

UNION BUDGET

2018-19

An Overview of Key Tax Proposals

KEY BUDGET PROPOSALS

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Note: The proposed amendments are generally effective from Financial Year 2017-18 (i.e. Assessment Year 2018-19), except as provided otherwise

PRELUDE

We have great pleasure of announcing association between Vispi T. Patel & Associates (VTPA) and D. Arvind and Associates (DAA). This association will be a unique combination of two like-minded professional firms with specialisation in Direct Tax Services, Indirect Tax Services, Economic Consulting, Transfer Pricing, International Tax, Tax Litigation and Corporate Tax Advisory.

The firms are very similar in culture with practice strengths that are highly complementary and will enable us to provide a new and broader set of services to you. We have combined together to create innovative and insightful solutions to resolve complex business and tax challenges.

VTPA specialises in Direct Taxes, Transfer Pricing, International Tax, Advisory and Litigation services.

DAA specializes in Indirect Taxes, the newly implemented Goods & Service Tax, Foreign Trade Policy, Indirect Tax optimization (tax efficient supply chain) and corporate laws advisory, etc.

Our team consists of experienced qualified professionals i.e. 20 Chartered Accountants, 1 Cost Accountant, 2 Advocates and over 60 Semi qualified professionals, with presence in Mumbai, Chennai and Bangalore. We, together as an association are a team of dedicated professionals, aiming for the best quality of providing services and advice.

We will continue to endeavour to bring you insightful updates on developments in direct and indirect taxes in the future.

ECONOMIC SURVEY AND BUDGET PROPOSALS

The Finance Minister presented the first budget since the end of demonetization and GST went online. Here are some of the highlights with an economic backdrop:

- The government has been successful in broadening the tax base, increasing compliance. Fiscal deficit is projected to be 3.3% for 2018-19, down from 3.5% in 2017-18.
- The divestment target has been raised by 10% to INR 80,000 crores. On the other hand, a bank recapitalization program was launched for same amount.
- The Finance Minister accepted the recommendation of the Fiscal Reform and Budget Management Committee to target fiscal deficits and lower the Central Government Debt-to-GDP ratio to 40%. Although pledges to maintain fiscal discipline at the Centre are welcome, it would be constructive if the state governments also shared the same sentiment.
- The 2017 ratio of gross fixed capital formation to GDP dropped to 2003 levels of 26.5% after reaching a peak of 35.6% in 2007. Growth of credit to medium enterprises has been negative since June 2015. Lowering corporate tax rate to 25% for MSMEs may spur growth in investment.
- FDI grew 20% in 2017. One big market is more enticing for a foreign firm to enter. It is easier to scale operations quickly under the GST regime. Getting rid of artificial boundaries between states and the red tape that was the old regime will go a long way in reducing NAIRU (Non-accelerating inflation rate of unemployment).
- The economic survey blames the recent uptick in inflation on the oil price rally, 7th Pay Commission rent allowance raise, higher vegetable/fruit prices. Stripped of these items, the inflation is increasing modestly at the rate of 4.3%. Businesses have been slow to pass the incidence of GST to customers.
- Creation of a new entitlement program like the National Health Protection Scheme may not bode well for the government's long-term fiscal health.
- Higher custom duties to protect and incentivize domestic manufacturing, risks triggering retaliatory tariffs from some trading partners.
- Government has allocated INR 5.97 lakh crores to be spent on building infrastructure which may pay dividends in the long run.
- Funds earmarked for various schemes in the agricultural sector – price support, subsidies, crop insurance etc. may affect fiscal health.

INCOME-TAX

NON-RESIDENT

<p>Scope of ‘business connection’</p> <p>[Section 9(1)(i)]</p>	<ul style="list-style-type: none">- With a view to align the provisions in the Double Tax Avoidance Agreement (DTAA) as modified by Multilateral Convention to Implement Tax Treaty Related Measures (MLI);- Section 9 is amended to provide that ‘business connection’ shall also include business activities carried through a person, who acting on behalf of the non-resident:<ul style="list-style-type: none">○ 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:<ul style="list-style-type: none">○ in the name of the non-resident; or○ 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○ for the provision of services by that non-resident.- This amendment will take effect from AY 2019-20.
<p>VTPA Comments</p>	<p>The provision aims to widen the meaning of ‘business connection’, which is in line with the Base Erosion and Profit Shifting (BEPS) Action Plan 7, whereby activities leading to business being concluded also get covered and is not hemmed by the limitation of form, i.e., actual contract being entered into.</p> <p>The true effect of this will be felt in the domestic law, on the conclusion of the proposed amendments in the DTAA in line with the MLI.</p>

<p>Significant economic presence shall constitute business connection</p> <p>[Section 9(1)(i)]</p>	<ul style="list-style-type: none"> - Section 9(1)(i) is amended to provide that ‘significant economic presence’ in India shall also constitute ‘business connection’. - Further, ‘significant economic presence’, shall mean - <ul style="list-style-type: none"> ○ 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 ○ 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. - Income attributable to such transactions or activities shall be deemed to accrue or arise in India. - The transactions or activities shall constitute significant economic presence in India, whether or not the non-resident has a residence or place of business in India or renders services in India. - This amendment will take effect from AY 2019-20
<p>VTPA Comments</p>	<p>The proposed amendment intends to expand the scope of business connection, to include a nexus with India, in the digital age; irrespective of the physical connection of the non-resident to the territory of India.</p> <p>Further, it is also clarified that unless corresponding modifications to PE provisions are made in the DTAAAs, the cross border business profits will continue to be taxed as per the existing DTAA provisions.</p>
<p>Exemption of income of Foreign Company from sale of leftover stock of crude oil on termination of agreement or arrangement</p> <p>[Section 10(48B)]</p>	<ul style="list-style-type: none"> - The benefit of tax exemption in respect of income from left over stock of crude oil has been extended to foreign companies, even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein. - This amendment will take effect from AY 2019-20

