating to assessment year commencing on AY 2018-19	Twenty-one months	Eighteen months
(ii) An order of assessment relating to assessment year commencing on or after AY 2019-20	Twenty-one months	Twelve months
II. Assessment order u/s. 147 and in pursuant to section 254 / 263/ 264		
(i) Notice u/s 148 is served on or after 1 April, 2019 (ii) Fresh assessment order in pursuance of an order u/s 254/ 263/ 264	Nine months from end of financial year	Twelve months from end of financial year
III. Order giving effect to an order where opportunity of being heard is to be provided to the assessee (w.r.e.f. 01.06.2016)	Nine months from end of financial year	Twelve months from end of financial year

	- Where a notice u/s 143(1), 143(2) or 148 has been issued prior to 1 June, 2016 such pending assessment or reassessment shall be completed in accordance with the provisions of section 153 as they stood immediately before its substitution by the Finance Act, 2016 - Similar time limits have been prescribed for the completion of assessments under the search i.e. u/s. 153A - This amendment is effective from AY 2017-18

Extension of time for assessment in case of search [Section 153A]	- In relation to search assessments, it is proposed that notice can be issued for an assessment year or years beyond the sixth assessment year, but not later than the tenth assessment year, if: (i) the Assessing Officer has in his possession books of accounts or other documents or evidence which reveal that the escaped income amounts to fifty lakh rupees or more in one year or in aggregate in the relevant four assessment years (falling beyond the sixth year); (ii)such income escaping assessment is represented in the form of asset; (iii) the income escaping assessment or part thereof relates to such year or years; and (iv) search under section 132 is initiated or requisition under section 132A is made on or after the 1 April, 2017 - 'Asset', with respect to the above, shall include immovable property being land or building or both, shares and securities, loans and advances, deposits in bank account - Consequentially, section 153C is amended to provide a reference to the relevant assessment year or years as referred to in section 153A - This amendment is effective from AY 2017-18

Claim of credit for foreign tax paid in cases of dispute [Section 155]	Where credit for foreign taxes paid is not given on the grounds that the payment of such foreign tax was in dispute, the Assessing Officer shall rectify the assessment order within six months from the end of the month in which the dispute is settled, if the assessee: a. furnishes proof of settlement of such dispute, b. submits evidence before the Assessing Officer that the foreign tax liability has been discharged and c. furnishes an undertaking that credit of such amount of foreign tax paid has not been directly or indirectly claimed or shall not be claimed for any other assessment year.

The Income Declaration Scheme, 2016	- Where any income has accrued, arisen or been received or any asset has been acquired out of such income prior to commencement of the Income Declaration Scheme, 2016 (the Scheme), and no declaration in respect of such income is made under the Scheme, then, such income shall be deemed to have accrued, arisen or received, as the case may be, in the year in which a notice u/s 142 or 143 or 148 or 153A or 153C is issued by the Assessing Officer - It is proposed to omit the said clause retrospectively from l June, 2016

EFFECT OF DEMONETISATION

Restriction on Cash Transactions [Section 269ST]	- No person shall receive an amount of INR three lakh or more - a. in aggregate from a person in a day; or b. in respect of a single transaction; or c. in respect of transactions relating to one event or occasion from a person, otherwise than by an account payee cheque / bank draft or electronic clearing system through an bank account - However, the above provisions shall not apply to: a. any receipt by Government, any banking company, post office savings bank or co-operative bank; b. any transaction referred in section 269SS and; c. such other persons or class of persons or receipts, which the Central Government may notify
Penalty in contravention of provisions under section 269ST [Section 271DA]	- If a person receives any sum in contravention of the provisions of section 269ST, he shall be liable to pay a penalty, a sum equal to the amount of such receipt - However, no penalty shall be imposable if such person proves that there were good and sufficient reasons for the contravention

