

Union Budget 2017-18

Webcast by Grant Thornton in India



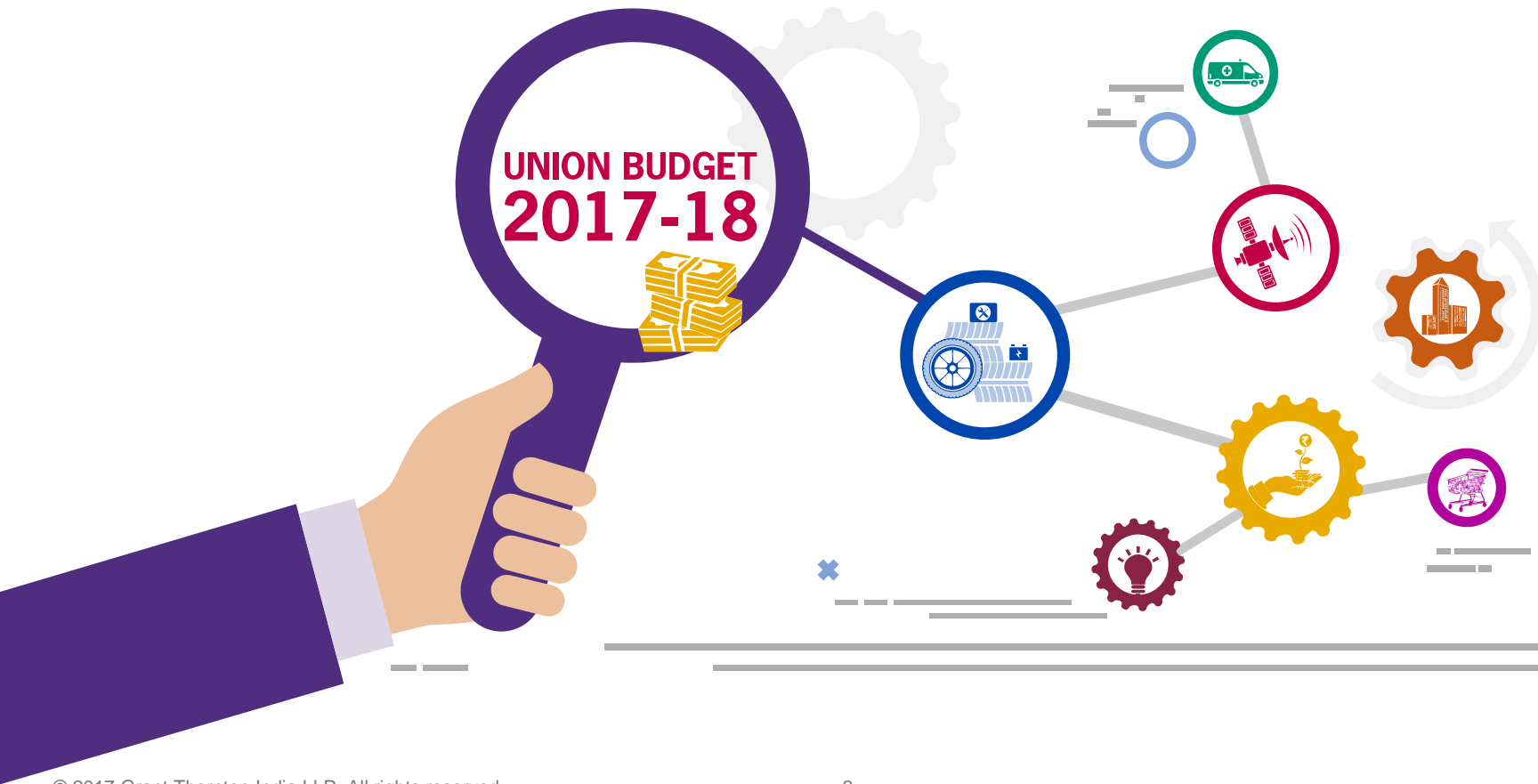
Contents

01	Budget Overview
02	Direct tax proposals
03	Transfer Pricing proposals
04	Indirect tax proposals





Budget Overview





Budget Overview

01

- Advancing the Budget presentation and announcement
- Merger of the Railway Budget with General Budget
- Scrapping the "Plan" and "Non-Plan" expenditure classification