TRANSFER PRICING

Rationalisation of provisions relating to Country-by-country report [Section 286]	Following amendments are proposed to be made in section 286: <ul style="list-style-type: none">- the time allowed for furnishing the Country-by-Country Report (CbCR), in the case of parent entity or alternative reporting entity resident in India, or resident constituent entity having a non-resident parent, is proposed to be extended to twelve months from the end of reporting accounting year;- constituent entity resident in India, having a non-resident parent, shall also furnish CbCR in case its parent entity outside India has no obligation to file the report in the latter's country or territory- This amendment will take effect retrospectively from AY 2017-18.
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CORPORATES

Tax on income of certain domestic companies [Section 115BA]	<ul style="list-style-type: none">- Certain domestic companies engaged in manufacture or production of any article is subject to tax rate of 25 percent, on fulfillment of certain conditions.- The amendment aims to make this tax rate subject to other provisions of Chapter XII, and not only to section 111A and section 112 as per the old provisions.- This amendment is retrospectively effective from AY 2017-18
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Accumulated profits for the purposes of Dividend [Section 2(22)]	<ul style="list-style-type: none">- It is proposed to widen the scope of the term 'accumulated profits' so as to provide that in the case of an amalgamated company, accumulated profits, whether capitalised or not, or losses as the case may be, shall be increased by the accumulated profits of the amalgamating company on the date of amalgamation.
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**Income
Computation and
Disclosure
Standards**

**[Sections 36, 40A,
43AA, 43CB, 145A
and 145B]**

The Central government notified the Income Computation and Disclosure Standards (ICDS) under section 145 for AY 2017-18.

- In order to bring certainty in the wake of recent judicial pronouncements on the issue of applicability of ICDS, it is proposed to substitute section 145A for the purpose of determining the income chargeable under the head 'Profits and gains of business or profession':
 - a. the valuation of inventory shall be made at lower of actual cost or net realisable value computed in accordance with the ICDS;
 - b. the valuation of purchase and sale of goods or services and of inventory shall be adjusted to include the amount of any tax, duty, cess or fee actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation;
 - c. the inventory being securities not listed, or listed but not quoted with regularity from time to time, shall be valued at actual cost initially recognised as per ICDS;
 - d. the inventory being securities other than those referred above, shall be valued at lower of actual cost or net realisable value as per ICDS; the comparison of actual cost and net realisable value of securities shall be made category-wise.

- A new section 145B has been inserted to provide that:
 - a. the interest received by an assessee on any compensation or on enhanced compensation, shall be deemed to be the income of the previous year in which it is received.
 - b. Any claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realisation is achieved.
 - c. income referred to in 2(24)(xiii) relating to subsidy, grant, cash incentive, etc. shall be deemed to be the income of the previous year in which it is received, if not charged to income-tax in any earlier previous year

	<ul style="list-style-type: none"> - Section 36(1)(xviii) is amended to provide that marked to market loss or other expected loss as computed as per ICDS, shall be allowed as a deduction. <p>Section 40A is amended to provide that no deduction or allowance in respect of marked to market loss or other expected loss shall be allowed except as allowable under section 36(1)(xviii).</p> <ul style="list-style-type: none"> - A new section 43AA is inserted to provide that any gain or loss arising on account of effects of changes in foreign exchange rates in respect of specified foreign currency transactions shall be treated as income or loss, which shall be computed as per ICDS. - A new section 43CB is inserted to provide that profits arising from a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method except for certain service contracts, and that the contract revenue shall include retention money, and contract cost shall not be reduced by incidental interest, dividend and capital gains.
	<ul style="list-style-type: none"> - This amendment will take effect from AY 2017-18.

<p>Application of Dividend Distribution Tax to Deemed Dividend</p> <p>[Sections 115O and 115Q]</p>	<ul style="list-style-type: none"> - No Dividend Distribution Tax was leviable on deemed dividends under section 2(22)(e) and the same was taxed in the hands of the recipient under normal rates, which created extensive litigation. - With a view to bringing clarity and certainty, it is proposed to bring deemed dividends under the scope of Dividend Distribution Tax under section 115-O. - Further, such deemed dividend is proposed to be taxed at the rate of 30 percent (without grossing up).
<p>Tax on distributed income to unit holders</p> <p>[Section 115R]</p>	<ul style="list-style-type: none"> - Equity oriented mutual fund shall be liable to pay additional income-tax at the rate of ten percent on income distributed to any person

Extending the period of deduction to start-ups

[Section 80-IAC]

- In view of 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, that is, on or after 1 April 2016 but before 1 April 2019.
- It is proposed to extend the benefit to start-ups incorporated on or after 1 April 2019 and before 1 April 2021
- The requirement of the turnover not exceeding rupees twenty-five crore, would apply to seven previous years commencing from the date of incorporation
- The definition of eligible business has been proposed to be expanded to provide that the benefit would be available if it is engaged in innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation

Deduction not to be allowed unless return filed

[Section 80AC]

- Section 80AC provides that no deduction would be admissible under section 80-IA or section 80-IAB or section 80-IB or section 80-IC or section 80-ID or section 80-IE, unless the return of income by the assessee is furnished on or before the due date specified under section 139(1).
- It is proposed to extend the scope of section 80AC to provide that the benefit of deduction under the entire class of deductions under the heading 'C. Deductions in respect of certain incomes' in Chapter VIA shall not be allowed unless the return of income is filed by the due date

Deduction in respect of certain income of Producer Companies

[Section 80PA]

- Section 80P provides for 100 percent deduction in respect of profit of cooperative society which provides assistance to its members engaged in primary agricultural activities.
- A new section 80PA is inserted to extend the similar benefit to Producer Companies, having a total turnover upto INR 100 crore, where the gross total income includes any income from:
 - o the marketing of agricultural produce grown by its members,
 - o the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members,
 - o the processing of the agricultural produce of its members
- Producer Company as defined under section 581A of the Companies Act, 2013 means, *a body corporate having objects or activities specified in section 581B and registered as Producer Company under the said Act*
- A deduction of an amount equal to 100 percent of the profits and gains shall be available for a period of five years from the FY 2018-19.
- Where the assessee is also entitled to deduction under any other provision of Chapter VIA, the deduction under this section shall be allowed from the gross total income as reduced by the deductions under such other provision of the said Chapter
- This amendment is effective from AY 2019-20

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

Section 115JB, provides for levy of a minimum alternate tax (MAT) on the 'book profits' of a company. In computing the book profit, certain adjustments are made to the net profit disclosed in the profit and loss account prepared in accordance with the provisions of the Companies Act, 2013.