Restricting cash donations [Section 80G]	No deduction shall be allowed in respect of donation of any sum exceeding two thousand rupees unless such sum is paid by any mode other than cash
Disallowance of depreciation [Section 32]	Where an assessee incurs any expenditure for acquisition of any asset in respect which a payment or aggregate of payments made to a person in a day, otherwise than by a non-cash mode exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of determination of actual cost of such asset
Capital expenditure by cash [Section 35AD]	No deduction shall be allowed in respect of any expenditure in respect of which payment or aggregate of payments made to a person in a day, otherwise than by a non-cash mode exceeds ten thousand rupees

Cash payments [Section 40A(3)]	No deduction shall be allowed in computation of income from 'Profits and gains of business or profession' for any sum paid in cash to a person in a single day above ten thousand rupees
Donations to Political Parties [Section 13A]	In order to discourage the cash transactions and to bring transparency in the source of funding to political parties, it is proposed to amend the provisions of section 13A to provide that: a. No donations of INR 2000 or more shall be received otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds, b. Political party must furnish a return of income for the previous year on or before the due date under section 139. Further, it is also provided the political parties shall not be required to furnish the name and address of the donors who contribute by way of electoral bond

OTHER AMENDMENTS

Income from dividend [Section 115BBDA]	- Dividend income earned by individual, HUF, or a firm in excess of ten lakhs was chargeable to tax at ten percent - The said provision is amended to include specified assessee i.e. a person other than: a. a domestic company; or b. a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred u/s. 10(23C); or c. a trust or institution registered u/s. 12AA

Penalty on accountant, merchant banker and registered valuer [Section 271J]	If the Assessing Officer (AO) or the Commissioner (Appeals), in the course of any proceedings under the Act, finds that an accountant or a merchant banker or a registered valuer has furnished incorrect information in any report or certificate furnished under any provision of the Act, then, the AO or the Commissioner (Appeals) may direct such accountant or merchant banker or registered valuer to pay a penalty of ten thousand rupees for each such report or certificate. For the purpose of this section: a. Accountant means an accountant referred to in the *Explanation* below sub-section (2) of section 288 b. Merchant banker means Category I merchant banker registered with the SEBI and c. Registered valuer means a person defined in clause (oaa) of section 2 of the Wealth-tax Act, 1957

Widening scope of Income from other sources [Section 56(2)(x)]	The existing provisions have been expanded to include all categories of assessee, such that any receipt of a sum of money or the property by any person without consideration or for inadequate consideration in excess of INR 50,000 shall be chargeable to tax in the hands of the recipient under the head income from other sources

Gift **[Section 56(2)]**	- Under the existing provisions of section 56(2)(vii), any sum of money or any property which is received without consideration or for inadequate consideration (in excess of the specified limit of INR 50,000) by an individual or Hindu undivided family is chargeable to income-tax in the hands of the resident under the head "Income from other sources" subject to certain exceptions - These anti-abuse provisions are currently applicable only in case of individual or HUF and firm or company in certain cases

Deduction not allowed against Income from other sources **[Section 58]**	The provisions of section 40(a)(ia) shall also apply in computing income chargeable under the head income from other sources, as they apply in computing income chargeable under the head profit and gains of business or profession

Restriction on set off of loss from house property **[Section 71]**	- Set-off of loss under the head income from house property against any other head of income shall be restricted to two lakh rupees for any assessment year. - However, the unabsorbed loss shall be allowed to be carried forward for set-off in subsequent years in accordance with the existing provisions of the Act.

Carry forward and set off of loss in case of certain companies **[Section 79]**	Section 79 of the Act relating to carry forward and set off of losses has been amended to provide benefit in case of startup companies in India.