02

- The GDP growth is expected to increase to 6.75%-7.50% in FY18
- Higher capital expenditure with continued fiscal consolidation
- Demonetisation to hurt India's growth in the short term



Budget Overview

03

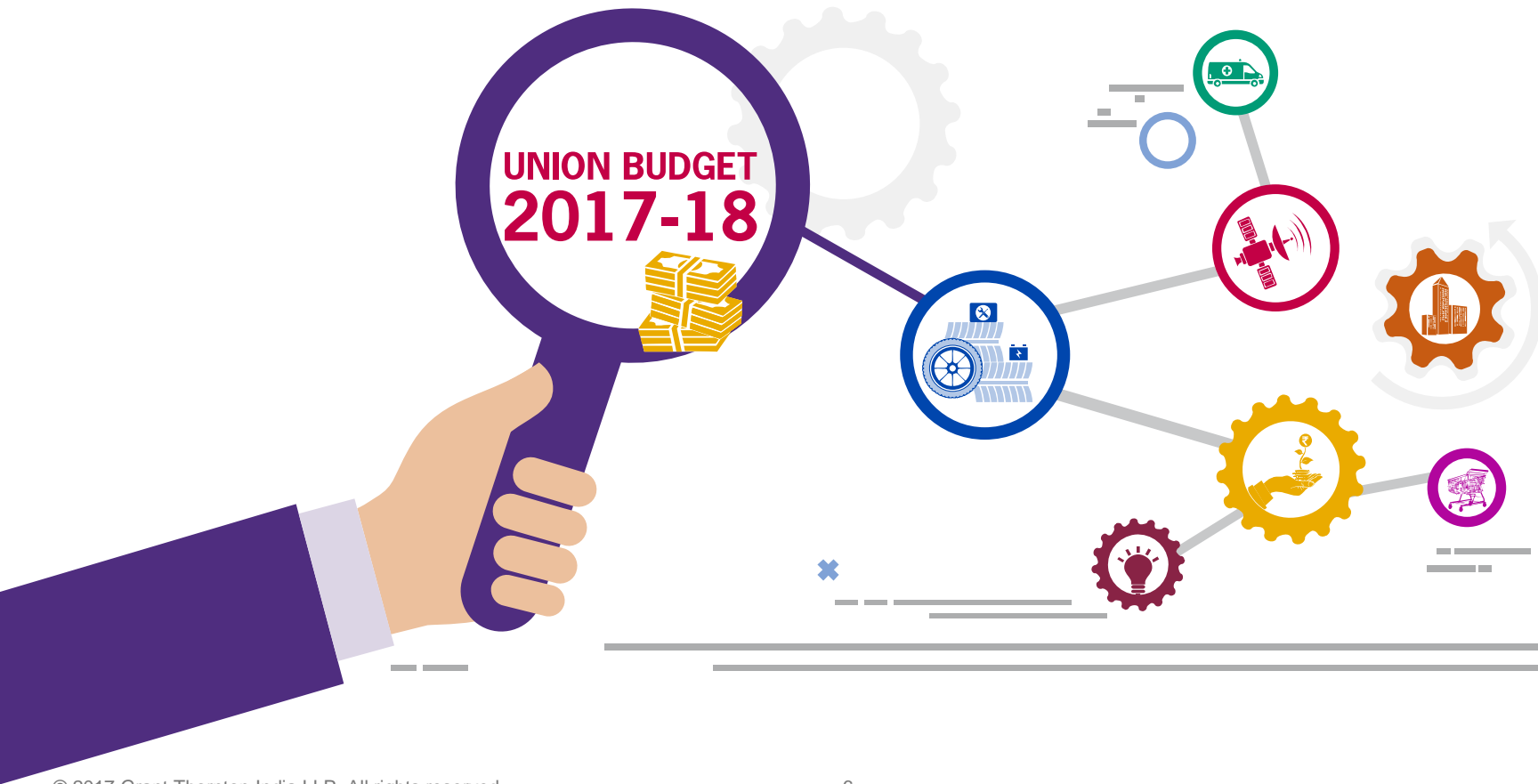
- Thrust on infrastructure sector spending
- Abolition of FIPB would ease up the foreign investment process
- Several policy initiatives for promotion of digital mode of transactions