**Relief from liability
of Minimum
Alternate Tax
(MAT)**

Out of the list of deductions, the said section provides for a deduction in respect of the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account. Consequently, where the loss brought forward or unabsorbed depreciation is Nil, no deduction is allowed.

- Explanation 1 to the said section is amended so as 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.

- Explanation 4A has been inserted to section 115JB which provides that the provisions of 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 to in section 44B or section 44BB or section 44BBA or section 44BBB and such income has been offered to tax at the rates specified in the said sections

- This amendment will take effect, retrospectively from AY 2001-02

Carry forward and set off of loss in case of certain companies

[Section 79]

Return by whom to be verified

[Section 140]

- Section 79 provides that carry forward and set off of losses in a closely held company shall be allowed only if there is continuity in the beneficial owner of the shares carrying not less than 51 percent of the voting power, on the last day of the year or years in which the loss was incurred
- A proviso has been inserted in section 79 which clarifies that the section shall not be applicable to a company, where a change in the shareholding takes place in a previous year, pursuant to approved resolution plan under the Insolvency and Bankruptcy Code, 2016, after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner
- It is also proposed to amend Section 140, so as to provide that, where in respect of a company, an application has been admitted by the Adjudicating Authority under section 7 or section 9 or section 10 of the Insolvency and Bankruptcy Code, 2016, the return shall be verified by the insolvency professional appointed by such Adjudicating Authority
- This amendment is effective from AY 2019-20

CAPITAL GAINS

Withdrawal of long-term capital gains tax exemption [Section 10(38)]	<ul style="list-style-type: none">- Withdrawal of long-term capital gains tax exemption in case of transfer of equity shares, etc.- This amendment is effective from AY 2019-20
Long-term capital gains on sale of equity shares, etc. [New Section 112A]	<ul style="list-style-type: none">- Insertion of new section 112A, to tax long-term capital gains in case of transfer of equity shares, etc.- Section 112A is applicable if the following conditions are satisfied:<ul style="list-style-type: none">○ total income includes any income under the head “capital gains”;○ the capital gains arising from the transfer of a long-term capital asset, being an equity share or a unit of an equity oriented fund or a unit of a business trust;○ security transaction tax (STT) has:*<ul style="list-style-type: none">● in case of equity shares, been paid on acquisition and transfer of such capital assets or● in case of unit, being paid on transfer of such capital assets. <p>*However, the condition of STT shall not apply in the following cases:</p> <ul style="list-style-type: none">○ Transfer undertaken on a recognized stock exchange located in any International Financial Services Centre and consideration for such transfer received or receivable in foreign currency.○ In case of equity shares, in respect of certain types of acquisition, as may be notified by the Central Government - Tax payable on total income shall be aggregate of:<ul style="list-style-type: none">○ Tax on such long-term capital gains exceeding one lakh rupees at 10 %○ Tax on balance income as per the normal provisions.

Long-term capital gains on sale of equity shares, etc.

[New Section 112A]

(contd...)

- Cost of acquisition, in respect of assets acquired before 1 February 2018, shall be higher of:
 - Actual cost of acquisition of such assets or
 - Lower of
 - fair market value of such assets or
 - full value of consideration received or accruing as result of transfer of the capital asset

Fair market value means:

- in a case where the capital asset is listed on any recognised stock exchange, the highest price of the capital asset quoted on such exchange on 31 January 2018 or
- in a case where the capital asset is a unit and is not listed on a recognised stock exchange, the net asset value of such asset as on 31 January 2018

Equity oriented fund means a fund set up under a scheme of a mutual fund specified under section 10(23D) and, -

- in a case where the fund invests in the units of another fund which is traded on a recognised stock exchange, -
 - a minimum of ninety percent of the total proceeds of such fund is invested in the units of such other fund; and
 - such other fund also invests a minimum of ninety percent of its total proceeds in the equity shares of domestic companies listed on a recognised stock exchange; and
- in any other case, a minimum of sixty-five percent of the total proceeds of such fund is invested in the equity shares of domestic companies listed on a recognised stock exchange.

Other Conditions:

- Long-term capital gains will be computed without giving effect to the first and second proviso to section 48
- The benefit of deduction under Chapter VI-A shall not be allowed from such capital gains.
- Rebate under section 87A shall not be allowed from income-tax payable on such capital gains.

- This amendment is effective from AY 2019-20

<p>Tax on Income of Foreign Institutional Investors from securities or capital gains arising from their transfer</p> <p>[Section 115AD]</p>	<ul style="list-style-type: none"> - Consequential amendment in section 115AD to tax long-term capital gain - In case of income arising from the transfer of a long-term capital asset referred to in section 112A, income-tax at the rate of ten percent shall be calculated on such income exceeding one lakh rupee
<p>Conversion of stock-in-trade into capital asset</p> <p>[Section 2(24)(xiia), 2(42A) and 28(via)]</p>	<ul style="list-style-type: none"> - In cases where the inventory is converted into, or treated as, capital asset: <ul style="list-style-type: none"> o any profit or gains arising from conversion of inventory into capital asset or its treatment as capital asset shall be charged to tax as business income. o fair market value of the inventory on the date of conversion or treatment, shall be deemed to be the full value of the consideration; o fair market value on the date of conversion shall be the cost of acquisition; o period of holding of such capital asset shall be reckoned from the date of conversion or treatment. - This amendment will take effect from AY 2019-20.
<p>Transaction not regarded as Transfer</p> <p>[Section 47(viiab)]</p>	<p>Transaction not regarded as transfer:</p> <ul style="list-style-type: none"> - Any transfer, of a capital asset being, <ul style="list-style-type: none"> o bond or Global Depository Receipt as referred to in section 115AC(1) or o rupee denominated bond of an Indian company or o derivative <p>made by a non-resident on a recognised stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency.</p> - This amendment is effective from AY 2019-20

