Budget Connect+ 2015
Highlights and impact analysis
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Foreword

As the government presented its first full-year budget, a momentous opportunity awaits. India has reached a sweet spot—rare in the history of nations—in which it could finally be launched on a double-digit medium-term growth trajectory.

Encouraged by the greater macro-economic stability and the reformist intent and actions of the government, coupled with improved business sentiments in the country, institutions like the IMF and the World Bank have presented an optimistic growth outlook for India for the year 2015 and beyond. The possible headwinds to such promising prospects, however, emanate from factors like inadequate support from the global economy saddled with subdued demand conditions, particularly in Europe and Japan, recent slowdown in China, and, on the domestic front, from possible spill-over of below normal agricultural growth and challenges relating to the massive requirements of infrastructural upgradation.

It was in the above economic backdrop that the FM presented the Union Budget 2015-16 in the Parliament today.

Any Budget has to grapple with prioritization, to navigate the competing pitfalls of being indiscriminately inclusive and contentiously selective. Accordingly, this Budget focuses on the two broad themes—creating opportunity and reducing vulnerability—because they are the two pressing themes of the day and which, between them, encompass the many key policy challenges that the government must address.

Investment continues to be the underlying theme in this Budget. The Budget seeks to revive growth and investment and promote domestic manufacturing and ‘Make in India’. The proposal to reduce the tax rate on import of technology and extend the benefit of deduction for employment of new regular workmen to all business entities can be expected to have a significant impact on this theme. Recognizing the importance of indirect taxes in the context of promotion of domestic manufacturing the Budget proposes to reduce the basic custom duty on certain inputs, raw materials, intermediates and components.

After causing consternation in the international business community in the 2012 budget by way of a retrospective amendment to tax indirect transfers, the Budget now proposes amendments to provide clarity with regard to taxation of such transactions.
The proposal to defer GAAR by two years and announcement of a phased reduction in the corporate tax rate from 30% to 25% over a four year period is also expected to be welcomed by the investor community.

The FM reiterated that the GST is on track for implementation by 2016 and would play a transformative role in the economy.

The steps announced in the Budget are only the beginning of a journey towards a sustained growth of over 8 per cent along with macro-economic stabilization.

28 February 2015

EY
At a glance

Income-tax

- Rates of corporate tax remain unchanged for both domestic and foreign companies.

- Surcharge increased from 5% to 7% and from 10% to 12% for domestic companies where income exceeds INR 10 million and INR 100 million respectively. Rate of surcharge remains unchanged for foreign companies.

- Wealth tax has been abolished and replaced by an additional surcharge of 2% on the taxable income of over INR 10 million in case of domestic taxpayers.

- Tax rate for income of non-residents (including foreign companies) by way of royalty or FTS reduced from 25% to 10% for all such income earned pursuant to any agreement entered into after 31 March 1976. This will however, not impact the tax rate applicable under the relevant DTAA.

- Where income of a company from its share in an association of persons or a body of individuals is exempt, then such income and its corresponding expenditure will not be taken into consideration while calculating book profits under MAT provisions.

- Certain income from sale of securities by FII and its corresponding expenditure will not be taken into consideration while calculating book profits under MAT. Definition of FII will be same as in section 115AD.

- The definition of charitable purpose now includes ‘Yoga’.

- Payment from an account under Sukanya Samridhi Account Scheme for welfare of girl child will be exempt.

- Income of Core Settlement Guarantee Funds will be exempt.

- Clarifications introduced on taxability of indirect transfer of shares deriving substantial value from assets in India. ‘Substantial’ value clarified to mean 50% Indian assets vis-à-vis global assets and minimum Indian assets of INR 100 million.
► Indirect transfer of shares of an Indian company pursuant to amalgamation or demerger of foreign companies shall be exempt from capital gain tax subject to fulfilment of prescribed conditions.

► Cost of acquisition and period of holding of capital assets of demerged company to continue post demerger for the resulting company.

► Applicability of GAAR deferred by 2 years and will now be applicable from financial year 2017-18.

► Concept of place of effective management introduced to determine residential status of foreign company.

► Higher additional depreciation on acquisition and installation of new assets in the State of Andhra Pradesh and State of Telangana.

► Additional investment allowance for acquisition of new plant and machinery in notified backward areas in the State of Andhra Pradesh and State of Telangana.

► Deduction on donation made to National Fund for Control of Drug Abuse, Swachh Bharat Kosh and Clean Ganga Fund.

► Deduction on additional wages paid to new regular workmen in excess of 50 regular workmen employed.

► Benefit of the concessional rate of 5% withholding tax in respect of investments made by FIIs and QFIs to be extended in respect of interest payable up to 30 June 2017.

► Pass through status provided to Category I and Category II AIFs.

► Interest paid by PE in India of a banking company to its head office or any other branches outside India deemed to be income subject to tax in India and subject to withholding.

► Fund managers’ presence in India, subject to satisfaction of certain conditions, not to constitute business connection of eligible investment funds.

► Explanation (a) to sub-section 3 of section 115ACA has been amended to restrict the tax benefit only in respect of Depository Receipts issued to investors against the issue of (i) ordinary shares of an issuing company, being a
company listed on a recognized stock exchange or (ii) FCCBs of the issuing company.

**Customs duty**

- Median rate of BCD retained at 10%.
- Education cess and secondary and higher education cess to continue on imports.
- Effective median rate of customs duty increased from 28.85% to 29.44% on account of increase in rate of CVD from 12% to 12.50%.
- BCD exemption granted to several products like OLED TV panel, modules for use in LCD/LED TVs, parts & components for tablet computers, artificial hearts, pacemaker, subject to conditions in some cases.
- Exemption from 4% SAD granted to all goods (except populated PCBs) used in manufacture of ITA bound items subject to actual user condition.
- LLP, sole proprietorship and one person company can also seek Advance Ruling.

**Excise duty**

- Effective median excise duty rate increased from 12.36% to 12.50%.
- Education cess and secondary and higher education cess exempted on all goods.
- Manufacturers can issue digitally signed invoices and maintain records in electronic form.
- LLP, sole proprietorship and one person company can also seek Advance Ruling.

**Service tax**

- Effective service tax rate to be increased from 12.36% to 14%, from a date to be notified.
- Education cess and secondary and higher education cess to be removed from a date to be notified.
► Swachh Bharat cess at the rate of 2% on the value of service proposed to be levied.

► Any service provided by the government or a local authority to a business entity is proposed to be liable to service tax under reverse charge mechanism except those specified otherwise.

► Exemption withdrawn for construction of airports and ports.

► Process amounting to manufacture or production of alcoholic liquor for human consumption, by a person for another, proposed to be subjected to levy of service tax.

► Abatement on services of air transport other than economy class reduced from 60% to 40%.

► 100% reverse charge on manpower and security services.

► LLP, sole proprietorship and one person company can also seek Advance Ruling.

CENVAT Credit

► CENVAT Credit specifically allowed in respect of inputs and capital goods received directly in the premises of job worker.

► Time period for receiving capital goods back from the job worker is now two years instead of 180 days.

► CENVAT Credit on a CENVAT-able document is allowed to be taken within one year of the date of such document instead of six months prescribed at present.

GST

► Reconfirmation of the GST implementation on 1 April 2016.

► FM’s vision to introduce a state of the art indirect tax system.

► Primary driver for GST is to play a transformative role in developing a common market and reducing cascading effect.
Key performance indicators

While comparing economic performance across different countries for the year 2014-15, one of the redeeming features has been the emergence of India among the few large economies with propitious economic outlook, amidst the mood of pessimism and uncertainties that engulf a number of advanced and emerging economies. Brighter prospects in India owe mainly to the fact that the economy stands largely relieved of the vulnerabilities associated with an economic slowdown, persistent inflation, elevated fiscal deficit, slackening domestic demand, external account imbalances and oscillating value of the rupee.

The macroeconomic situation in India has improved significantly during the current year with a rise in the growth rate from 6.9% to 7.4% (with 2011-12 as base year).

**Agriculture and allied sector:** The sector has grown at 1.1% in 2014-15 as against 3.7% in 2013-14. Growth in agriculture weakened, following high level of food inflation, seasonal and short term price spikes in various food commodities and erratic rainfall conditions during monsoon 2014.

**Industry and infrastructure:** The earlier perception about slow industrial growth during the last three years is at variance with the latest GDP estimates, based on a new methodology and with 2011-12 as base year.

The Advance Estimates for the year 2014-15 show rise in industrial growth to 5.9% as against 4.5% in 2013-14. The key sectors contributing to the industrial growth are manufacturing, electricity, gas and water and construction sectors. High growth in thermal generation, captive mining and capacity addition in electricity, coal and cement sectors boosted their performance to 9.7%, 9.1% and 7.9% in 2014-15 respectively. However, with no major discoveries of oilfields, the natural gas and crude oil production have declined to (-) 5.1% in 2014-15.

Industrial growth is further expected to yield good results over time due to number of macro level and sectoral initiatives undertaken.
Services: India’s dynamic services sector has grown rapidly in the last decade with almost 72.4% of the growth in India’s GDP in 2014-15 coming from this sector. Services sector is emerging as the prominent sector in terms of contribution to national income, trade flows, FDI inflows and employment. Services like trade and repair services, rail transport, communication and broadcasting services achieved double-digit growth during the year. However, sectors like water transport and storage services lagged behind.

Growth in the services sector has increased from 9.1% in 2013-14 to 10.6% in 2014-15. This is mainly due to growth acceleration in financial, real estate, professional services, public administration, defense and other services. The growth momentum in the services sector is expected to continue in 2015-16.

Unlike other developing economies, the Indian growth story has been led by the services sector, which is now growing in double digits.

Macroeconomic fundamentals in 2014-15 have dramatically improved primarily on account of the following:

- Decline in inflation by over 6%;
- Stabilized foreign portfolio flow;
- Balanced government savings and private consumption.

### Growth in Gross Value Added (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2012-13</th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and allied sector</td>
<td>2.5</td>
<td>4.8</td>
<td>6.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.1</td>
<td>8.3</td>
<td>8.5</td>
</tr>
<tr>
<td>Trade, Hotels, Transport and communication</td>
<td>9.3</td>
<td>11.2</td>
<td>12.1</td>
</tr>
<tr>
<td>Financing, insurance, real estate and business services</td>
<td>9.3</td>
<td>9.3</td>
<td>10.6</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>2.5</td>
<td>4.8</td>
<td>6.9</td>
</tr>
</tbody>
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Budget Connect+ 2015
Other key economic indicators are summarized as follows:

- The annual average rate of inflation (in WPI terms) declined from 6.0% in 2013-14 to 3.4% in 2014-15 (April to December 2014).

- Foreign exchange reserves increased marginally from USD 304.2 billion at the end of March 2014 to USD 328.7 billion in January 2015.

- Foreign portfolio flows have stabilized the rupee, while exerting downward pressure on long term interest rates, reflected in yields on ten year government securities and contributed to the surge in equity prices.

- Export growth declined to 4.0% in April 2013 - December 2014 as compared to 4.7% during 2013-14. The value of imports has grown to 3.6% in 2014-15 as compared to decline of 8.3% in 2013-14.

**Foreign trade (% change in USD terms on an annual basis)**

- Foreign investment (net) on account of FDI has increased from USD 14,589 million in April-September 2013 to USD 16,183 million in April-September 2014. However, FPI (net) has increased from negative USD 6,827 million in April-September 2013 to USD 22,202 million during the same period in 2014.
Gross Fiscal Deficit declined from 4.5% for 2013-14 (based on PA) to 4.1% for 2014-15 (BE).

CAD has declined from USD 26.9 billion in April to September 2013 to USD 17.9 billion during the same period in 2014.

