

Union Budget 2016-17



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Key policy announcements





Key policy announcements

01

- **Maintaining Fiscal Discipline:** Government able to control fiscal deficit and maintain current account deficit within manageable levels

02

- **Focus on Rural and Agriculture:** focus on doubling farmers' income in five years and with emphasis on rural employment

03

- **Capex Push:** Government has provided huge impetus to infrastructure and investments

04

- **FDI Policy:** Government's is making efforts to liberalise FDI policy framework to give a fillip to attracting investments into the country



Direct tax proposals





Direct tax proposals

01

- Tax slabs for individuals remain unchanged
- Higher tax levies for super rich

02

- General tax rates for corporates remain unchanged
- Lower rate prescribed for SMEs
- Optional lower tax regime for new manufacturing companies

03

- Dividend income in excess of Rs. 10 lakh proposed to be chargeable to tax at the rate of 10 percent in the hands of resident individuals, HUF or a firm

04

- Detailed road map for phasing out of deduction and exemptions rolled out



Direct tax proposals

05

- Tax sops proposed for start-ups in line with the announcement made by the Prime Minister during launch of start-up initiative

06

- PoEM regime deferred by a year to FY2016-17 in absence of implementation guidelines

07

- Foreign companies not having Permanent Establishment / registered place of business in India kept outside the purview of MAT

08

- Widening the scope of presumptive taxation for small businesses and professionals



Direct tax proposals

09

- Announcement of holding period for unlisted shares to qualify as long term asset to be reduced to 2 years. Provision yet to be introduced

10

- No Dividend Distribution Tax on income distribution by SPV to business trust

11

- Introduction of Income Declaration Scheme, 2016 and Direct tax Dispute Resolution Scheme, 2016

12

- New tax regime for securitisation trust and its investors



Direct tax proposals

13

- A new "Equalisation levy" of 6% on non-resident service providers introduced

14

- Conditions for off-shore funds not constituting place of business in India have been liberalised

15

- Enhancing scope of buy-back tax with a view to curb practice of undertaking buy back through court process merely to mitigate buy-back tax

16

- Advance tax payment schedule for individuals aligned with that of corporate taxpayers



Transfer Pricing proposals





Transfer pricing proposals

01

Background: Keeping in line with India's commitment with BEPS action plans, FM has proposed new documentation regime for multinational enterprises

02

What has changed: Three-tier documentation structure to replace existing local documentation requirements. Local documentation to be a part of the new structure

03

Added reporting requirements:

- Maintenance of group level information by a taxpayer part of the multinational enterprise ('MNE') group - Master file
- Country-by-Country ("CbC") reporting requirement introduced

04

Content : Detailed documentation requirements and reporting format to be prescribed for master file and CbC report respectively. Further, memorandum suggests information requirements to be in line with BEPS Action 13



Transfer pricing proposals

05

Applicability: New documentation regime to be applicable from FY 2016-17. FM announced a threshold of € 750 mn on consolidated group revenue for preceding accounting year for CbC reporting

06

Preliminary reporting obligation: Indian taxpayer, being part of an MNE, to notify details of alternate reporting entity of the MNE

07

Who will file the master file: Master file to be filed by Indian taxpayer part of the MNE group

08

Who will file the CbC report:

- Indian parent entity or the alternate reporting entity
- Indian entity of the MNE group to furnish the CbC report in specified circumstances



Transfer pricing proposals

09

When to file: Timeline for furnishing master file yet to be prescribed. Further, CbC report to be filed on or before the due date of filing income tax return

10

Penalty for failure to furnish CbC report:

- Rs 5,000 per day for first month. Thereafter, Rs. 15,000 per day; and
- Rs. 50,000 per day, if the default continues beyond the date of service of penalty order

11

Penalty for failure to produce information of CbC report:

- Rs 5,000 per day; and
- Rs. 50,000 per day, if the default continues beyond the date of service of penalty order

12

Penalty of Rs. 500,000 for:

- furnishing inaccurate particulars in CbC report; or
- non-furnishing of prescribed documentation



Transfer pricing proposals

13

Appeal mechanism against DRP order withdrawn

- Proposal to do away with assessing officer's power to challenge Dispute Resolution Panel's ("DRP") directions wef 1 June 2016
- Move in line with government's decision to minimise litigation





Indirect tax proposals





Indirect tax proposals





Indirect tax proposals

01

- No announcement in relation to Goods & Services Tax (GST)
- No change in the status of GST constitution amendment bill

02

- Specified items of cold chain (including pre-cooling units, pack houses, sorting and grading lines and ripening chambers) brought within ambit of Project Import Regulations

03

- Exemption to parts of aircraft imported under Standard Exchange Scheme subject to fulfilment of conditions specified