Rationalization of sections 43CA, 50C and 56	<ul style="list-style-type: none"> - Section 50C (income from capital gains), Section 43CA (income from business profits) and Section 56 (income from other sources) provide that, where the consideration is received or accrued, as a result of a transfer of an immovable property, then the sale consideration or stamp duty value, whichever is higher is adopted. - Section 43CA, section 50C and section 56(2)(x)(B) are amended to provide that where the value adopted or assessed or assessable by the stamp valuation authority does not exceed one hundred and five percent of the consideration received or accruing, then the same shall be deemed to be the full value of the consideration - This amendment is effective from AY 2019-20
VTPA Comments	<p>Marginal relief of five percent of value of consideration received or accruing is provided</p>

Capital Gain not to be charged on investment in certain bonds [Section 54EC]	<ul style="list-style-type: none"> - Capital gain arising from the transfer of a long-term capital asset, <i>only being land or building or both</i>, invested in the long-term specified asset at any time within a period of six months after the date of such transfer, shall not be charged to tax subject to certain conditions specified in the said section - Long-term specified asset, for making any investment: <ul style="list-style-type: none"> ○ on or after 1 April 2007 and before 1 April 2018: shall mean any bond, issued and redeemable after three years; ○ on or after 1 April 2018: shall mean any bond, issued and redeemable after five years <p style="margin-left: 20px;">by National Highways Authority of India or by Rural Electrification Corporation Limited or any other bond notified by the Central Government</p> - This amendment is effective from AY 2019-20
VTPA Comments	<p>Exemption from long-term capital gains by investment in certain specified bonds will be now restricted only to gains from land and building</p>

ASSESSMENTS

<p>Use of Permanent account number as Unique Entity Number</p> <p>[Section 139A]</p>	<p>Following persons shall apply to the assessing officer for allotment of PAN:</p> <ul style="list-style-type: none">- Any person not being an individual, which enters into a financial transaction of an amount aggregating to two lakh fifty thousand rupees or more in a financial year; or- Any person who is the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer or any person competent to act on behalf of such person referred above- This has been introduced to use PAN as Unique Entity Number for non-individual entities
<p>Scrutiny Assessment</p> <p>[Section 143]</p>	<ul style="list-style-type: none">- Sub-clause (vi) of the section 143(1) provides for adjustment in respect of addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return. <p>It is proposed that no adjustment under sub-clause (vi) shall be made in respect of any return furnished for the assessment year commencing on or after 1 April 2018.</p> <ul style="list-style-type: none">- It is proposed to prescribe a new scheme for the purpose of making assessments so as to impart greater transparency and accountability, by eliminating the interface between the Assessing Officer and the assessee, optimal utilization of the resources, and introduction of team-based assessment- The Central Government may, for the purpose of giving effect to the scheme, by notification in the Official Gazette, direct that any of the provisions of this Act relating to assessment of total income or loss shall not apply or shall apply with such exceptions, modifications and adaptations- No such direction shall be issued after the 31 March 2020.- Every notification may be laid before each House of Parliament.

OTHER AMENDMENTS

Charitable and Religious Trusts [Sections 11 and 10(23C)]	<ul style="list-style-type: none">- On charitable or religious trusts or institutions, there were no restrictions on payments made in cash or no responsibility of deduction of tax at source under Chapter XVII-B, leaving no audit trail for verification of application of income.- It is proposed that the provisions of cash payment [section 40A(3) and 40A(3A)] and provisions relating to tax deduction at source [section 40(a)(ia)] are applicable while calculating the application of income under section 11.- Similar provisions have been inserted for exemptions to educational institutions, hospitals, etc. covered under section 10(23C).
Standard deduction on salary income [Sections 16 and 17]	<ul style="list-style-type: none">- It is proposed to allow a standard deduction upto INR 40,000 or the amount of salary received, whichever is less.- Consequently, the current exemption in respect of reimbursement of actual medical expenses (allowed upto INR 15,000) is proposed to be withdrawn.- This amendment will take effect from AY 2019-20.
VTPA Comments	Similarly, in the budget speech it is proposed to withdraw the Transport Allowance (except in case of differently abled persons), allowable as an exemption under Rule 2BB of the Income-tax Rules, 1962
Deduction in respect of medical treatment, etc. [Section 80DDB]	<ul style="list-style-type: none">- The monetary limit for deduction of amount paid for medical treatment of specified diseases in respect of senior citizen and very senior citizen is increased from INR 60,000 and INR 80,000 respectively to INR 1,00,000, subject to other conditions- This amendment is effective from AY 2019-20

Special provisions for payment of tax by certain persons other than a company

[Sections 115JC and 115JF]

- Section 115JC provides for alternate minimum tax at the rate of 18.50 percent of adjusted total income in the case of a non-corporate person.
- In order to promote the development of world class financial infrastructure in India, the alternate minimum tax for a unit located in an International Financial Service Center, shall be charged at the rate of 9 percent instead of 18.50 percent as specified under section 115JC.
- This amendment is effective from AY 2019-20

Compensation for termination/ modification of contract

[Sections 2(24), 28(ii) and 56(2)(xi)]

- Any compensation received or receivable, whether revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract;
 - a. relating to its business shall be taxable as business income.
 - b. relating to its employment shall be taxable as income from other sources.
- This amendment will take effect from AY 2019-20.