During April-December 2014, resource mobilization through the primary market exhibited mixed patterns with equity and debt issues declining and private placements of corporate bonds increasing, on year-on-year basis. As private placements of corporate bonds account for the lion's share, total mobilization increased during the period.
Challenges and outlook of the Economic Survey 2014-15

The key challenges and outlook of different sectors and key recommended policy initiatives as per the Economic Survey 2014-15 are outlined as follows:

► **Agriculture:** India has emerged as a significant agricultural exporter for cotton, rice, meat, oil meals, pepper and sugar. While the food grain production for 2014-15 is at 257.07 million tons which exceeds the average food grain production of the last five years by 8.15 million tons, agriculture and food sectors still need huge investment in research, education, extension, irrigation, fertilizers, warehousing, cold storage and laboratories to test soil, water and commodities. Rationalization of subsidies and better targeting of beneficiaries would generate part of the resources for public investment.

A rising concern in recent times has been the high level of food inflation, seasonal and short term price spikes in some commodities like onions, tomatoes, and potatoes which have become more frequent, severe and lasting, hurting consumers and causing economic instability. A strategy of price-led growth in agriculture is, therefore, not sustainable. Also, the room for increasing production through raising cropped area is virtually non-existent. Hence, to improve resilience of the agriculture sector and bolster food security, the Government has to strategize on improving yield and productivity.

**Industry:** The declining trend in industrial growth has commenced recovery since last year.

However, in the current year, credit growth, corporate performance and the Index of Industrial Production continue to point towards slow industrial growth. A number of macro level and sectoral initiatives undertaken to improve industrial growth are expected to yield results over time.

Fresh initiatives like Make in India, Digital India, creating a National Industrial Corridors Authority, streamlining environment and forest clearances and labor reforms could lead to rapid improvement in ease of conducting business in India.

► **Services:** India’s services sector remains the major driver of economic growth contributing 72.4% of GDP growth in 2014-15.
► Energy, infrastructure and communication:
Infrastructure growth in terms of eight core industries has been higher than industrial growth since 2011-12 and this trend is expected to continue.

In infrastructure, the focus should be on resolving long-pending issues such as pricing of gas, establishing processes and procedures for transparent auction of coal and minerals and improving power generation and distribution.

► Energy sector: The capacity-addition target during the 12th Plan period is 88,537 MW comprising 26,182 MW by the Centre, 15,530 MW by States, and 46,825 MW by the private sector. As against the capacity addition target of 17,830.3 MW in 2014-15, 11,610.41 MW (including 1,000MW nuclear capacity commissioned) has been added till 31 December 2014.

Energy sector is faced by challenges in form of aggregate technical and commercial losses, historical methods of energy accounting/auditing and lack in collective efficiency. Among others, the Government needs to strengthen the Integrated Power Development Scheme, which subsumes the Restructured Accelerated Power Development and Reforms Programme, to overcome such challenges.

► Urban Infrastructure: Urbanization in India has become an irreversible process and an important determinant of national economic growth and poverty reduction. The increased pace of urbanization poses challenges with respect to providing adequate infrastructure, improving connectivity and mobilizing resources. Challenges faced by urban infrastructure sector include defecation, manual scavenging, solid waste management, sanitation and public health.

► Telecommunications: The telecom sector continues to grow rapidly. During April-November 2014-15, 31.2 million new telephone connections were added. Growth in telecom sector is not balanced. However, to ensure equity in access and to accelerate the balanced socio-economic growth, the DoT has planned to connect all 2,50,000 Gram Panchayats in the country with minimum bandwidth of 100 Mbps under the National Optical Fibre Network Project.
► Railway sector: Indian Railways is faced with the challenge of sustaining traffic volume in an environment of moderate growth. The key focus areas for Indian Railways include creation of capacity, modernization of network, improvement in asset utilization and productivity, modernization of rolling stock and maintenance practices, and improvement in the quality of services.

► Finance: Despite domestic challenges and external vulnerabilities, the Government adhered to fiscal consolidation in 2013-14. The 4.1 per cent fiscal deficit target of 2014-15 seems achievable in spite of slow growth in revenues and delayed disinvestment. To meet this target, the Government may have to resort to expenditure compression.

Key challenges which needs to be addressed include:

► To control fiscal and revenue deficit;
► To shift the quality of expenditure from consumption to investment by reducing subsidies;
► To increase public investment.

► Taxes: As a proportion of GDP, direct and indirect taxes estimated at 5.7% and 4.8% respectively in 2014-15 (BE), were slightly higher than the 5.6% and 4.6% respectively in 2013-14 (RE).

Even within the limited fiscal space, several important and path-breaking measures for rationalizing tax provisions so as to reduce litigation were introduced through the Finance (No.2) Act 2014.

► FDI policy reforms: An investor-friendly FDI policy has been put in place, whereby FDI up to 100 per cent is permitted under the automatic route in most sectors/activities. In 2014, FDI policy has been further liberalized to curtail the infrastructure deficit and improve supply chain management.

Norms related to minimum land area, capitalization, and repatriation of funds for FDI in construction development projects have also been further liberalized. However, the ambiguity in classifying FDI in different activities under the services sector continues.

► External trade: Trade environment has been stagnating. The trading environment is becoming more challenging as
the buoyancy of Indian exports has declined with respect to world growth and as the negotiation of mega-regional trading arrangement threatens to exclude India. In addition to the deteriorating external environment for trade, India has to contend with a rapidly changing policy environment. A significant upgradation of Indian trade capability will be necessary for India to be able to join these mega-regionals.

► **Inflation:** Structural shift in the inflationary process are underway, caused by lower oil prices and deceleration in agriculture prices and wages. These are simultaneously being reflected in dramatically improved household inflation expectations.

The economy is likely to over-perform on the RBI’s inflation target by about 0.5%-1.0%, opening up the space for further monetary policy easing.

► **Make in India initiative:** The Make in India initiative is aimed at facilitating investment, foster innovation, enhance skill development, protect IP and build best-in-class manufacturing infrastructure.

India could bolster the Make in India initiative by improving on infrastructure and reforming labor and land laws by complementing it with the Skilling India initiative. This would enable a larger section of the population to benefit from the structural transformation that such sectors will facilitate.

► **Carbon Taxes:** The recent steep decline in international oil prices is seen by many as an opportunity to rationalize the energy prices by getting rid of the distorting subsidies whilst shifting taxes towards carbon use. However, any rationalization of energy prices must take into account the implications on power prices and hence, access to energy for the poorest in India which is, and must remain, a fundamental objective of policy.

► **The banking challenge:** The Indian banking balance sheet is suffering from double financial repression. On the liabilities side, high inflation lowers real rates of return on deposits. On the assets side, SLR and priority sector lending requirements have depressed returns to bank assets. As inflation moderates and the banking sector exits liability-side repression, it is a good time to consider addressing the asset-side counterpart.
While comparing the share of banks in total credit for a cross section of countries, it has been observed that the share of bank credit in India is neither unusually high nor low. A rapid shift in the composition of India's financial sector away from banking may be necessary and desirable. Hence, going forward, capital markets and bond-financing need to be given a boost.

► JAM Trinity Solution: The JAM Number Trinity - Jan Dhan Yojana, Aadhaar, Mobile - can enable the State to transfer financial resources to the poor in a progressive manner without leakages and with minimal distorting effects which would lead to balanced economic development across the country.

Note: All data and figures are as per the Economic Survey 2014-15
BE: Budget estimates
CAD: Current account deficit
PA: Provisional actuals
P: Provisional
RE: Revised estimates
The annual financial statements of the Government for 2014-15 are set to reflect a fiscal deficit of 4.1% of GDP - same as the budget estimate. The target fiscal deficit for 2015-16 is 3.9%. Revenue deficit for 2015-16 is estimated at 2.8% as against the revised estimate of 2.9% for 2014-15.

Net market borrowings (adjusted for repurchases/switches in 2015-16) of INR 4,564.05 billion have been budgeted to finance 82.1% of gross fiscal deficit. The net market borrowing projection shows an increase of 2.1% over the previous year.

As per the revised estimates, the interest outgo as a percentage of the revenue receipts is set to marginally decrease from 36.88% in 2013-14 to 36.52% in 2014-15. However, the same is estimated to increase to 39.96% in 2015-16.

As per the Union Budget 2015-16:

- Gross tax revenues estimated at INR 14,494.90 billion, representing an increase of approximately
15.83% over the revised estimates of INR 12,513.91 billion for 2014-15.

► Non-tax revenue is estimated at INR 2217.33 billion, representing a marginal increase of 1.79% over revised estimates of INR 2178.31 billion for 2014-15.

► Capital receipts are estimated at INR 6,238.61 billion against revised estimate of INR 5,705.35 billion for 2014-15, showing an increase of 9.35%.

► Plan expenditure is estimated at INR 4652.77 billion, representing a decline of approximately 0.57% over the revised estimates of INR 4,679.34 billion for 2014-15. As a proportion of the total expenditure, plan expenditure is estimated at 26.18%. Non-plan expenditure is estimated to increase to INR 13,122 billion representing an increase of 8.16% over the revised estimates for 2014-15.
Budget proposals

This section summarizes significant proposals and direct and indirect taxes and policy initiatives announced in the Union Budget 2015. Most direct tax proposals in the Finance Bill are effective from the financial year commencing on 1 April 2015, unless otherwise specified. Indirect tax proposals are effective, as specified, in the relevant amendments. Further, policy initiatives are expected to be implemented by the Government through the legislative announcements over the ensuing months.

The Finance Bill is discussed in the Parliament before enactment, and is subject to amendment resulting from these discussions.

Direct tax

Income-tax

Rates of tax

Personal tax rates

► Income-tax rates for individuals remain unchanged.

► Surcharge has been increased from 10% to 12% on income-tax for income exceeding INR 10 million.

► Donations made to the National Fund for Control of Drug Abuse, Clean Ganga Fund and Swachh Bharat Kosh would be eligible for 100% deduction under section 80G of the Income-tax Act.

► Investment in Sukanya Samriddhi Account Scheme in the name of any girl child of the individual shall be eligible for deduction under Section 80C of the Income-tax Act.

► Deduction of contribution to New Pension Scheme has been enhanced by INR 50,000.

► Wealth-tax Act has been abolished with effect from 1 April 2015.
Corporate tax rates

► Rates of corporate tax remain unchanged for both domestic and foreign companies.

► Corporate tax rate to reduce to 25% over a 4 year period beginning next year.

► Presently, a surcharge of 5% and 10% is levied on domestic company, if its income exceeds INR 10 million and 100 million respectively.

► Now, where the income derived by the domestic company exceeds INR 10 million and INR 100 million, the surcharge will be levied at an increased rate of 7% and 12% respectively.

► Rate of surcharge in case of foreign company remain unchanged.

► Education cess will continue to be levied at the rate of 3% on the amount of tax computed, inclusive of surcharge, in all cases.

► The corporate tax rates (including surcharge and education cess) have been summarized below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate (%)</th>
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<tr>
<td>A) Domestic company</td>
<td></td>
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<tr>
<td>Regular tax</td>
<td>34.608(^\circ)</td>
</tr>
<tr>
<td>MAT</td>
<td>21.342(^*)</td>
</tr>
<tr>
<td>DDT</td>
<td>20.358</td>
</tr>
<tr>
<td>Buy Back Tax</td>
<td>23.072</td>
</tr>
<tr>
<td>B) Foreign company</td>
<td></td>
</tr>
<tr>
<td>Regular tax</td>
<td>43.26(^#)</td>
</tr>
</tbody>
</table>

MAT is chargeable at 18.5% of book profits (plus applicable surcharge and cess).