04

- Attempt to bring in transparency in electoral funding
- Various initiatives for recapitalisation of banks
- Focus on farmers, rural population, youth and poor



Direct tax proposals





Direct tax proposals

01

- Lowest slab rate halved to 5%. Surcharge of 10% on individuals for income between Rs 50 lacs and Rs 1 crore
- Tax rate of domestic companies with turnover up to Rs 50 lakh in FY 2015-16 reduced to 25%

02

- Dividend income of more than Rs10 lakh received from domestic companies made taxable in the hands of all taxpayers except corporate shareholders and charitable organisations

03

- Taxation of capital gains from property transferred under JDAs for individuals/HUFs deferred to the year of completion of project
- No notional rent on vacant stock-in-trade up to 1 year after completion certificate is obtained



Direct tax proposals

04

- Lower tax rate on foreign debt extended till 1 July 2020. Benefit now also available to Masala bonds
- Deduction for provisions for NPAs of financial institutions increased. Co-operative banks not taxable on interest accrual on NPAs.

05

- Maximum limit for cash expenditure reduced to Rs 10,000
- Presumptive income rate reduced to 6% on non-cash transactions
- Receipts of Rs 3 lakh or more in cash prohibited. 100% penalty can be levied

06

- Limit for cash donation to political parties reduced to Rs 2,000
- Political parties to file income tax return within due date
- Launch of an Electoral Bond scheme



Direct tax proposals

07

- Category I & II FPIs exempt from indirect transfer provisions
- Tax neutrality to conversion of preference shares to equity shares

08

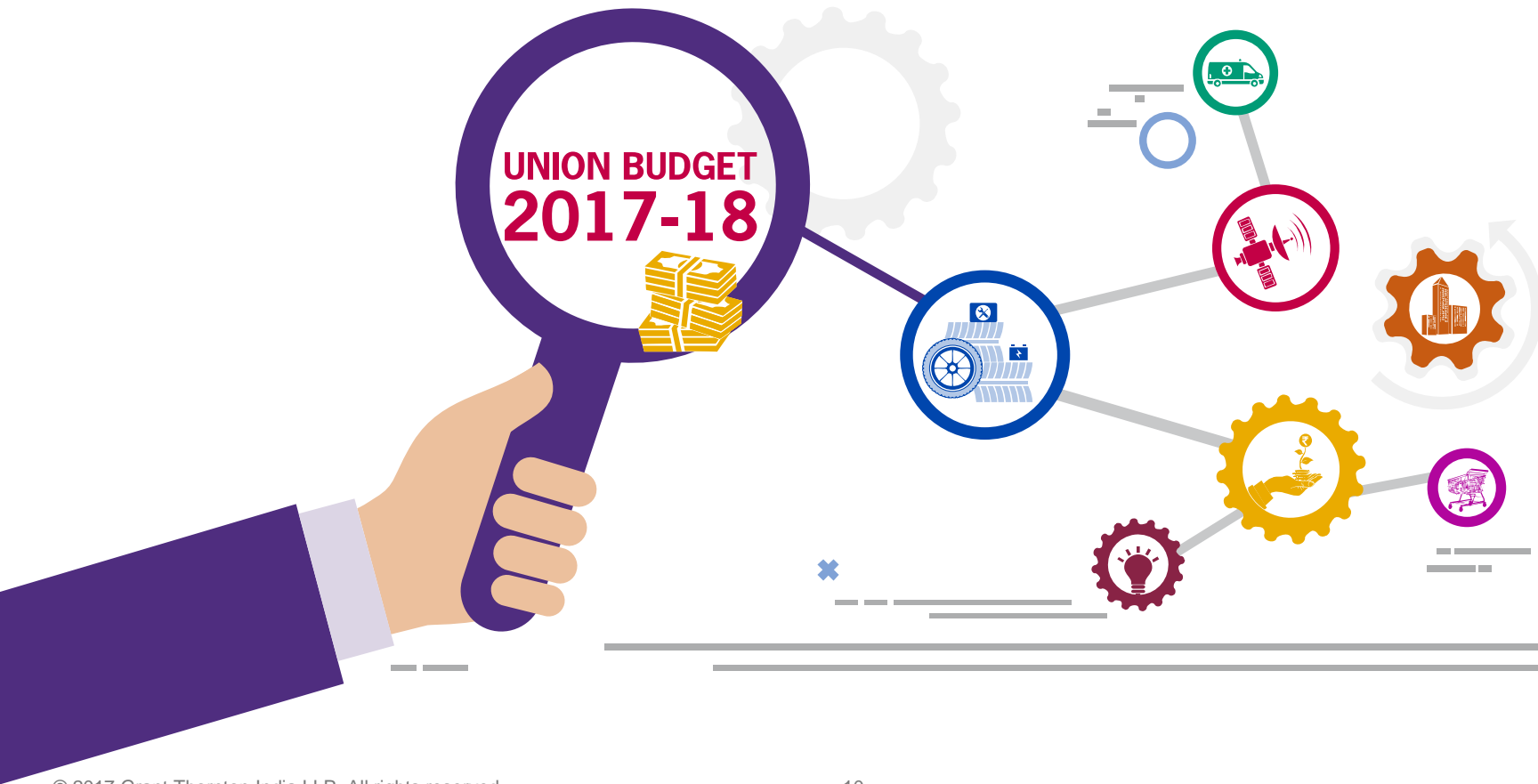
- Provisions for Ind AS companies under MAT introduced
- PAN to be furnished for collection of tax at source
- Tax holiday for SEZ unit to be limited to total income of taxpayer