04

- New Baggage Rules notified allowing for duty-free articles limit increased to Rs. 50,000 with rationalised slabs for allowance



Indirect tax proposals

05

- Rate of interest reduced from 18% to 15% on delayed/ short-payment of Customs duty / Central Excise duty / Service tax

06

- Normal period of limitation extended from 1 year/18 months up to 2 years/30 months in Customs/Central Excise & Service tax

07

- Warehousing period for all other goods extended to one year with further extension permitted one year at a time subject to approval

08

- Amendment to customs laws to provide facility to defer payment of duties for certain class of importers/ exporters as may be prescribed



Indirect tax proposals

09

- Introduction of single registration of two or more manufacturing premises of a factory undertaking interlinked processes in a close area

10

- Number of Central Excise returns to be filed by a manufacturer (including EOU's) reduced from 27 to 13 in a year
- Revised returns under Central Excise introduced

11

- Excise duty exemption provided to information technology software contained in the media on which Service tax has been levied and paid

12

- Infrastructure Cess proposed to be levied at specified rates ranging from 1% to 4% on specified motor vehicles



Indirect tax proposals

13

- Definition of 'capital goods' and 'inputs' have been expanded
- Any capital good of value less than Rs 10,000 per piece to qualify as 'inputs'

14

- Definition of 'exempted service' to exclude services by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India

15

- Simplification of CENVAT reversal for common credit with regard to inputs and inputs services to eliminate unwanted litigation

16

- Clarity provided on determining limitation period for filing refund claim by a service provider



Indirect tax proposals

17

- Input Service Distributor (ISD) allowed to distribute CENVAT credit to an outsourced manufacturing unit

18

- Manufacturer/ Service provider required to file annual return by 30 November of succeeding year in format to be prescribed

19

- Hierarchy for utilisation of CENVAT credit deleted

20

- Declared Service to include assignment of the right to use the radio-frequency spectrum by government and subsequent transfers thereof to attract service tax



Indirect tax proposals

21

- Single abatement prescribed for construction services of complex, building, civil structure at 70% of value

22

- Number of retrospective favorable amendments in the infrastructure sector such as irrigation projects, services provided to government etc.

23

- Introduction of indirect tax Dispute Resolution Scheme 2016 introduced to reduce litigations

24

- Clarifications regarding taxability of incentives received by Air Travel Agents from Computer Reservation Systems companies



Indirect tax proposals

25

- Services provided by Senior Advocate to an advocate or partnership firm of advocates is now liable to Service tax

26

- Krishi Kalyan Cess (KKC) at 0.5% of value introduced on all taxable services; effective service tax thus proposed to increase to 15%

27

- Reverse charge mechanism extended to all services provided by Government to business entities

28

- Gas sold, purchased or transported through common pipeline or system from one state and taken out from another state to be treated as deemed interstate movement of sale, purchase of goods

Contact us

To know more about Grant Thornton in India, please visit www.grantthornton.in or contact any of our offices as mentioned below:

NEW DELHI

National Office
Outer Circle
L 41 Connaught Circus
New Delhi 110 001

AHMEDABAD

BSQUARE Managed Offices, 7th
Floor, Shree Krishna Center,
Above Crossword, Nr. Mithakali
Six Roads,
Navrangpura,
Ahmedabad 380009

BENGALURU

“Wings”, 1st floor
16/1 Cambridge Road
Ulsoor
Bengaluru 560 00

CHANDIGARH

B-406A, 4th Floor,
L&T Elante office
Industrial area, Phase-I
Chandigarh – 160002

CHENNAI

Arihant Nitco Park, 6th floor
No.90, Dr. Radhakrishnan Salai
Mylapore
Chennai 600 004

GURGAON

21st floor, DLF Square
Jacaranda Marg
DLF Phase II
Gurgaon 122 002

HYDERABAD

7th floor, Block III
White House
Kundan Bagh, Begumpet
Hyderabad 500 016

KOCHI

7th Floor, Modayil Centre
point,
Warriam road junction,
M.G.Road,
Kochi 682016

KOLKATA

10C Hungerford Street
5th floor
Kolkata 700 017

MUMBAI

16th floor, Tower II
Indiabulls Finance Centre
SB Marg, Elphinstone (W)
Mumbai 400 013

MUMBAI

9th Floor, Classic Pentagon,
Nr Bisleri, Western Express
Highway, Andheri (E)
Mumbai 400 099

NOIDA

Plot No. 19A, 7th Floor
Sector – 16A,
Noida – 201301

PUNE

401 Century Arcade
Narangi Baug Road
Off Boat Club Road
Pune 411 001

For more information or for any queries, write to us at contact@in.gt.com



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