\(\circ\) 33.063% where the total income is more than INR 10 million and up to INR 100 million.

\(\circ\) 30.9% where the total income is equal to or less than INR 10 million.

\(\circ\) 20.389% where the total income is more than INR 10 million and up to INR 100 million.
* 19.055% where the total income is equal to or less than INR 10 million.

# 42.024% where the total income is more than INR 10 million and up to INR 100 million.

# 41.2% where the total income is equal to or less than INR 10 million.

► Surcharge on profits distributed to shareholders and income distributed to unit holders increased from 10% to 12%. Also, surcharge on distributed income on buy-back of shares will be at the rate of 12%.

**Determination of residential status in case of companies**

► Condition of determining residential status is modified and concept of place of effective management is introduced which will align the provisions under the Income-tax Act with DTAA.

► A company will now be said to be resident in India if
  ► it is an Indian company; or
  ► Place of effective management, at any time in that year, is in India

► Place of effective management to mean a place where key management and commercial decisions necessary for conduct of business are made.

► Guiding principles will be issued for benefit of taxpayers as well as tax administration.

**Business income**

**Incentives for State of Andhra Pradesh and State of Telangana: Higher additional depreciation on acquisition and installation of new assets.**

► Presently, to incentivize investment in new plant and machinery, additional depreciation of 20% is allowed in respect of the cost of plant and machinery acquired and installed for manufacture of any new article or thing.

► As an incentive, higher additional depreciation will be allowed on acquisition and installation of plant and machinery for setting up manufacturing units in the notified backward areas of the State of Andhra Pradesh or the State of Telangana.
The salient features are as follows:

- The company sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1 April 2015 in the notified backward areas of the State of Andhra Pradesh and the State of Telangana.

- The new assets are acquired and installed during the eligible period which is from 1 April 2015 to 31 March 2020.

- Higher additional depreciation at the rate of 35% (instead of 20%) is allowed in respect of the actual cost of new plant and machinery acquired and installed during the eligible period.

- This depreciation allowance would be in addition to the depreciation allowable on such new assets in accordance with the existing provisions of the Income-tax Act.

Allowance of balance 50% additional depreciation

- To incentivize investment in new plant and machinery, additional depreciation of 20% is allowed in respect of the cost of plant and machinery acquired and installed by certain assessees, over and above the general depreciation allowance.

- Presently, the additional depreciation is restricted to 50% when the new plant and machinery acquired and installed is put to use for the purpose of business for less than 180 days. However, there is lack of clarity on whether balance 50% of additional depreciation would be allowed in subsequent financial year.

- Now it has been provided that the balance 50% of the additional depreciation on new plant and machinery put to use for the purpose of business for less than 180 days, which has not been allowed in the year of acquisition and installation of such plant and machinery, will be allowed in the immediately succeeding financial year.

Investment in new plant and machinery in notified backward areas in states of Andhra Pradesh and Telangana

- Presently, deduction at the rate of 15% is allowed to the company on any new plant and machinery acquired during the period from 1 April 2014 to 31 March 2017 for an amount exceeding INR 250 million.
Further deduction is proposed to be allowed to the undertaking in addition to existing deduction under section 32AC of the Income-tax Act.

Salient features of this new investment based deduction are as follows:

- Deduction is allowed during the period 1 April 2015 to 31 March 2020.
- Investment is in new plant and machinery acquired and installed during the eligible period i.e. between 1 April 2015 and 31 March 2020.
- Deduction will be allowed at 15% of the amount of investment in the new asset in the year in which the asset is installed.
- This deduction would be in addition to the normal depreciation allowed on the asset.
- New asset acquired and installed cannot be transferred within a period of 5 years from the date of installation except in specific circumstances. However, deduction will be treated as income in the year in which asset is sold or transferred, if the same is sold within a period of 5 years.

Rationalization of monitoring procedures for claiming weighted deduction

- Presently, weighted deduction of 200% is allowed for companies engaged in the business of biotechnology or manufacturing of goods, for expenditure (not being capital in nature) incurred on scientific research carried out in an approved in-house research and development facility.
- Now, Department of Scientific and Industrial Research is required to forward its report to Principal Chief Commissioner and Chief Commissioner to ensure better monitoring.
- Further, prescribed reports are now required to be furnished to Department of Scientific and Industrial Research.
Deductions

Deduction for donation made to National Fund for Control of Drug Abuse

Deduction at the rate of 100% is proposed to be provided for donations made to the National Fund for Control of Drug Abuse, since it is also a Fund of national importance.

Tax benefits for Swachh Bharat Kosh and Clean Ganga Fund

► “Swachh Bharat Kosh” has been set up by the Central Government to mobilize resources for improving sanitation facilities in rural and urban areas and school premises through the Swachh Bharat Abhiyan.

► Similarly, Clean Ganga Fund has been established by the Central Government to attract voluntary contributions to rejuvenate river Ganga.

► Deduction at the rate of 100% is proposed to be provided for donations made to Swachh Bharat Kosh and Clean Ganga Fund to encourage and enhance participation of general public at large.

► However, any sum spent in pursuance of Corporate Social Responsibility under section 135 of the Companies Act 2013, will not be eligible for deduction from the total income of the donor.

► Considering the importance of Swachh Bharat Kosh and Clean Ganga Fund, it is also proposed to amend section 10(23C) of the Income-tax Act to exempt the income of Swachh Bharat Kosh and Clean Ganga Fund from income tax.

This amendment will take effect retrospectively from 1 April 2015 (from assessment year 2015-16).

Deduction in respect of additional wages to new workmen

► Presently an Indian engaged in the manufacture of goods in a factory is allowed deduction of 30% of additional wages paid to new regular workmen for three years.

► Additional wages means wages paid to new regular workmen in excess of 100 regular workmen employed during the previous year.
► Deduction is now made available to non-corporate assesses also.

► Additional wages means wages paid during the previous year in excess of 50 regular workmen employed instead of 100 regular workmen earlier.

Definitions

► Definition of charitable purpose has been amended to include ‘Yoga’ as a specific category [section 2(15)].

► ‘Charitable purpose’ also amended to include genuine trade or business activities with the object of advancement of any general public utility, where receipts from such activities do not exceed 20% of total receipts of the institution. Erstwhile blanket limit of INR 2.5 million now stands deleted.

Exempt Income

Investment in Sukanya Samridhi Account Scheme

► Payment from account opened under Sukanya Samridhi Account Scheme (introduced in 2014) for welfare of girl child is now exempt from tax.

Compliance requirements for charitable trusts and institutions

► To remove ambiguity as regards the period within which charitable trusts and institutions claiming exemption under section 11 are required to file Form 10, it is now clarified that the said form will need to be filed before the due date of filing of return of income.

Indirect transfer of shares

► The Finance Act, 2012 inserted clarificatory amendments to the effect that shares or interest in an entity outside India will be deemed to be situated in India if said shares (or interest) derive, directly or indirectly, their value substantially from assets located in India.

► In line with recommendations of Expert Committee under Chairmanship of Dr Parthasarathi Shome, it is now clarified that shares or interest of the foreign entity will be deemed to derive its value substantially from assets located in India, if on the specified date, value of Indian assets:
► Exceeds the amount of INR 100 million; and

► Represents at least 50% of the value of all assets owned by the company.

► Following clarifications have also been provided:

► Value of an asset will mean the fair market value of such asset without reduction of liabilities. Rules to be notified for determination of fair market value of Indian assets vis-a-vis global assets.

► Specified date of valuation will be the date on which accounting period of the company ends preceding the date of transfer. However, where the book value of assets on the date of transfer is more than 115% of book value as on last balance sheet date, value as on date of transfer is to be considered.

► Taxability in respect of indirect transfer of shares will be done on proportionate basis, i.e. only in respect of value of Indian assets.

► No tax implications for the foreign transferor in case the transferor along with its associated enterprises (i) neither holds the right of management or control in relation to foreign entity (ii) nor holds any rights in such company which would entitle it to either exercise control or management; or entitle it to voting power exceeding five per cent in the direct holding company or entity.

► Reporting obligation also cast on Indian entities to submit information relating to indirect transfer of their shares. Non-disclosure will lead to penal consequences.

GAAR

GAAR was introduced by Finance Act, 2013 to be effective from assessment year 2016-17. Implementation of GAAR is now deferred to be in line with the overall regime of BEPS and tax avoidance.

Effective date of GAAR

► Applicability of GAAR has been deferred to assessment year 2018-19.

Withholding tax

Provisions relating to withholding tax on interest income earned by FIIs and QFIs

► Presently, a lower withholding tax rate of 5% applies on interest payable on or after 1 June 2013 but before 1
June 2015 in respect of investments made by FIIs and QFIs in certain bonds and Government securities subject to certain conditions.

► The benefit of the concessional rate of 5% withholding tax will be extended in respect of interest payable up to 30 June 2017. This amendment will be effective from 1 June 2015.

Exempt income

Exemption of specified income earned by Core Settlement Guarantee Fund

► Specified income earned by the Core Settlement Guarantee Fund set up by a recognized clearing corporation in accordance with the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 will be exempt from tax. Any such exempt income shared by such fund with the specified person shall be chargeable to tax in the hands of the fund in the year in which such income is shared. This amendment will be effective from 1 April 2016.

Pass through status to Category I and Category II AIFs

► According to section 10(23FBA) and 10(23FBB) read with section 115UB, pass through status will be provided to Category I and Category II AIFs, regulated under SEBI (Alternative Investment Funds) Regulations, 2012 (hereinafter referred to as investment fund) irrespective of whether they are set up as a trust, company, limited liability firm, etc. The salient features of the tax regime are:

► Income of unit holder out of investments made in the investment fund shall be chargeable to income-tax in the same manner as if it were the income of such person had the investments made by the investment fund, been made directly by him;

► Income in the hands of investment fund (except income from profits and gains of business) shall be exempt from tax;

► The income in the nature of profits and gains of business or profession shall be taxable in the hands of investment fund, but exempt in case of the investor;
Where any income, other than income which is taxable at investment fund level, is payable to a unit holder by an investment fund, the fund shall deduct income-tax at the rate of 10% according to section 194LBA of the Income-tax Act;

The income paid or credited by the investment fund shall be deemed to be income of the same nature and in the same proportion in the hands of the unit holder as if it had been received by the investment fund;

Loss at the fund level shall not be allowed to be passed through to the investors but would be carried over at fund level to be set off against income of the next year in accordance with the provisions of Income-tax Act;

The provisions of DDT shall not apply to the income paid by an investment fund to its unit holders;

The income received by the investment fund would be exempt from withholding requirement; and

It shall be mandatory for the investment fund to file its return of income. The investment fund shall also provide to the prescribed tax authority and the investors, the details of various components of income, etc. for the purposes of the scheme.

The existing pass through regime according to section 10(23FB) read with section 115U will continue to apply to VCF/VCC which had been registered under SEBI (Venture Capital Funds) Regulations, 1996. Remaining VCFs, being part of Category I AIFs, shall be subject to the new pass through regime.

This amendment will be effective from 1 April 2016.

Capital gains

Tax neutrality on merger of similar schemes of Mutual Funds

Currently, units acquired as a result of a merger or consolidation of two or more different schemes is treated as a transfer, taxable in the hands of unit holders under the head capital gains.

Now, such units acquired on merger or consolidation of two or more schemes of mutual funds (all or both of such
schemes being either schemes of an equity oriented fund or schemes of a fund other than equity oriented fund) which is in accordance with the SEBI Mutual Fund Regulations, 1996 will not be treated as transfer and will be exempt from tax.