Deduction in respect of health insurance premia

[Section 80D]

- The monetary limit for deduction of amount paid for in respect of payments towards annual premium on health insurance policy, or preventive health check-up, of a senior citizen, or medical expenditure in respect of very senior citizen is increased from INR 30,000 to INR 50,000
- In case of single premium health insurance policies having cover of more than one year, it is proposed that the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specified monetary limit.
- This amendment is effective from AY 2019-20

<p>Deduction in respect of interest on deposits in savings account [Section 80TTA]</p> <p>Deduction in respect of interest on deposits made by senior citizens [Section 80TTB]</p> <p>Interest other than ‘interest on securities’ [Section 194A]</p>	<ul style="list-style-type: none"> - A deduction upto INR 10,000 is allowed under section 80TTA to an assessee in respect of interest income from savings account - Section 80TTB is proposed to be inserted so as to allow a deduction upto INR 50,000 in respect of interest income from deposits held by senior citizens. The deduction shall be allowed, if the income by way of interest on deposits is from a banking company, a co-operative society or a Post Office. However, no deduction under section 80TTA shall be allowed in these cases - It is also proposed that where the income is derived from any deposit held by, or on behalf of, a firm, an association of persons or a body of individuals, no deduction shall be allowed in respect of such income in computing the total income of any partner of the firm or any member of the association or any individual of the body. - It is also proposed to amend section 194A so as to raise the threshold for deduction of tax at source on interest income for senior citizens from INR 10,000 to INR 50,000 - This amendment is effective from AY 2019-20
<p>Income from other sources [Section 56(2)(x)]</p>	<ul style="list-style-type: none"> - Section 47 provides for transactions which are not regarded as transfer. Section 56 also excludes income arising out of certain transactions which are not regarded as transfer from its ambit. However, the transfers referred to in section 47(iv) and section 47 (v) have not been excluded from the scope of section 56. - Section 56 to exclude such transaction of transfers of a capital asset between a wholly owned subsidiary company and its holding company - This amendment is effective from AY 2019-20
<p>VTPA Comments</p>	<p>This is an enabling provision to exempt transfers between holding and subsidiary companies</p>

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	5	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.

& Health and Education cess of 4% 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
	(including Secondary And Higher Secondary Education Cess @ 3%)		(including Health and Education Cess @ 4%)	
A) Domestic company				
Regular tax (Turnover < 500 mn)	27.5525*	28.84**	27.82*	29.12**
Regular tax (500 mn < Turnover < 2500 mn)	33.063*	34.608**	27.82*	29.12**
Regular tax (Turnover > 2500 mn)	33.063*	34.608**	33.384*	34.944**
MAT	20.389 (of book profits)*	21.34 (of book profits)**	20.587 (of book profits)*	21.545 (of book profits)**
DDT	17.304**		17.472**	
Dividend Received from Foreign subsidiary company	17.304**		17.472**	
B) Foreign company				
Regular tax	42.024\$	43.26#	42.432\$	43.68#
C) Firm and LLP				
Regular tax	34.608		34.944	
Alternate Minimum Tax (AMT)	20.389		20.587	

****Inclusive of surcharge @ of 12 %**

*** Inclusive of surcharge @ of 7 %**

\$ Inclusive of surcharge @ of 2 %

Inclusive of surcharge @ of 5 %

INDIRECT TAXES

<p>Changes in Rate of Customs Duty</p>	<ul style="list-style-type: none"> - The Basic Customs Duty leviable on many products have been revised upward. Some of the important goods are: <ul style="list-style-type: none"> ○ Cellular Mobiles Phones & its parts / accessories ○ Panels of LED/LCD/OLED TVs & their parts/accessories ○ Lithium Iron Batteries ○ Specified Medical Devices ○ Truck & Bus Radial Tyres ○ Specified Parts & Components of Motor Vehicle/ Car/ Cycles ○ Fruit Juices ○ Printed Circuit Board Assembly ○ Official Line, Cable etc.
<p>New Levies</p>	<ul style="list-style-type: none"> - Social Welfare Surcharge on Imports : Across the board surcharge of 10% on Customs Duty (i.e. BCD) has been introduced except for some specified products, some of which are: <ul style="list-style-type: none"> ○ IT Software - Monitors & Projectors and its parts - ATM Machines ○ Electronic Interrupted Circuits – Static Convertors – Printed Circuit Assemblies ○ Petrol, Diesel, Gold & Silver shall attract 3% Social Welfare Surcharge - Road & Infrastructure Cess introduced on Diesel & Petrol without affecting the overall duty & Cess levied
<p>Policy / Procedural Changes</p>	<ul style="list-style-type: none"> - Accountability for Completing assessments within a time frame failing which no recovery can be made - Advance Ruling is open to everyone who holds an IEC unlike the existing restricted personnel - Advance ruling are appealable before the appellate authority for the first time - System of Electronic Cash Ledger similar to GST introduced - NO Changes in the GST Law as it is already evolving & changing regularly

CUSTOMS ACT

Important changes made in Customs Act, 1962 as well as in Customs Tariff Act 1975 have been summarized below:

Section	Section Description	Amendment made In Layman terms	DAA Comments
1	Jurisdiction of customs act.	Also applies to persons outside India in respect of any offence or contravention committed outside India in relation to Imports or Exports made from or to India.	<p>This is to punish any person committing offence outside India in relation to an export or import from/to India.</p> <p>All along, the government could not punish persons located outside India for the contravention/violations committed by them because of lack of jurisdiction.</p> <p>Now this amendment should help to punish offenders outside India.</p>
2(2)	Defines Assessment including provisional, self, reassessment and any assessment in which duty assessed is NIL.	<p>Assessment to include determination of duty, cess, etc. with reference to</p> <ul style="list-style-type: none"> A. Tariff classification B. Valuation C. Exemption or concession consequent to any notification. D. Duty payable based on quantity, weight, volume and measurement etc. E. Origin of goods if that has an impact on duty/cess payable F. Any other specific factor that affects duty, tax or cess. 	<p>This is to broaden the definition of “assessment” and insert clarity in the definition of assessment which of course will include self-assessment, re-assessment and any other assessment by which duty is assessed to be paid.</p>
11	Power to prohibit importation and exportation of certain goods for	Any prohibition, or restriction or obligation relating to import or export provided in any other law or regulation shall be executed only if	Notwithstanding any law or regulations that can prohibit, restrict, cast obligations on importer or exporter of specified goods, the

	various reasons referred in sub section 2 of Section 11.	such prohibition or restriction or obligation is notified under customs act subject to exceptions, modifications or adoptions as the central government may deem fit.	same will be enforced with or without modifications only when it is notified under Customs Act.
17(2)	Assessment of duty and power of the customs officer to verify the self-assessment of goods meant for import or export.	Verification of Import Bill of Entries made under Section 46 and Export Shipping Bills made under Section 50 have been added instead of vague provision for verification of self-assessment Further verification shall be on the basis of risk evaluation through appropriate selection criteria.	This is to bring clarity that it would be documents of Bill of entries or Shipping Bills that would be the basis for verification
17(5)	Restriction to Reassessment broadened.	In section 17(5) reassessment regarding valuation rules, classification, exemption or concessional duty has been omitted.	Instead of restricting the reassessment only to valuation, classification, exemption etc. This amendment has made reassessment wide open for any reason and not necessarily on account of valuation, classification and exemption alone.
18	Provisional Assessment of duty	Amendments have been made for finalizing provisional assessment within such time and such manner as may be prescribed.	Currently there is no time limit for finalizing provisional assessments putting importers and exporters under the sword of uncertainty. This amendment paves way for providing time limit for provisional assessment.
25A	Power to grant exemption from duty. New Section has been inserted	New sub section has been inserted to clarify that Central Government can issue by way of notification exempt goods imported for the purpose of repairs, further processing or manufacture subject to conditions namely	Exemptions which were available on adhoc basis by way of notifications have been incorporated in the law itself to ensure that goods imported for repair or further processing or manufacture when re-exported will be duty free subject to

		<p>A. Goods shall be re-exported within a period of 1yr from date of import.</p> <p>B. Imported goods identifiable in exported goods and such other conditions as specified under notification.</p>	conditions that may be specified.
25B	Power to grant exemption	Goods which are exported for the purpose of repairs, further processing or manufacture when re imported will also enjoy duty exemption subject to same conditions mentioned above.	Not only import of goods for the purpose of export can enjoy customs duty exemption but even export of goods and re-import of goods thereafter would also enjoy the benefit subject to conditions that may be specified in the notification.
28	Recovery of duties not levied or short levied or erroneously refunded and issue of notice	Before issue of notice pre notice consultation with the person chargeable with duty or interest shall be made.	This is a welcome step as a person who accepts the duty liability will pay duty and interest only and can avoid penalty apart from avoiding legal proceedings.
28(9)	Time limit for completing the assessment currently is six months from the issue of notice for normal cases and one year for fraud cases.	Further time can be given by senior officer for 6 months and 1 year respectively and if the proper officer does not complete within extended period, proceedings would be deemed to have been completed without any demand.	<p>This would make the Adjudicating Authority accountable to complete assessments in time and failure to complete within the time limit will result in no recovery.</p> <p>However this amendment would not be applicable in case the pendency is due to appeals pending for similar issue before Appellate Tribunal, High Court or Supreme court. In such cases time limit has to be calculated not from the date of notice but from the date of court order.</p>
28(10b)	Notice to be valid for normal period when extended	Notice issued invoking extended period on account of collusion, willful misstatement or suppression	This is currently enforced by way of judgments of tribunal and courts. Now incorporated in the law itself.

	period notice is not sustainable on limitation.	of fact if not legally sustainable on the ground of limitation, then the normal period covered in that notice is applicable and duty is recoverable accordingly.	
28(e)	Definitions relating to Advance Ruling	Advanced Ruling has been redefined to mean “a written decision on any of the questions referred to in Section 28(h) in respect of any goods prior to its importation or its exportation.	Prior to this amendment, Advance Ruling definition was linked to an activity which is proposed to be undertaken by the applicant. Whereas now the application should be with reference to import or export of goods prior to import or export.
25(e)(c)	Applicant	Applicant means any person holding IEC code or exporting any goods to India or with a justifiable cause to the satisfaction of the authorities.	Advance Ruling mechanism is no more restricted to nonresident or resident having joint venture with nonresident or wholly owned subsidiary of a foreign holding company etc. In other words anybody can be an applicant as long as he has got a justifiable cause to the satisfaction of the authority.
28(h)(v)	Insertion of new section for the purpose of advance ruling.	An Applicant may be represented by any person resident in India who is authorized in his behalf.	Any person can be authorized and not necessarily professionals and legal consultants.
28(k)(a)	Right of appeal against advance ruling order	Right of appeal has been given for filing an appeal against any advance ruling authority order	For the first time Advance Ruling Mechanism provides right of appeal against the Advance Ruling given by the authority which is also a welcome step in favor of assesses.
30	Delivery of Import manifests or Import Report.	The delivery of manifest will now also include exported goods and the prescribed form for that shall be prescribed by the government.	Now even before delivery for exports to vessels/aircrafts, the person in charge of vessel will have to declare to the customs authority in the prescribed form.