Tax Audit [Section 44AB]	- In order to reduce the compliance burden of the small tax payers and facilitate the ease of doing business, it is proposed that the eligible person, who declares profits for the previous year in accordance with the provisions of section 44AD and his total sales, in business does not exceed two crore rupees in such previous year, then such person shall be excluded from the requirement of audit of books of accounts under section 44AB - This amendment will take effect from AY 2017-18
Presumptive income [Section 44AD]	- In order to promote digital transactions, the existing rate of deemed total income of eight per cent has been reduced to six per cent of such total turnover received other than by way of cash - This amendment will take effect from AY 2017-18

New provisions	- Provisions relating to POEM and ICDS to be operative from FY 2016-17 - Provisions relating to GAAR to be operative from FY 2017-18

RATES OF TAX

1.1. For Individuals, Hindu Undivided Families, Association of Persons and Body of Individuals

Existing		**Proposed**	
Income (INR)	**Rate (%) @**	**Income (INR)**	**Rate (%) @**
0 – 2,50,000#	Nil	0 – 2,50,000#	Nil
2,50,001 - 5,00,000	10	2,50,001 - 5,00,000	5
5,00,001 - 10,00,000	20	5,00,001 - 10,00,000	20
10,00,001 and above	30	10,00,001 and above	30

@ Education cess of 3% is leviable on the amount of income-tax.

 # The basic exemption limit is INR 250,000 in case of every individual below the age of 60 years, INR 300,000 in case of resident individuals of the age of 60 years or more and INR 500,000 for 'Very Senior Citizen" in case of resident individuals of age 80 years and above.

*** An Assessee, whose total income does not exceed INR 350,000, shall be entitled to a credit on the Income-tax payable, not exceeding of an amount equal to hundred percent of the Income-tax payable or INR 2,500, whichever is less.**

*** An assessee having taxable income of more than INR 5 million but less than INR 10 million is liable to pay his tax along with 10% surcharge, provided the surcharge does not exceed the amount equivalent to the income over INR 5 million.**

*** An assessee having taxable income of more than INR 10 million is liable to pay his tax along with 15% surcharge, provided the surcharge does not exceed the amount equivalent to the income over INR 10 million.**

1.2. For Others

Description	Existing Rate (%)		Proposed Rate (%)	
	Having Income from INR 10 million to 100 million	Having Income more than INR 100 million	Having Income from INR 10 million to 100 million	Having Income more than INR 100 million
A) Domestic company				
Regular tax (Turnover < 50 mn)	31.9609*	33.4544**	27.5525*	28.84**
Regular tax (50 mn < Turnover < 500 mn)	33.063*	34.608**	27.5525*	28.84**
Regular tax (Turnover > 500 mn)	33.063*	34.608**	33.063*	34.608**
MAT	20.389 (of book profits)*	21.34 (of book profits)**	20.389 (of book profits)*	21.34 (of book profits)**
DDT	17.304**	17.304**	17.304**	17.304**
Dividend Received from Foreign subsidiary company	17.304**	17.304**	17.304**	17.304**
B) Foreign company				
Regular tax	42.024	43.26	42.024 $	43.26 #
C) Firm and LLP				
Regular tax	34.608		34.608**	
Alternate Minimum Tax (AMT)	20.389		20.389**	

****Inclusive of surcharge @ of 12 % and education cess of 3 %**
*** Inclusive of surcharge @ of 7 % and education cess of 3 %**
$ Inclusive of surcharge @ of 2 % and education cess of 3 %
 # Inclusive of surcharge @ of 5 % and education cess of 3 %

GLOSSARY OF TERMS

Abbreviation	Meaning
AO	Assessing Officer
AY	Assessment Year
CBDT	Central Board of Direct Taxes
DDT	Dividend Distribution Tax
DRP	Dispute Resolution Panel
DTAA	Double Tax Avoidance Agreements
FY	Financial Year
HUF	Hindu Undivided Family
ITA / Act	Income-tax Act, 1961 as amended from time-to-time
ITR / Rules	Income-tax Rules, 1962
MAT	Minimum Alternate Tax
AMT	Alternate Minimum Tax
PAN	Permanent Account Number
POEM	Place of Effective Management
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
ICDS	Income Computation and Disclosure Standard
GAAR	General Anti-Avoidance Regulations