On subsequent transfer by the unit holders of units in a consolidated scheme, the cost of acquisition of the units in such scheme shall be taken as the cost of units in the consolidating scheme and the period of holding of the units of the consolidated scheme shall be reckoned from the period for which the units in the consolidating schemes were held by the taxpayers.

This amendment will be effective from 1 April 2016.

Indirect transfer of shares of an Indian company pursuant to amalgamation/demerger of foreign companies exempt from capital gains

**Amalgamation:**

Indirect transfer of shares of an Indian company pursuant to amalgamation of foreign companies to be exempt from capital gains if:

- At least 25% of shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company; and
- Such transfer does not attract tax in the home country of amalgamating company.

**Demerger:**

Indirect transfer of shares of an Indian company pursuant to demerger of foreign companies to be exempt from capital gains if:

- at least 75% of shareholders of the demerged foreign company continue to remain shareholders of the resulting foreign company; and
- Such transfer does not attract tax in the home country of demerged company.

It has also been provided that the provisions of sections 391 to 394 of the Companies Act, 1956 shall not apply in case of foreign demergers.
Corresponding amendments have been made to provide for period of holding and cost of acquisition of previous owner in above cases.

These amendments will be effective from 1 April 2016.

Special provisions related to non-residents

Amendments related to GDRs

The Depository Receipts Scheme, 2014 was notified by the Department of Economic Affairs to replace the issue of FCCBs and ordinary shares (through depository receipt mechanism) Scheme, 1993 (FCCB Scheme). The Depository Receipts Scheme, 2014 allows not only listed companies which were otherwise permitted under the erstwhile FCCB Scheme but unlisted, private or public companies to issue depository receipts against underlying securities.

The current taxation scheme of income arising in respect of Depository Receipts under section 115ACA was meant to be aligned with the FCCB Scheme and defined global depository receipts to mean any instrument in the form of a depository receipt or certificate (by whatever name called) created by the Overseas Depository Bank outside India and issue to non-resident investors against the issue of ordinary shares or FCCBs of the issuing company.

Since the tax benefit was intended to be provided in respect of Depository Receipts/FCCBs of listed companies only under the erstwhile FCCB Scheme, the Explanation (a) to sub-section 3 of section 115ACA has been amended to restrict the tax benefit only in respect of Depository Receipts issued to investors against the issue of (i) ordinary shares of an issuing company, being a company listed on a recognized stock exchange or (ii) FCCBs of the issuing company (similar to the FCCB Scheme).

Return of income

Filing of return of income by specified person

Presently, universities, hospitals and educational institutions solely engaged in educational/philanthropic activities and which are wholly or substantially financed by Government are not required to file the return of income.
Now, such universities, hospitals and educational institutions shall be required to file a return of income if their total income, without giving effect to the provisions of section 10, exceeds the maximum amount which is not chargeable to income-tax.

► Further, it is proposed that every investment fund referred above in section 115UB is required to file return of income.

This amendment will be effective from 1 April 2016.

Assessment procedures

Sanction for issuance of notice in case of re-assessment proceedings

► Presently, before issuance of re-assessment notice, sanctions from certain authorities are required to be obtained based on various criteria such as, whether scrutiny assessment or re-assessment has been made earlier or not, whether notice is proposed to be issued within or after four years and rank of assessing officer who is issuing such notice.

► Now, to simplify the procedure, section 151 has been substituted to provide that any notice issued after the expiry of four years from the end of relevant assessment year shall be issued only if Principal Chief Commissioner or Chief Commissioner/Principal Commissioner or Commissioner is satisfied with the reasons of the assessing officer for issuance of such notice. In all other cases, notice shall be issued by an assessing officer only if the Joint Commissioner is satisfied by the reasons recorded for issue of such notice.

This amendment will be effective from 1 June 2015.

Assessment of income of any other person

► Presently, in case of search or seizure of a person, if an assessing officer is satisfied that the books of accounts or documents seized ‘belong to’ any other person, then such books of accounts or documents seized shall be handed over to the assessing officer having jurisdiction over such other person and that assessing officer shall proceed against the other person if he is satisfied that such books of accounts or documents have a bearing on determination on the total income of other person. Disputes have arisen as to interpretation of words ‘belong
to’ in respect of a document as for instance when a given document seized from a person is a copy of original document.

► Now, the words ‘belong to’ in respect of books of accounts or documents have been replaced with words ‘relate to’ to widen the scope.

These amendments will be effective from 1 June 2015.

Appeals

New provision relating to procedure of filing of appeal by tax authorities when identical question of law is pending before Supreme Court

► Presently, only the assessee can submit a claim that he would not agitate the same question of law before the higher appellate authorities in relevant assessment year provided the question of law arising in the relevant assessment year is identical with question of law already pending in his own case before the High Court or Supreme Court for another assessment year and the assessing officer or any appellate authority agrees to apply the final decision on the question of law in that earlier year to the present year.

► Now, a parallel provision has been brought for tax authorities by way of introduction of new section 158AA.

These amendments will be effective from 1 June 2015.

Appealable orders before Income-tax Appellate Tribunal

► Presently, the order passed by the prescribed authority to refuse to grant approval for the educational or medical institution under section 10(23)(vi) and 10(23)(via) are not appealable before the Income-tax Appellate Tribunal.

► Now, the same will be appealable before the Income-tax Appellate Tribunal.

The above amendment will take effect from 1 June 2015.

Single member bench of Income-tax Appellate Tribunal

► Presently, the single member bench may pass order where total income as computed by the assessing officer does not exceed INR 0.5 million.
► Now, the above limit has been increased from INR 0.5 million to INR 1.5 million.

The above amendment will take effect from 1 June 2015.

Others

Clarity regarding source rule in respect of interest received by the non-resident banking companies

► Currently, section 9(1)(v) of the Income-tax Act covers within its scope, income by way of interest that is payable by a non-resident in respect of debt incurred or moneys borrowed and used for the purpose of a business carried on in India.

► The CBDT, in its Circular No.740 dated 17/4/1996 had clarified that branch of a foreign company in India is a separate entity for the purpose of taxation under the Income-tax Act and accordingly withholding provisions would apply along with separate taxation of interest paid to head office or other branches of the non-resident, which would be chargeable to tax in India.

► However, certain judicial precedents have held in respect of foreign banks having a PE in India, that the payment of interest by the PE (being the Indian branch) to its head office or overseas branches is non-deductible as it constitutes ‘payment to self’. However, such interest is deductible due to the computation mechanism provided under certain DTAAAs but the same is not taxable in the hands of the foreign bank on the same basis that it is income generated from self.

► In order to put this controversy to rest, it is now clarified that any interest payable by a PE in India of a foreign bank to its head office or any other overseas branches outside India shall be deemed to accrue or arise in India and shall be chargeable to tax, in addition to any income attributable to the PE in India.

► It is also clarified that the PE in India shall be deemed to be a person separate and independent of the enterprise of which it is a PE and the provisions of the Income-tax Act relating to computation of total income and determination of tax would apply accordingly.

This amendment will be effective from 1 April 2016.
Fund managers’ presence in India not to constitute business connection of offshore funds

► To facilitate location of fund managers of off-shore funds in India, section 9A has been introduced to provide that in the case of an ‘eligible investment fund’, the fund management activity carried out through an ‘eligible fund manager’ acting on behalf of such fund should not constitute business connection in India of the said fund and such fund shall also not be regarded as a resident in India.

► To qualify as an ‘eligible investment fund’, the following conditions need to be fulfilled:

► The fund should not be a person resident in India;

► The fund should be resident of a country or a specified territory with whom India has entered into an agreement under section 90 or 90A;

► Participation/Investment of person resident in India (directly or indirectly) should not exceed 5% of the corpus of the fund;

► The fund should be subject to applicable investor protection regulations in the country or territory where it is established/incorporated/a resident;

► There should be minimum 25 members who are directly or indirectly not connected persons;

► No member of the fund along with connected persons should have participation interest directly or indirectly of more than 10% in the fund;

► Aggregate participation interest of 10 members or less, along with their connected persons in the fund should be less than 50%;

► Investment by the fund in an entity should not exceed 20% of the corpus of the fund;

► The fund cannot make investment in its associate entity;

► Monthly average of the corpus of the fund should not be less than INR 1 billion. In case of newly set up fund, corpus should not be less than INR 1 billion at the end of the financial year;
The fund should not carry on or control and manage, directly or indirectly, any business in India or from India;

The fund or any person acting on his behalf should not be engaged in any activities in India (other than activities of eligible fund manager) constituting a business connection of the fund in India; and

The remuneration paid by the fund to an eligible fund manager should not be less than the arm’s length price.

To qualify as an ‘eligible fund manager’, the following conditions need to be fulfilled:

The person should not be an employee of the eligible investment fund or a connected person of the fund;

The person should be registered as a fund manager or investment advisor in accordance with specified regulations and should act in the ordinary course of his business as a fund manager; and

The person along with his connected persons should not be entitled to more than 20% of the profits accruing or arising to the eligible investment fund arising from the transactions carried out by the fund through such fund manager.

An eligible investment fund is required to furnish details to the prescribed tax authority in respect of its activities in a financial year in the form (to be prescribed) within 90 days from the end of the financial year. In case of non-furnishing of the same, a penalty of INR 0.5 million shall be leviable on the fund.

This amendment will be effective from 1 April 2016.

Settlement Commission

Definition of the term ‘case’

Presently, the term ‘case’ includes any proceeding for assessment which may be pending before an assessing officer on the date on which an application before Settlement Commission is made. Further, in case of reassessment proceedings, the assessee becomes eligible to approach Settlement Commission only for the assessment year for which notice of reassessment has been issued. Thus, the assessee has to wait for the
reassessment notice for other years to be issued before approaching the Settlement Commission.

► Now, if notice for reassessment has been received for one year, the assessee will be able to approach Settlement Commission for other assessment years as well even if notice for reassessment for such other assessment years has not been issued, provided that a return of income for such other assessment years has been furnished earlier.

► Presently, the assessment proceedings to be eligible for application to Settlement Commission is deemed to have commenced from the first day of the assessment year and concluded on the date on which the assessment is made.

► Now, the assessment proceedings referred above will be deemed to have commenced from the date on which a return of income is furnished and concluded on the date on which the assessment is made or on the expiry of two years from the end of relevant assessment year, in a case where no assessment is made.

Rectification of order passed by Settlement Commission

► Presently, the Settlement Commission may rectify any mistake apparent from the record or amend any order passed by it within a period of six months from the date of the order even if the application was filed towards the end of the limitation period.

► Now, the Settlement Commission will get period of at least six months to rectify any mistake apparent from the record after the application has been made.

Reasons for immunity from prosecution to be provided

► Presently, the Settlement Commission need not record reasons to grant immunity from prosecution to the applicant.

► Now, the Settlement Commission will have to record the reasons in writing while granting immunity to any applicant.

Abatement of proceedings before Settlement Commission

► In addition to existing conditions for abatement of proceedings before Settlement Commission, a new condition has been inserted which specifies that when
order passed by Settlement Commission does not provide the terms of settlement of proceedings, the order will abate on the day when such rectification order was passed.

Bar on subsequent application for settlement

► Presently, a person who has approached the Settlement Commission once, can subsequently approach again through an entity controlled by such person which defeats the purpose of restricting the opportunity of approaching the Settlement Commission only once for any person.

► Now, any person who has already approached the Settlement Commission once is not allowed to approach the Settlement Commission through ‘related person’ also. The definition of related person has been provided for this purpose.

► The above amendment will take effect from 1 June 2015.

Revision of orders prejudicial to revenue

► Presently, the expression ‘erroneous in so far as it is prejudicial to the interests of the revenue’ is not explained for the purpose of revision of order by Principal Commissioner or Commissioner.