51A	New Mechanism for Payments through Electronic Cash Ledger.	Payments through Electronic Cash Ledger. New Mechanism for payment of duty, interest and penalty be routed to electronic cash ledger to be maintained by importers and exporters similar to mechanism prevailing in GST.	This is to promote electronic payments and maintenance of ledger for better data mining.
99(a)	New Section relating to Audit has been inserted	Proper officer may carry out Audit of imported or exported goods either in his office or in the premises of auditee in such manner as may be prescribed.	This new section would provide mechanism for customs officer to conduct audit even in exporter /importer premises and reassess the duties.
128(a)	Powers of Commissioner Appeals	Appellate Authority can , on an appeal confirm , modify or annul a decision or order appealed against or refer the matter to original authority for fresh adjudication if orders have been passed without following principals of natural justice or where no order has been passed after reassessment under Section 17 or refund order	For the first time Appellate Authority has been granted the power to remand the matter to original authority for reasons stated in the amendment column to the left.
157	General power to make rules and regulations	Rules for time and manner of finalization of provisional assessment , time and manner of conducting pre notice assessment, circumstances under which supplementary notice may be issued, form for application for advance ruling and appeal, manner for clearance and removal of imported and exported goods, rules relating to maintenance of e ledger and conducting audit by the department etc.	Central Government has specified areas and activities where they will frame rules for the purpose of implementation of sections newly inserted/amended.

CUSTOMS TARIFF

AMENDMENTS IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

Amendments					
A	Amendments affecting rates of BCD [to be effective from 02.02.2018]* [Clause 101(a) of the Finance Bill, 2018]			Rate of Duty	
S. No.	Heading, sub-heading tariff item	Commodity	From	To	
		Food Processing			
1	2009 21 00 to 2009 90 00	Fruit juices and vegetable juices including cranberry juice	30%	50%	
		Perfumes and toiletry preparations			
2	3303	Perfumes and toilet waters	10%	20%	
3	3304	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or suntan preparations; manicure or pedicure preparations	10%	20%	
4	3305	Preparations for use on the hair	10%	20%	
5	3306	Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual retail packages	10%	20%	
6	3307	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included, prepared room deodorizers, whether or not perfumed or having disinfectant properties	10%	20%	
		Automobile parts			
7	4011 20 10	Truck and Bus radial tyres	10%	15%	
8	8407, 8408, 8409, 8483 10 91, 8483 10 92, 8511, 8708, 8714 10	Specified parts/accessories of motor vehicles, motor cars, motor cycles	7.5% / 10%	15%	

		Footwear		
9	6401, 6402, 6403, 6404, 6405	Footwear	10%	20%
10	6406	Parts of footwear	10%	15%
		Jewellery		
11	7117	Imitation Jewellery	15%	20%
		Electronics / Hardware		
12	8517 12	Cellular mobile phones	15%	20%
13	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%
14	8517 62 90	Smart watches / wearable devices	10%	20%
15	8529 10 99 8529 90 90	LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	7.5%/10%	15%
		Furniture		
16	9401	Seats and parts of seats [other than aircraft seats and	10%	20%
17	9403	Other furniture and parts	10%	20%
18	9404	Mattresses supports; articles of bedding and similar furnishing	10%	20%
19	9405	Lamps and lighting fitting, illuminated signs, illuminated name plates and the like [except solar lanterns or solar lamps]	10%	20%

		Watches and Clocks		
20	9101, 9102	Wrist watches, pocket watches and other watches, including stop watches	10%	20%
21	9103	Clocks with watch movements	10%	20%
22	9105	Other clocks, including alarm clocks	10%	20%
		Toys and Games		
23	9503	Tricycles, scooters, pedal cars and similar wheeled toys; dolls'	10%	20%
24	9504	Video game consoles and machines, articles for funfair, table or parlor games and automatic bowling alley equipment	10%	20%
25	9505	Festive, carnival or other entertainment articles	10%	20%
26	9506 [except 9506 91]	Articles and equipment for sports or outdoor games, swimming pools and paddling pools [other than articles and equipment for general physical exercise, gymnastics or athletics]	10%	20%
27	9507	Fishing rods, fishing-hooks and other line fishing tackle; fish landing nets, butter fly nets and similar nets; decoy birds and similar hunting or shooting requisites	10%	20%
28	9508	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses, traveling menageries and travelling theatres	10%	20%
		Miscellaneous items		
29	3406	Candles, tapers and the like	10%	25%
30	4823 90 90	Kites	10%	20%
31	9004 10	Sunglasses	10%	20%
32	9611	Date, sealing or numbering stamps, and the like	10%	20%
33	9613	Cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks.	10%	20%
34	9616	Scent sprays and similar toilet sprays, and mounts and heads therefor; powder-puffs and pads for the application of cosmetic or toilet preparations.	10%	20%

B. Amendments not affecting rates of duty [to be effective from 02.02.2018]* 101(a) of the Finance Bill, 2018]				
1	8507 60 00	Tariff rate of BCD on Lithium-ion batteries [The effective rate of import duty on Lithium-ion batteries [except those for cellular mobile phones will, however, remain unchanged at 10%.]	10%	20%
2	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%

C. Technical amendment not affecting rates of duty [Clause 101(b) of the Finance Bill, 2018]				
1		Bifurcate the tariff item 0713 31 00 to create separate tariff items each for Moong Dal and Urad Dal.		
2		Omit tariff item 0904 22 12 and entries relating thereto and create new tariff item 1209 91 70, in relation to chilly seed of genus capsicum.		
3		Amend the tariff item 2917 39 20 to specify the isomers it covers.		

*Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

AMENDMENT IN THE SECOND SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment		
A	Amendments not affecting rates of Export duty	Rate of Duty	
		From	To
1.	To insert a new Note to specify Nil rate of duty in respect of all other goods which are not covered under column (2) of the Schedule. [Clause 102 (a) of the Finance Bill, 2018]	--	--
2	Electrodes of a kind used for furnaces [Clause 102 (b) of the Finance Bill, 2018]* [Introduction of 20% Tariff rate of Export Duty on Electrodes of a kind used for furnaces (8545 11 00). The effective rate of Export duty on such electrodes will, however, remain Nil]	--	20%

*Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES

S. No.	Heading, sub-heading tariff item	Commodity	From	To
		Food processing		
1	0801 31 00	Cashew nuts in shell [Raw cashew]	5%	2.5%
2	2009 11 00 2009 12 00 2009 19 00	Orange fruit juice	30%	35%
3	2009 81 00, 2009 90 00	Cranberry Juice	10%	50%
4	2106 90	Miscellaneous Food preparations (other than soya protein)	30%	50%

		Textiles		
5	5007	Silk Fabrics	10%	20%
		Capital goods and Electronics		
6	8504 90 90/ 3926 90 99	Printed Circuit Board Assembly (PCBA) of charger/adapter and moulded plastics of charger/adapter of cellular mobile phones	Nil	10%
7	Any Chapter	Inputs or parts for manufacture of: a) PCBA, or b) molded plastics of charger/adapter of cellular mobile phones of cellular mobile phones	Applicable Rate	Nil
8	8483 40 00, 8466 93 90, 8537 10 00	Ball screws, linear motion guides, CNC systems for manufacture of all types of CNC machine tools falling under headings 8456 to 8463	7.5%	2.5%
9	70	Solar tempered glass or solar tempered [anti-reflective coated] glass for manufacture of solar cells /panels/modules	5%	Nil
10	70	Preform of silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables	Nil	5%
11	8529/4016	12 specified parts for manufacture of LCD/LED TV panels	Nil	10%
		Automobile and automobile parts		
12	8702, 8703, 8704, 8711	CKD imports of motor vehicles, motor cars, motor cycles	10%	15%
13	8702, 8704	CBU imports of motor vehicles	20%	25%
		Diamonds and Precious stones		
14	71	Cut and polished colored gemstones;	2.5%	5%
15	71	Diamonds including lab grown diamonds-semi processed, half-cut or broken; non-industrial diamonds including lab-grown diamonds (other than rough diamonds), including cut and polished diamonds	2.5%	5%

		Medical Devices		
16	Any Chapter	Raw materials, parts or accessories for the manufacture of Cochlear	2.5%	Nil
		Rationalization in Customs duty rates		
		Edible oils of vegetable origin		
17	1508, 1509, 1510, 1512, 1513, 1515	Crude edible vegetable oils like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils.	12.5%	30%
18	1508, 1509, 1510, 1512, 1513, 1515, 1516 20, 1517 10 21, 1517 90 10, 1518 00 11, 1518 00 21, 1518 00 31	Refined edible vegetable oils, like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils, edible margarine of vegetable origin, Sal fat; specified goods of heading 1518	20%	35%
		Refractory Items		
19	6815 91 00	Other articles of stone containing magnesite, dolomite or chromite	10%	7.5%
20	6901	Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths	10%	7.5%
21	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%
22	6903	Other refractory ceramic goods	5%	7.5%

SOCIAL WELFARE SURCHARGE

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

S. No.	Heading, sub-heading tariff item	Description	From	To
1	Any chapter	Levy of Social Welfare Surcharge on imported goods to finance education, housing and social security [clause 108 of Finance Bill, 2018]	--	10% of aggregate duties of customs
2	Any chapter	Abolition of Education Cess and Secondary and ; Higher Education Cess on imported goods [clause 106 of Finance Bill, 2018]	3% of aggregate duties of customs [2% + 1%]	Nil
3	2710	Motor spirit commonly known as petrol and high speed diesel oil	--	3% of aggregate duties of customs
4	7106	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of aggregate duties of customs
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

ROAD AND INFRASTRUCTURE CESS

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

S. No.	Heading, sub-heading tariff item	Description	From	To
1	2710	Levy of Road and Infrastructure Cess on imported motor spirit commonly known as petrol and high speed diesel oil [clause 109 of Finance Bill, 2018]	--	Rs. 8 per litre
2	2710	Exemption from additional duty of customs leviable under section 3(1) of the Customs Tariff Act, 1975 in lieu of the proposed Road and Infrastructure cess on domestically produced motor spirit commonly known as petrol and high speed diesel oil	--	Nil
3	2710	Abolition of Additional Duty of Customs [Road Cess] on imported motor spirit commonly known as petrol and high speed diesel oil [Clause 106 of Finance Bill, 2018]	Rs. 6 per litre	Nil
4	2710	Additional duty of customs under sections 3(1) of the Customs Tariff Act, 1975 in lieu of basic excise duty on :		
	2710	(i) Motor spirit commonly known as petrol	Rs. 6.48 per litre	Rs. 4.48 per litre
	2710	(ii) High speed diesel oil	Rs. 8.33 per litre	Rs. 6.33 per litre

EXCISE

Note: “Basic Excise Duty” means the excise duty set forth in the Fourth Schedule to the Central Excise Act, 1944.

PROPOSALS INVOLVING CHANGE IN EXCISE DUTY RATES:

S. No.	Commodity	Rate of Duty	
		From	To
I	Motor spirit commonly known as petrol and high speed diesel oil		
1.	Levy of Road and Infrastructure Cess on motor spirit commonly known as petrol and high speed diesel oil [clause 110 of Finance Bill, 2018]	--	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 [clause 106 of Finance Bill, 2018]	Rs. 6 per litre	Nil
3.	Basic excise duty on:		
	(i) Unbranded Petrol	Rs. 6.48 per litre	Rs. 4.48 per litre
	(ii) Branded petrol	Rs. 7.66 per litre	Rs. 5.66 per litre
	(iii) Unbranded diesel	Rs. 8.33 per litre	Rs. 6.33 per litre
	(iv) Branded diesel	Rs. 10.69 per litre	Rs. 8.69 per litre
4.	Road and Infrastructure Cess on (i) 5% ethanol blended petrol, (ii) 10% ethanol blended petrol and (iii) bio-diesel, up to 20% by volume, subject to the condition that appropriate excise duties have been paid on petrol or diesel and appropriate GST has been paid on ethanol or bio-diesel used for making such blends	--	Nil
5.	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

Disclaimer

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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