09

- Provisions of taxing gifts extended to all assesses
- Immoveable property held for more than 24 months to be treated as long term asset
- Loss on rental income restricted to Rs 2 lakh



Transfer pricing proposals





Transfer pricing proposals

01

- Proposal to reduce the burden of compliance for the assessee by limiting the scope of specified domestic transactions to those undertaken by entities availing profit-linked deductions

02

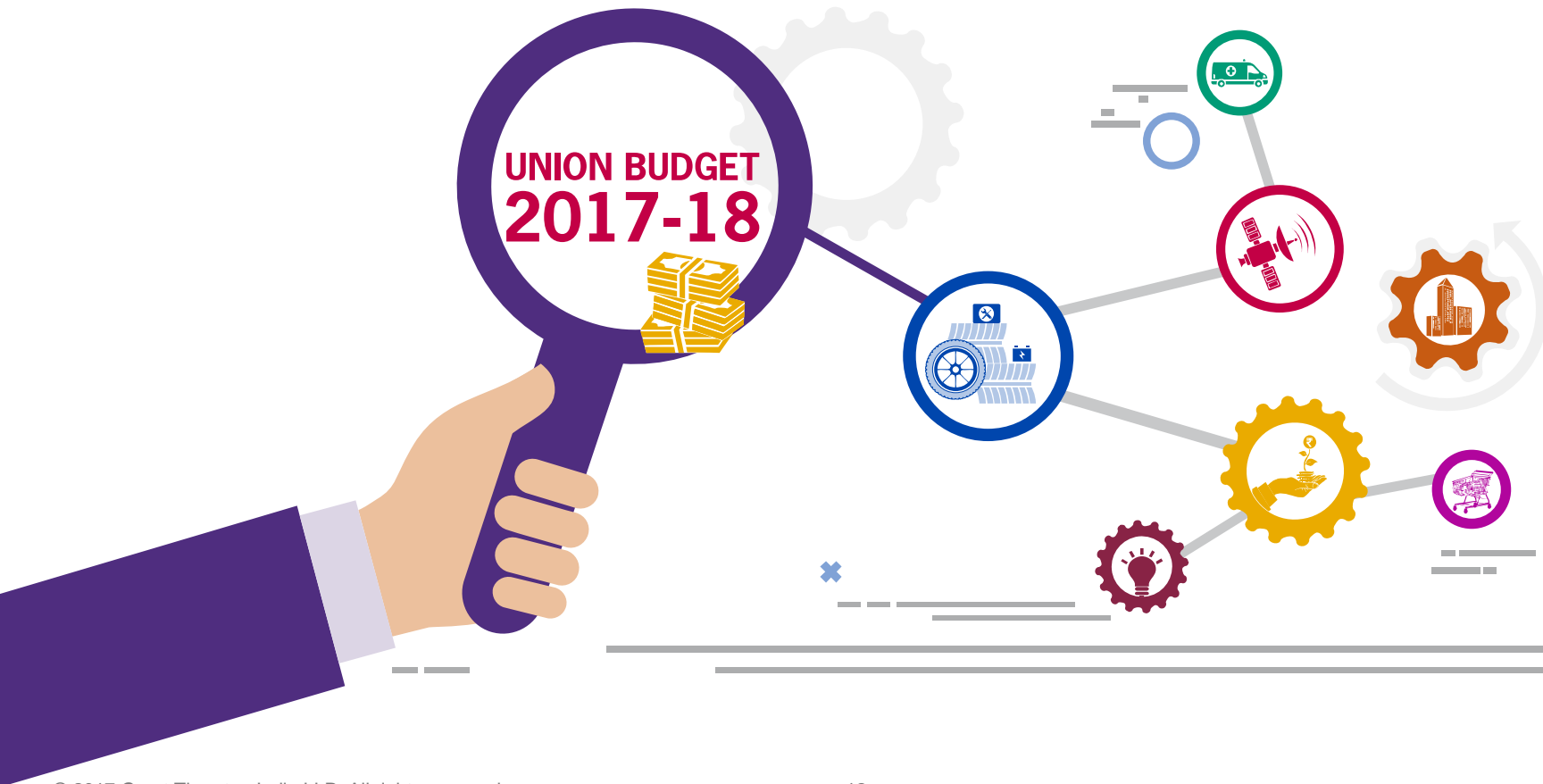
- Proposal to introduce secondary adjustment by mandating adjustment in books of account of the taxpayer and the AE where a transfer pricing adjustment is made under prescribed circumstances

03

- Proposal to cap interest expenses to 30% of earnings before interest, taxes, depreciation and amortisation (EBITDA) in a year where payment is made to Associated Enterprises (AE/s). Threshold applicability of Rs 1 crore prescribed



Indirect tax proposals





Indirect tax proposals

01

- Consensus between Centre & States largely on all GST issues, but indicative revised implementation date of 1 July 2017 not re-affirmed

02

- No tinkering of base rates for customs duty, central excise duty and service tax

03

- Research and Development cess on import of technology (presently at 5%) to be repealed from 1 April, 2017

04

- Advance Ruling for all central levies to be adjudicated commonly by Authority established under Income Tax Act, 1961



Indirect tax proposals

05

- Retrospective deduction of value of land from calculation of taxable value for the purpose of works contract w.e.f. 1 July 2010

06

- Retrospective Service tax exemptions granted on Life insurance services in Defence sector and initial payments for long term lease of industrial plots

07

- 3 months' time limit prescribed for approval of credit transfer in case of shifting of premises or change of ownership

08

- Coverage of Importer and Exporter to extend to beneficial owners who exercise control over goods under customs law



Indirect tax proposals

09

- One day time limit prescribed for filing of Bill of Entry and duty payment from arrival of goods, under self assessment

10

- Minimal changes in existing duties primarily to correct inverted duty structure situations (such as for telecommunication, renewable energy sector, etc.) and increase in duty rates for tobacco products

11

- Provisions of settlement commission extended to cover non-assessees including co-noticees

12

- 3 months' time limit prescribed for granting remission of Excise duty in cases of loss/ destruction before clearance



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