► Now, it has been explained that an order shall be deemed to be erroneous in so far as it is prejudicial to the interests of the revenue, if in the opinion of the Principal Commissioner or Commissioner:

► The order is passed without making inquiries or verification;

► The order is passed allowing any relief without inquiring into the claim;

► The order has not been made in accordance with any order, direction or instruction issued by the Board; or

► The order has not been passed in accordance with any decision, prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person.

This amendment will be effective from 1 June 2015.
Penalty

Penalty for concealment of income where MAT is applicable

► Presently, in certain cases it has been held that where the income has been assessed as per provisions of MAT, penalty will not be levied on regular assessed income as there is no tax sought to be evaded.

► Now, penalty will be levied on concealment of income under above situation also. Accordingly, the formula for calculating the tax sought to evaded has been amended:

\[
\text{Tax sought to be evaded} = (A-B) + (C-D)
\]

\[A = \text{amount of tax on the total income assessed as per the general provisions other than MAT provisions}\]

\[B = \text{amount of tax on the total income assessed as per general provisions been reduced by the concealed income}\]

\[C = \text{amount of tax on the total income assessed as per the MAT provisions}\]

\[D = \text{amount of tax on the total income assessed as per the MAT provisions been reduced by the concealed income}\]

► It is also provided that where the issue is related to both, i.e. general and MAT provisions, the concealed income will be considered for general provisions only.

► This amendment will be effective from 1 April 2016.

Penalty for accepting specified sum/advance

► Presently, for accepting any ‘loan or deposit’ or repaying any ‘loan or deposit’ of more than INR 20,000 otherwise than by an account payee cheque, bank draft or online transfer, penalty equivalent to amount of loan or deposit is levied.

► Now, in addition to ‘loan or deposit’, penalty for accepting ‘any specified sum’ or repaying any ‘specified advance’ of more than INR 20,000 otherwise than by an account payee cheque, bank draft or online transfer will be levied where such sum or advance is related to transfer of immovable property. Penalty leviable is the amount of specified sum or specified advance as the case may be.

This amendment will be effective from 1 June 2015.
Penalty for not furnishing statement by eligible investment fund

► Section 9A has been inserted to provide that eligible investment funds are required to furnish a statement regarding fulfilment of prescribed conditions within 90 days of the end of the financial year and also the information or any other prescribed document. Failure to file such statement will attract penalty of INR 0.5 million. No penalty shall be leviable if there was reasonable cause for the said failure.

This amendment will be effective from 1 April 2016.

Penalty for not furnishing information or documents by Indian concern in certain cases

► Section 285A has been inserted to provide that if a foreign entity derives, directly or indirectly, its value substantially from assets located in India and such assets are owned through an Indian concern, then such Indian concern shall be required to furnish information/documents as may be prescribed.

► Failure to furnish such information attracts penalty as follows:

► At the rate of 2% of the value transaction which had effect of directly or indirectly transferring the right of management or control in relation to the Indian concern; or

► INR 500,000 in any other case.

No penalty shall be leviable if there was reasonable cause for the said failure.

This amendment will be effective from 1 April 2016.

Penalty for non-furnishing prescribed statements for sum payable to non-residents

► Penalty of INR 0.01 million is leviable for non-furnishing of or furnishing inaccurate information relating to payment to non-resident or to foreign company. No penalty shall be leviable if there was reasonable cause for the said failure.

This amendment will be effective from 1 April 2016.
Accountants barred from audit cannot audit or issue certificates/report

► Presently, an accountant is not barred specifically under the Income-tax Act for issuing reports/certificates for the concerns in which they are interested, even though they are barred to do audit or issue certificate/reports as per Companies Act, 2013.

► Now, it is proposed that an auditor who is not eligible to carry out any audit as per Companies Act, 2013 shall not be eligible to carry out any audit or furnishing of any report/certificate under the Income-tax Act. This amendment will be effective from 1 June 2015.

MAT

Existing provisions of section 115JB of the Income-tax Act provide that if the tax payable on the total income is less than 18.5% of book profits, then the tax payable for the relevant financial year is 18.5% of book profits.

Exemption from applicability of MAT on certain income earned by domestic companies and FIIs

The following will now be excluded:

► The amount of income of the company on account of its share in the income of an association of persons or body of individuals, on which no income-tax is payable and the expenditure relatable to such income; and

► The amount of income relatable to income from capital gains arising on transactions in securities, accruing to FIIs and the expenditure relatable to such income.

However, in case of FIIs, short term capital gains arising on transactions on which no STT is chargeable will be outside the ambit of such exclusions.

Further, new explanation has been added to define expression FIIs as defined in section 115AD and securities, as defined in Securities Contracts (Regulation) Act.

Special rates relating to non-residents

► Tax rate for income of non-residents (including foreign companies) by way of royalty or FTS reduced from 25% to 10% for all such income earned pursuant to any
agreement entered into after 31 March 1976. This will however, not impact the tax rate applicable under the relevant DTAA.

Withholding tax

► Tax to be withheld at the rate of 10% under section 192A if the accumulated balance of a recognized provident fund due to an employee is greater than or equal to INR 30,000. Failure to provide Permanent Account Number by the recipient will result in tax withholding at maximum marginal rate. This amendment will take effect from 1 June 2015.

► No tax to be withheld under section 194C where the contractor who computes taxable income under section 44AE and furnishes a declaration of owning ten or less goods carriages at any time during the financial year along with the Permanent Account Number to deductor. This amendment will take effect from 1 June 2015.

► No tax to be withheld under section 194I for rent paid/credited to a REIT in respect of its real estate assets. This amendment will take effect from 1 June 2015.

► Where any income is distributed by any business trust specified in section 115UA to its non-resident unit holder, the person responsible for making the payment shall at the time of credit of such payment to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force (section 194LBA(3)). Such distribution made by the business trust to a resident will entail tax withholding of 10%. This amendment will take effect from 1 June 2015.

► As per Section 194LBB, that proportion of income of the unit holder of an investment fund which is not covered under section 10(23FBB) will be liable to tax withholding of 10%. This amendment will take effect from 1 June 2015.

► Withholding tax at concessional rate of 5% on interest paid or credited to a FII or QFI for interest payable extended further to 1 July 2017.

► The person responsible for paying to a non-resident, any sum, whether or not chargeable under the provisions of the Act, shall furnish the information relating to payment of such sum, in such form and manner, as may be
prescribed whether or not such sums are chargeable to tax (Section 195(6)). This amendment will take effect from 1 June 2015.

► Tax Deduction Account Number will not be required to be obtained by certain specified persons, which will be notified by the Central Government. This amendment will take effect from 1 June 2015.

► Processing of statement, levy of penalty for non-filing of statement, intimation generation after processing of tax collection at source statement will be applicable in respect of tax collection at source. This amendment will take effect from 1 June 2015.

► Withholding tax will not be required to be deducted provided that the amount credited by the banking company or the co-operative society or the public company doesn’t exceed INR 10,000 in aggregate where these entities are engaged in core banking solutions. Branch-wise limit of INR 10,000 will no longer be available. This amendment will take effect from 1 June 2015.

► Statement to be furnished in duplicate for nil withholding tax can be filed in respect of payments made out of accumulated balance of recognized provident fund also as well as payments in respect of life insurance policies.

Wealth tax

► The levy of wealth tax under the Wealth-tax Act stands abolished with effect from assessment year 2016-17.

► The objective of taxing high net worth persons is achieved by levying a surcharge of 2% on the taxable income of over INR 10 million. This will lead to tax simplification and enable the department to focus more on ensuring tax compliance and widening the tax base.

► Also, the information relating to assets which is currently required to be furnished in the wealth tax return will be captured by suitably modifying income-tax return. This will ensure that the abolition of wealth tax does not lead to escape of any income from the tax net.
Corporate re-organizations

Cost of acquisition and period of holding of capital assets of demerged company to continue post demerger for the resulting company

► Presently, transfer of capital assets by demerged company to resulting company in a scheme of demerger is exempt from capital gains, subject to fulfilment of prescribed conditions.

► However, there is no provision in the Income-tax Act expressly providing for the period of holding and cost of acquisition in hands of resulting company in case of demergers.

► To bring clarity in such cases, it is now provided that the cost of capital asset in the hands of resulting company should be cost of such asset in the hands of demerged company as increased by the cost of improvement, if any, incurred by the demerged company.

► Correspondingly, the period of holding of such capital asset in the hands of resulting company would include the period for which the asset was held by the demerged company.

► This amendment will be effective from 1 April 2016.

Provisions relating to Transfer Pricing

Threshold for Specified Domestic Transaction

► Aggregate value of transactions to fall within the meaning of ‘Specified Domestic Transaction’ increased from INR 50 million to INR 200 million.

Measures to curb black money

Prohibition of acceptance or repayment of an advance of INR 20,000 or more in cash for purchase of immovable property

► Acceptance and repayment of loan or deposit or any sum of money, whether in advance or otherwise, in relation to transfer of an immovable property, whether the transfer takes place or not, is now not allowed otherwise than by an account payee cheque or account payee bank draft or electronic clearing system through a bank account, if the amount is INR 20,000 or more (Section 269SS and 269T).
On contravening these provisions, penalty equaling to the amount of acceptance or repayment of loan or deposit or any sum of money or advance in relation to transfer of an immovable property will be levied.

Proposal to introduce new law

Bill for a comprehensive new law to deal with black money parked abroad will be introduced in the current session of Parliament.

Key features of new law on black money:

- Concealment of income and assets and evasion of tax in relation to foreign assets to have a punishment of rigorous imprisonment up to 10 years (which is non-compoundable), levy a penalty of 300% and the offender will not be permitted to approach the Settlement Commission.

- Non-filing of return/filing of return with inadequate disclosures of foreign assets to have a punishment of rigorous imprisonment up to 7 years.

- Undisclosed income from any foreign assets to be taxable at the maximum marginal rate.

- Mandatory filing of return in respect of foreign asset, even if there is no taxable income.

- Individuals, entities, banks and financial institutions liable for prosecution and penalty.

- Date of opening of foreign account required to be reported in the return of income.

In line with the amendments to Prevention of Money Laundering Act, 2002, FEMA is amended to provide that if any foreign exchange, foreign security, or any immovable property situated outside India is held in contravention of provisions of FEMA, then action may be taken for seizure and eventual confiscation of equivalent value of assets in India. Such contraventions will also be liable for penalty and prosecution.

Benami Transactions (Prohibition) Bill to curb domestic black money to be introduced in the current session of Parliament.
Mandatory requirement to quote Permanent Account Number for any purchase or sale exceeding INR 0.1 million.

Third party reporting entities to furnish information about foreign currency sales and cross border transactions.

Leverage of technology by CBDT and CBEC to access information from either’s databases to improve enforcement.

Taxation regime of REITs and Invit

Long-term capital gains arising to a sponsor on transfer of units of business trust which were acquired as a result of exchange of shares of SPVs shall be exempt from capital gains tax provided that STT has been paid on such transfer (second proviso to section 10(38) omitted).

Short-term capital gains arising to a sponsor on transfer of units of business trust which were acquired as a result of exchange of shares of SPVs shall be subject to tax at a concessional rate of tax of 15% provided that STT has been paid on such transfer (second proviso to section 111A omitted).

Introduction of section 10(23FCA) to provide exemption on income earned by a REIT from renting or leasing or letting out any real estate asset owned directly by the REIT. Such income to be taxed in the hands of unit-holders.

Section 194I has been amended to exclude rent paid by tenants to a REIT. Accordingly, no withholding tax would be applicable on rent paid to REITs.

Withholding tax provisions to apply on such distribution and REITs to withhold tax under section 194LBA at rates in force on distribution of rental income to non-resident unit-holders. The rate of withholding tax on distribution of rental income to resident unit-holders is 10%.

Foreign Tax Credit

Relief is available to resident taxpayers in respect of taxes paid outside India, however no mechanism is presently provided under the Income-tax Act for the same. The Finance Bill has now empowered CBDT to make rules to provide the procedure thereof.
Indirect tax

Customs duty

Policy changes

► Median rate of BCD retained at 10%.

► Education cess and secondary and higher education cess to continue on imports.

► Effective peak rate of customs duty increased from 28.85% to 29.44% on account of increase in CVD rate from 12% to 12.50%.

The following changes will be effective on enactment of the Finance Bill:

► Penal provisions in cases not involving fraud or collusion or willful misrepresentation of facts or contravention of any provision have been proposed to be rationalized wherein:

► No penalty to be imposed in case the duty and interest are paid within 30 days from the date of receipt of notice.

► Penal provisions in cases involving fraud or collusion or willful misrepresentation of facts or contravention of any provision have been proposed to be rationalized wherein:

► Reduced penalty of 15% imposed in case the duty, interest and penalty are paid within 30 days from the date of receipt of notice.

► Proceedings pending at adjudication level to be deemed to be concluded on payment of applicable customs duty, interest and penalty within 30 days of enactment of the Finance Bill.

► Maximum penalty on improper importation and/or exportation of goods under Section 112 and Section 114 reduced from 100% of duty amount to 10% of duty amount.
Other changes

The following changes will be effective from 1 March 2015, unless otherwise specified:

► Export duty reduced from 5% to 2.5% on specific category of titanium ore (Ilmenite and upgraded beneficiated Ilmenite).

► Tariff rate of BCD on bituminous coal reduced from 55% to 10%. However, effective BCD rate continues to remain at 2.5%.

► Tariff rate of BCD on iron and steel products of Chapter 72 and 73 increased from 10% to 15%. However, effective rate of BCD continues to remain at 10%.

► Currently, individual importers are required to take certificate from the designated government health officials for claiming import duty exemption on life-saving drugs for each consignment. Such certificates will now have a validity period of one year and separate certificate for each import consignment will not be necessary.

► For claiming BCD and CVD exemption on import of goods for mega-power projects, Bank Guarantee will now be required to be submitted for an extended period of 66 months instead of earlier 36 months.

► BCD exemption granted to HDPE for manufacture of telecommunication grade optical fibers or optical fiber cables.

► SAD exempted on all goods (except populated PCBs) used in manufacture of ITA bound items and on specific goods used in manufacture of semi-conductor wafers, subject to actual user condition.

► BCD and SAD exemption granted to specific goods used in the manufacture of pacemakers (Customs Tariff heading 90215000).

► SAD exempted on import of all inputs for use in the manufacture of LED driver or MCPCB for LED lights and fixtures or LED Lamps, subject to actual user condition.

► SAD reduced from 4% to 2% on specific products such as naphtha, melting scrap of iron and steel, stainless steel scrap for the purpose of melting, copper scrap and brass scrap.
► CVD and SAD exemption on specified goods imported by Security Printing and Minting Corporation of India Ltd. is withdrawn.

► LLP, sole proprietorship and one person company can also seek Advance Ruling.

Rate movement

► Changes in the BCD rates on some key items are set out below:

<table>
<thead>
<tr>
<th>Items</th>
<th>Rate movement (%)</th>
<th>Basic duty</th>
<th>Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>From</td>
<td>To</td>
</tr>
<tr>
<td>Ulexite Ore</td>
<td></td>
<td>2.5</td>
<td>Nil</td>
</tr>
<tr>
<td>Metallurgical coke</td>
<td></td>
<td>2.5</td>
<td>5</td>
</tr>
<tr>
<td>Liquefied Butanes</td>
<td></td>
<td>5</td>
<td>2.5</td>
</tr>
<tr>
<td>Sulphuric acid for the manufacture of fertilizers</td>
<td></td>
<td>7.5</td>
<td>5</td>
</tr>
<tr>
<td>C-block compressor and Crankshafts used in the manufacture of refrigerator compressor</td>
<td></td>
<td>7.5</td>
<td>5</td>
</tr>
<tr>
<td>Over load protector and positive thermal coefficient for use in the manufacture of refrigerator compressor falling under tariff item 8414 3000)</td>
<td></td>
<td>7.5</td>
<td>5</td>
</tr>
<tr>
<td>Evacuated tubes with three layers of solar selective coating for use in the manufacture of solar water heater and system (actual user condition)</td>
<td></td>
<td>10</td>
<td>Nil</td>
</tr>
<tr>
<td>Parts, components or accessories for use in the manufacture of tablet computer (actual user condition)</td>
<td></td>
<td>7.5</td>
<td>Nil</td>
</tr>
<tr>
<td>Items</td>
<td>Rate movement (%)</td>
<td>Basic duty</td>
<td>Movement</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------------------</td>
<td>------------</td>
<td>----------</td>
</tr>
<tr>
<td>Parts and accessories of office machines</td>
<td></td>
<td>7.5</td>
<td>Nil</td>
</tr>
<tr>
<td>Active energy controller for use in the manufacture of renewable</td>
<td></td>
<td>7.5</td>
<td>5</td>
</tr>
<tr>
<td>power system inverters</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital video image video cameras (of prescribed specifications)</td>
<td></td>
<td>10</td>
<td>NIL</td>
</tr>
<tr>
<td>Parts and components of Digital video image video cameras (of</td>
<td></td>
<td>5</td>
<td>NIL</td>
</tr>
<tr>
<td>prescribed specifications)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OLED (organic LED) TV panels</td>
<td></td>
<td>10</td>
<td>NIL</td>
</tr>
<tr>
<td>Black light unit module for use in manufacture of LCD LED TVs</td>
<td></td>
<td>7.5</td>
<td>NIL</td>
</tr>
<tr>
<td>(actual user condition)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Magnetron of up to 1 KW used for the manufacture of domestic</td>
<td></td>
<td>5</td>
<td>NIL</td>
</tr>
<tr>
<td>microwave ovens</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial vehicles (Chapter Heading 8702 or 8704):</td>
<td></td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>- If imported in CKD condition</td>
<td></td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>- Otherwise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific goods used in manufacture of flexible medical video</td>
<td></td>
<td>5</td>
<td>2.5</td>
</tr>
<tr>
<td>endoscope</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Artificial heart (left ventricular assist device)</td>
<td></td>
<td>5</td>
<td>NIL</td>
</tr>
</tbody>
</table>
Excise duty

Policy changes

The following changes will be effective from 1 March 2015

► Effective median excise duty rate increased from 12.36% to 12.50%.

► Education cess and secondary and higher education cess exempted on all goods.

► Application of certain provisions of Central Excise Rules, 2002 presently applicable to the registered dealers, to apply to the registered importers also.

► Manufacturers can issue digitally signed invoices and maintain records in electronic form.

► The term ‘export’ has been defined for the purpose of rebate of duty available under Rule 18 of Central Excise Rules, 2002 as taking goods out of India to a place outside India.

► Provisions of deemed manufacture and MRP valuation extended to the following goods:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Abatement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extracts, essences and concentrates, of tea or mate and preparations with a basis of these extracts, essences or concentrates or with a basis of tea or mates</td>
<td>30%</td>
</tr>
<tr>
<td>LED lights or fixtures</td>
<td>35%</td>
</tr>
<tr>
<td>Non-alcoholic beverages</td>
<td>35%</td>
</tr>
</tbody>
</table>

► Abatement on all footwear reduced from 35% to 25%.

► LLP, sole proprietorship and one person company can seek Advance Ruling.

► Clarified that when an assessee has been absolved in the quasi-judicial proceedings (tax proceedings), the prosecution/criminal proceedings shall be withdrawn.
The following changes will be effective from the date of enactment of Finance Bill

► Specific rules to be introduced for recovery of excise duty where the non-payment or short payment of duty is reflected in the periodic returns.

► Penalty provisions in cases not involving fraud or collusion or willful misrepresentation of facts or contravention of any provision have been proposed to be rationalized wherein penalty to be imposed would be:
  ► Not exceeding 10% of the duty so determined or INR 5000, whichever is higher;
  ► Nil if duty and interest is paid either before or within 30 days of issuance of show cause notice;
  ► 25% of penalty payable if duty and interest paid within 30 days of the date of communication of order.

► Penalty provisions in cases involving fraud or collusion or willful misrepresentation of facts or contravention of any provision have been proposed to be rationalized wherein penalty to be imposed would be:
  ► Equivalent to the duty determined;
  ► 50% of the duty determined where the details relating to transactions are recorded in the specified record for the period beginning with 8 April 2011 and up to the date of enactment of the Finance Bill;
  ► 15% of duty determined, if duty and interest paid within 30 days of communication of show cause notice;
  ► 25% of duty determined, if duty and interest paid within 30 days of communication of order.

► Proceedings in the pending show cause notices shall be eligible for closure if following payments are made within 30 days of the enactment of the Finance Bill
  ► In cases involving fraud or collusion or willful misrepresentation of facts or contravention of any provisions - payment of duty, interest and penalty at the rate of 15% of the duty;
  ► In cases not involving fraud, collusion, willful misstatement, etc. - payment of duty and interest.
► If show cause notices are adjudicated after the enactment of the Finance Bill, then option to pay reduced penalty within 30 days of communication of the adjudication order.

Rate movement

► Basic excise duty on petrol and high speed diesel has been reduced, whereas additional duty of excise has been increased from 2% to 6% on petrol and high speed diesel. No movement in effective duty incidence for petrol and high speed diesel.

► Excise duty on ‘waters, including mineral water and aerated waters, containing added sugar or other sweetening matter or flavoured’ increased from 12% to 18%. Simultaneously, additional duty of excise at the rate of 5% on these goods has been omitted.

► Changes in the basic excise duty rates on cigar, cheroots, cigarillos and cigarettes are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>BED per 1,000 sticks</th>
<th>BED per 1,000 sticks</th>
<th>Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>From</td>
<td>To</td>
<td></td>
</tr>
<tr>
<td>Cigar, cheroots and cigarillos</td>
<td>12% or INR 2250</td>
<td>12.5% or INR 3375</td>
<td>↑</td>
</tr>
<tr>
<td></td>
<td>whichever is higher</td>
<td>whichever is higher</td>
<td></td>
</tr>
<tr>
<td>Cigarettes of tobacco substitutes</td>
<td>INR 2,250</td>
<td>INR 3375</td>
<td>↑</td>
</tr>
<tr>
<td>Cigarillos of tobacco substitutes and others</td>
<td>12% or INR 2,250</td>
<td>12.5% or INR 3375</td>
<td>↑</td>
</tr>
<tr>
<td></td>
<td>whichever is higher</td>
<td>whichever is higher</td>
<td></td>
</tr>
<tr>
<td>Cigarettes, containing tobacco</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other than filter cigarettes not exceeding 65 millimeters</td>
<td>INR 990</td>
<td>INR 1280</td>
<td>↑</td>
</tr>
<tr>
<td>Other than filter cigarettes not exceeding 65 millimeters but not exceeding 70 millimeters</td>
<td>INR 1995</td>
<td>INR 2335</td>
<td>↑</td>
</tr>
<tr>
<td>Description</td>
<td>BED per 1,000 sticks</td>
<td>BED per 1,000 sticks</td>
<td>Movement</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>----------------------</td>
<td>----------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Filter cigarettes of length not exceeding 65 millimeters</td>
<td>INR 990</td>
<td>INR 1280</td>
<td>↑</td>
</tr>
<tr>
<td>Filter cigarettes of length not exceeding 65 millimeters but not exceeding 70 millimeters</td>
<td>INR 1490</td>
<td>INR 1740</td>
<td>↑</td>
</tr>
<tr>
<td>Filter cigarettes of length not exceeding 70 millimeters but not exceeding 75 millimeters</td>
<td>INR 1995</td>
<td>INR 2335</td>
<td>↑</td>
</tr>
<tr>
<td>Other</td>
<td>INR 2875</td>
<td>INR 3375</td>
<td>↑</td>
</tr>
</tbody>
</table>

Changes in the basic excise duty rates of excise duty on mobile phones is as follows:

<table>
<thead>
<tr>
<th>Items</th>
<th>Rate movement (%)</th>
<th>Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items</td>
<td>Basic duty</td>
<td>Movement</td>
</tr>
<tr>
<td></td>
<td>From</td>
<td>To</td>
</tr>
<tr>
<td>Mobile phones under chapter 8517 (where CENVAT credit is not availed)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mobile phones under chapter 8517 (where CENVAT credit is availed)</td>
<td>6</td>
<td>12.5</td>
</tr>
</tbody>
</table>
Changes in the basic excise duty rates on tablet computers is as follows:

<table>
<thead>
<tr>
<th>Items</th>
<th>Rate movement (%)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic duty</td>
<td>Movement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>From</td>
<td>To</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tablet computer (where CENVAT credit is availed)</td>
<td>12</td>
<td>12.5</td>
<td>↑</td>
<td></td>
</tr>
<tr>
<td>Tablet computer (where CENVAT credit is not availed)</td>
<td>12</td>
<td>2</td>
<td>↓</td>
<td></td>
</tr>
</tbody>
</table>

Changes in the basic excise duty rates on some other key items are set out below:

<table>
<thead>
<tr>
<th>Items</th>
<th>Rate movement (%)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic duty</td>
<td>Movement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>From</td>
<td>To</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wafer for use in manufacture of IC modules for smart cards</td>
<td>12</td>
<td>6</td>
<td>↓</td>
<td></td>
</tr>
<tr>
<td>Inputs for use in manufacture of LED driver or metal core printed circuit board</td>
<td>12</td>
<td>6</td>
<td>↓</td>
<td></td>
</tr>
<tr>
<td>Round copper wire used for manufacture of solar photovoltaic cells or modules</td>
<td>12</td>
<td>Nil</td>
<td>↓</td>
<td></td>
</tr>
</tbody>
</table>

Excise duty rate on leather footwear has been decreased to 6%.

Excise duty rate on chewing tobacco products has been increased.

Concessional excise duty on specified goods such as battery pack, battery charger, power control unit for electric powered vehicles at 6% is extended till 31 March 2016.

Increase in clean energy cess from INR 100 to INR 200 per ton on coal, lignite and peat.
Service tax

The following key changes will be effective from the date to be notified:

► Effective service tax rate proposed to be increased from 12.36% to 14%.

► Education cess and secondary and higher education cess to be removed from a date to be notified.

► An enabling provision proposed to be incorporated in Finance Act for imposition of 2% Swachh Bharat cess on the value of service. Effective date of imposition and other details to be notified.

► Process amounting to manufacture or production of alcoholic liquor for human consumption, by a person for another, proposed to be subjected to levy of service tax as the same has been excluded from negative list of services.

► Any service provided by the government or a local authority to a business entity is proposed to be liable to service tax under reverse charge mechanism except those specified otherwise. Presently only support services to business entities are subjected to levy of service tax.

► Service tax proposed to be levied on admission to amusement parks and entertainment events.

► Amendment in alternative rates of service tax proposed in the following cases:

<table>
<thead>
<tr>
<th>Items</th>
<th>Rate movement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Service tax rate</td>
</tr>
<tr>
<td>Services by way booking of tickets for travel by air provided by an air travel agent:</td>
<td></td>
</tr>
<tr>
<td>In case of domestic bookings</td>
<td>0.6%</td>
</tr>
<tr>
<td>In case of international bookings</td>
<td>1.2%</td>
</tr>
<tr>
<td>Items</td>
<td>Rate movement</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td></td>
<td>Service tax rate</td>
</tr>
<tr>
<td></td>
<td>From</td>
</tr>
<tr>
<td>Services provided by insurer way of insurance other than life insurance:</td>
<td></td>
</tr>
<tr>
<td>In the first year</td>
<td>3%</td>
</tr>
<tr>
<td>In the subsequent years</td>
<td>1.5%</td>
</tr>
<tr>
<td>Services in relation to purchase or sale of foreign currency:</td>
<td></td>
</tr>
<tr>
<td>For an amount up to INR 100,000</td>
<td>0.12% up to maximum of INR 30</td>
</tr>
<tr>
<td></td>
<td>INR 120 + 0.06%</td>
</tr>
<tr>
<td>For an amount exceeding INR 100,000 and upto INR 10,00,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>INR 660 + 0.012% up to maximum of INR 6000</td>
</tr>
<tr>
<td>For an amount exceeding INR 10,00,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>INR 770 + 0.014% up to maximum of INR 7000</td>
</tr>
</tbody>
</table>

The following key changes will be effective from the date of enactment of Finance Bill:

► Explanation proposed to be added to specifically clarify the imposition of service tax on distribution of lottery, chit fund etc.

► For the purpose of valuation of a service, the meaning of term consideration has been proposed to be widened to include reimbursements of expenditures and cost, to overcome the Delhi High Court’s judgment in the case of InterContinental Consultants and Technocrats Private Limited.

► Any service tax disclosed in the return but not paid, proposed to be recovered without serving show cause notice.

► Penal provisions in cases not involving fraud or collusion or willful misrepresentation of facts or contravention of any provision have been proposed to be rationalized wherein:
► Penalty amount cannot be more than 10% of service tax amount involved.

► No penalty to be imposed in case the service tax and interest are paid within 30 days from the date of service of notice.

► Reduced penalty of 25% in case where the service tax, interest and penalty is paid within 30 days from the date of receipt of original order.

► Reduced penalty of 25% shall also be allowed in case of appellate orders where the amount of service tax demanded has been modified by the appellate authority and the taxpayer pays service tax, interest and penalty within 30 days from the date of receipt of appellate order.

► Penal provisions in cases involving fraud or collusion or willful misrepresentation of facts or contravention of any provision have been proposed to be rationalized wherein

► Penalty amount shall be 100% of service tax amount involved.

► Reduced penalty of 15% imposed in case the service tax, interest and penalty are paid within 30 days from the date of issuance of notice.

► Reduced penalty of 25% in case where the service tax, interest and penalty is paid within 30 days from the date of receipt of original order.

► Reduced penalty of 25% shall also be allowed in case of appellate orders where the amount of service tax demanded has been modified by the appellate authority and the taxpayer pays service tax, interest and penalty within 30 days from the date of receipt of appellate order.

► It has been proposed that service tax rebate claim appeals against the order of Commissioner (Appeals) are to be filed before the Government.

The following key changes will be effective from 1 March 2015:

► Service tax registration process liberalized.

► LLP, sole proprietorship and one person company can also seek Advance Ruling.
Service tax imposed under reverse charge on service provided under aggregator model, i.e. in cases of web based applications for facilitating services through a service provider under the brand/ trade name of aggregator.

Service provider can issue digitally signed invoices and maintain records in electronic form.

The following key changes will be effective from 1 April 2015:

Benefit of service tax exemption for services provided to an exporter for transport of goods by goods transport agency from container freight station/inland container depot/place of removal till land customs station.

Scope of exemption from service tax on services provided to the government, local authority or governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration has been reduced.

Following exemptions from service tax have been withdrawn:

- Construction, erection, commissioning and installation of original works pertaining to an airport or port;

- Services provided by MF agents, distributor of a MF/asset management company (service tax to be imposed on reverse charge basis);

- Services by contract manufacturer/job worker in relation to alcoholic liquor for human consumption.

Certain new exemptions introduced:

- Services by way of transportation in an ambulance;

- Services by way of operator of Common Effluent Treatment Plant;

- Service by way of admission to museum, zoo, etc.

Uniform abatement of 70% has been provided for transportation of goods by rail, road or vessel.

Abatement on services of air transport other than economy class (i.e. business and first class) reduced from 60% to 40%.
► 100% reverse charge on manpower and security services to be levied as against present partial reverse charge at 75% of the value of service.

CENVAT Credit

The following key changes will be effective from 1 March 2015:

► Credit specifically allowed in respect of inputs and capital goods received directly in the premises of job worker.

► Credit allowed in respect of input, either as such or partially processed, sent to multiple job workers.

► Time period for receiving capital goods back from the job worker is now 2 years instead of 180 days.

► Credit allowed to be taken within 1 year of the date of such document.

► “Export goods” defined to mean any goods which are to be taken out of India to a place outside India.

► “Non-excisable goods” to be considered “exempted goods”.

► Provisions of section 11A of the Excise Act and Section 73 of the Finance Act, 1994 related to recovery of unpaid tax is now applicable in case CENVAT Credit is taken wrongly but not utilized. However, no provision for levy of interest in such cases.

The following key changes will be effective from 1 April 2015:

► CENVAT Credit on input services taxable under partial reverse charge mechanism to be allowed when the service tax is paid by the service recipient.

GST

► Commitment to introduce GST on 1 April 2016 reaffirmed. As part of movement towards GST, service tax rate increased to 14% and education cess and secondary and higher education cess subsumed in excise and service tax.
The increase in rate of service tax suggests that the GST rate may not be the one single rate of 12% recommended by the 13th Finance Commission.

Other key policy initiatives

Some of the key policy initiatives proposed by the Government in Budget 2015 are:

Foreign exchange regulations

- Capital account transactions with respect to equity (other than involving debt instruments) will now be regulated by the Central Government in consultation with RBI.
- Simplifying the procedures for Indian companies to attract foreign investment, Central Government has now done away with different types of foreign investments regimes specifically such as FDI and FPIs and has decided to replace them with single composite cap. The sectors already placed under 100% automatic route will remain unaffected by such amendment.
- Foreign investment in AIF has specifically been permitted in the FDI policy.

Securities Contract (Regulations) Act, 1956

- Definition of derivative now widened along with certain other changes.

Financial sector and capital markets

- A comprehensive bankruptcy code to be put in place in financial year 2015-16 to provide necessary judicial capacity.
- NBFCs registered with the RBI and having asset size of more than INR 5 billion have been included in the definition of ‘financial institutions’ for the purpose of The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI
Act, 2002) to bring them in parity with other financial institutions in matters relating to recovery.

► A National Investment and Infrastructure Fund (NIIF) to be established with an annual flow of INR 200 billion to invest in equity of infrastructure finance companies.

► Forwards Markets Commission (FMC) to be merged with the SEBI, which would regulate the commodities markets in India.

► Several measures to be soon introduced to incentivize credit or debit card transactions, and disincentive cash transactions.

► A Gold Monetization Scheme will be introduced to allow depositors of gold to earn interest in their metal account and jewelers to obtain loans in their metal accounts.

► An alternate financial asset, a Sovereign Gold Bond will be introduced as an alternative to purchasing metal gold.

► Commence work on developing an Indian Gold Coin which would help reduce the demand for coins minted outside India and also help recycle the gold available in the country.

Infrastructure

► It is proposed to establish a National Investment and Infrastructure Fund, which would have an annual corpus of INR 20,000 crore.

► Government to spend INR 70,000 crore towards investment in infrastructure.

Ports

► It is proposed to corporatize ports and encourage public sector investment in ports.

Power

► Five new Ultra Mega Power Projects each of 4,000 MWs to be set up in the plug and play mode where all clearances and linkages will be in place before the project is awarded by a transparent auction system.
Industry

Life Sciences
► It is proposed to setup All India Institutes of Medical Sciences (AIIMS) in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam.
► It is also proposed to setup AIIMS like institution in Bihar keeping in view the need to augment medical sciences in Bihar.

Defense
► The Government has allocated a sum of INR 246,727 crore to defense sector as against INR 222,370 crore.

Others
► In order to make India an investment destination, it is proposed to appoint an Expert Committee to replace multiple prior permissions with a pre-existing regulatory mechanism.
► A Public Contracts (Resolution of Disputes) Bill to be introduced to streamline the institutional arrangements for resolution of disputes arising in public contract.
► For quick resolution of commercial disputes, the Government to setup exclusive commercial divisions in various Courts.
Recent policy changes

Significant policy initiatives during the period 1 March 2014 to 28 February 2015 have been summarized in the following paragraphs. Some of these initiatives may be impacted by the proposals announced in the Budget speech of the Finance Minister.

Foreign investment policy

During the period, the Government liberalized the FDI policy and the important changes are as follows:

► In defense sector, investment up to 49% under the government approval route has been permitted. This limit is composite and includes all kinds of foreign investments including FDI, FII, FPI, NRI, FVCI and QFIs.

► FDI in railway infrastructure permitted up to 100% under the automatic route. Coverage of the term ‘railway infrastructure’ has been discussed under the railways section.

► Government of India has approved certain relaxations in the FDI conditions in construction development sector. These are discussed under the real estate section.

► The other FDI amendments announced are as follows:

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<th>Sector</th>
<th>Existing sectoral cap and route</th>
<th>Revised sectoral cap and route</th>
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<tr>
<td>Pharmaceuticals</td>
<td>a) Greenfield - 100% automatic</td>
<td>a) Greenfield-100% automatic</td>
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<td>b) Brownfield - 100% Government approval</td>
<td>b) Brownfield-100% Government approval</td>
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<td>‘Non-compete’ clause is not allowed except with the prior FIPB approval.</td>
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<td>Sector</td>
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<td>FIPB approval.</td>
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<td>FDI up to 100% permitted under automatic route for manufacturing of medical devices for both greenfield and brownfield projects.</td>
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<tr>
<td>Insurance</td>
<td>Up to 26% under automatic route.</td>
<td>26% (FDI + FII/FPI + NRI) - automatic route (an ordinance has been passed to increase the FDI limit in insurance from 26% to 49% but the same needs concurrence from the Parliament).</td>
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- The Government has notified items which require industrial license. Any defense item which does not require industrial license would not fall under the defense sector for FDI purpose and hence, restrictions thereto will not be applicable. Also, dual-use items, having military as well as civilian applications, but not requiring industrial license would also not be considered as defense sector.

- DIPP has aligned respective sectors stated under the Consolidated FDI policy with NIC 2008 with an objective of ease doing business in India and shall be referred to while making filings/representation before regulators. Earlier, for the FDI purposes, NIC 1987 was used.
Foreign exchange regulations

Inbound investments

- RBI has permitted, under prescribed conditions, issuance of warrants and partly paid equity shares under the automatic route subject to entry restriction and sectoral cap.

- RBI withdrew all the existing guidelines relating to valuation in case of any acquisition and sale of shares of an Indian company by a non-resident. The revised valuation guidelines shall be based on internationally acceptable market practices replacing Discounted Cash Flow and Return on Equity pricing methodologies.

- Issue of equity shares have been permitted against legitimate dues payable by the investee company, remittance of which does not require prior permission of the Government or RBI under FEMA, subject to compliance with extant FDI guidelines and applicable tax laws. Conversion to equity in such cases shall be net of applicable taxes.

Outbound investments

- RBI has rationalized and liberalized provisions relating to outbound investments as follows:

  - During the year, investment limits under ODI Regulations were restored to four times of the net worth with an exception that overseas investment beyond USD 1 billion shall require prior RBI approval though it may be covered under the four times net worth limit.

  - The existing limit under Liberalized Remittance Scheme is proposed to be increased from the existing USD 125,000 to USD 250,000 for each financial year, as per the bi-monthly monetary policy of RBI dated 3 February 2015.

- LLPs incorporated under the LLP Act 2008 have been included in the definition of an ‘Indian Party’ for the purpose of ODI.
RBI has permitted an Indian Alternative Investment Fund, registered with SEBI, to invest overseas in terms of the provisions as are applicable in this respect to domestic Venture Capital Funds registered with SEBI.

ECB

As a measure of simplification, RBI has decided to put the following cases under the automatic route:

- Proposals for raising ECB by companies engaged in the activities of manufacturing, infrastructure, hotels, hospitals and software sectors from indirect equity holders/group companies.
- Proposals for raising ECB for companies in miscellaneous services, as defined under ECB policy, from direct/indirect equity holders/group companies.
- Proposals involving change of lender when the ECB is from foreign equity holders and group companies.
- An Indian company will not be permitted to raise ECB from overseas branches/subsidiaries of Indian banks for refinance/repayment of INR loan raised from the domestic banks in certain situations.

Miscellaneous

- RBI has delegated the powers of compounding to Regional Offices of the RBI where the registered office of the Company is situated in certain contraventions.
- Salary payments outside India to expatriate employees deputed/seconded by the group company are now covered under the general permission. Definition of company has been expanded to include an LLP.

Securities law and regulations

Insider Trading Regulations, 2015

SEBI notified the SEBI (Prohibition of Insider Trading) Regulations, 2015 on 15 January 2015 replacing the two-
decade old insider trading norms in India. Key changes are as follows:

► Applicability of insider trading regulations has been extended to securities proposed to be listed on stock exchanges along with the listed securities.

► Scope of ‘connected person’ and ‘unpublished price sensitive information’ has been widened.

► Specific prohibition on directors and key management personnel to trade in derivatives of securities of the company.

► Provision relating to initial and continual disclosures for persons holding more than 5% shares or voting right has been removed and now every person is required to comply with stated disclosures.

Share Based Employee Benefits

► SEBI notified the SEBI (Share Based Employee Benefits) Regulations, 2014 on 28 October 2014 to replace the SEBI (Employee Stock Option Scheme and Employee Stock Purchase) Guidelines, 1999.

► These regulations have been implemented for regulating all schemes introduced by listed companies for the benefit of their employees, involving dealing in shares.

► These regulations also clarify that listed companies may implement various employment benefit schemes, either directly or indirectly by setting up an irrevocable trust.

► Further, in order to address concerns of fraudulent and unfair trade practices, SEBI has provided strict regulatory framework on setup and administration of such trusts.

Delisting Agreement - Amendments

► SEBI via Board Meeting held on 19 November 2014 passed certain key amendments in Delisting Regulations. However, this is still pending for notification. Some of the key amendments are as follows:

► Offer of delisting shall be considered as successful when shareholding of the promoter/acquirer reaches
90% of the total issued capital and at least 25% of the number of public shareholders tender their shares.

► Offer price for the purpose of delisting would be the price at which shareholding of promoter reaches the prescribed threshold limit of 90%.

► An option has been granted to acquirer pursuant to triggering Takeover Regulations to delist the shares of company directly through Delisting Regulations. However, in case of a failed delisting attempt, promoters are required to carry out mandatory open offer process as per the Takeover Regulations and pay an interest @ 10% per annum for the delayed open offer.

► Promoter/promoter group will be now prohibited from making a delisting offer if any promoter/promoter group entity has sold shares during six months prior to the date of the Board of Directors meeting approving the delisting proposal.

Financial services

FPIs

► With an aim to rationalize foreign portfolio investment routes into India such as FII and QFI, the SEBI notified the FPI Regulations, effective from 1 June 2014. With the notification of the FPI Regulations, the SEBI (FII) Regulations, 1995 stand repealed. The key features of the FPI Regulations are as follows:

► Registration as a FPI can be obtained in one of the three categories specified by SEBI;

► An existing FII shall be deemed to be a FPI till the expiry of three years for which fees have been paid under the FII Regulations, subsequent to which it shall seek registration as a FPI;

► Registration to FPIs shall be granted by Designated Depository Participants and not SEBI;

► Investment in equity shares of a company by a single FPI or investor group to be below 10% of the issued capital of the company;
► FPIs are permitted to issue, subscribe or deal in offshore derivative instruments where the same are issued to persons regulated outside India. However, Category III FPIs and unregulated broad based funds (classified as Category II FPIs by virtue of their investment manager being appropriately regulated) are not permitted to issue, subscribe or deal in offshore derivative instruments.

► FPIs have been permitted to invest in the currency derivatives segment of SE (subject to certain terms and conditions).

► The debt limits for investments by FPIs have been rationalized.

► FPIs are permitted to invest in listed non-convertible/redeemable preference shares or debentures issued by Indian companies, subject to the overall corporate debt investment limit of USD 51 billion.

► The coupon received from investment in Government securities, can now be used for re-investing in Government securities. However, such investment will be kept outside the limit of USD 30 billion for investment by FPIs in Government securities.

► Eligibility and investment norms applicable to FPIs are now also applicable to offshore derivative instrument subscribers. Accordingly, FPIs can issue offshore derivative instruments only to subscribers which meet the eligibility criterion prescribed in the FPI Regulations and which do not have opaque structures as defined in the said Regulations.

► Guidelines have been prescribed for FPIs issuing offshore derivative instruments, to monitor compliance with investment restrictions under the FPI Regulations amongst offshore derivative instrument subscribers having common beneficial owner and by offshore derivative instrument subscribers who are also investing as FPIs.

► With effect from 3 February 2015, FPIs are only permitted to invest in corporate bonds with a minimum residual maturity of three years. FPIs shall not be permitted to invest in liquid and money market mutual fund schemes. There will be no lock-in period for such investments; FPIs are permitted to sell the securities to domestic investors.
Mutual funds

► The SEBI has amended the MF regulations with respect to the following:

► The net worth requirement for an AMC (excluding AMCs eligible to launch only infrastructure debt schemes) has been increased from INR 100 million to INR 500 million. A time limit of 3 years has been provided to existing AMCs for complying with the increased net worth requirement. Such AMCs shall be permitted to launch new schemes only after they comply with the new net-worth requirement.

► For open ended schemes with growth option, the sponsor or AMC is required to invest at least 1% of the amount raised or INR 5 million, whichever is lower. Further, such investment cannot be redeemed until the scheme is wound up. For existing open ended schemes with growth option, the sponsor or the AMC needs to comply with the above stipulation within a period of one year.

NBFC

► The RBI indicated in the first bi-monthly monetary policy statement of FY 2014-15 that an overhaul of the extant regulatory framework for NBFCs is underway to align it with several important developments which have taken place in the financial sector. In this regard, the RBI has undertaken the following steps:

► On 1 April 2014 the RBI kept in abeyance the issuance of a Certificate of Registration for conducting NBFC business, except in the public interest, till an appropriate regulatory framework is put in place for the NBFC sector;

► Subsequently, to enable the RBI to ensure that the ‘fit and proper’ character of the management of NBFCs (deposit accepting and non-deposit accepting), is continuously maintained, it was prescribed that any change in control/ownership/management of an NBFC will require prior approval of the RBI;

► On 10 November 2014, the RBI issued a revised regulatory framework for NBFCs with a view to streamlining the regulations for the said sector. While
the revised regulatory framework is yet to be notified, key changes proposed therein include revision of the requirement of maintaining net owned funds, determining systemic significance of NBFCs, modification to prudential regulations applicable to systematically important non-deposit accepting NBFCs, revision of corporate governance and disclosure norms etc.;

► Simultaneously, the RBI also revoked, with immediate effect, its temporary suspension on issuance of Certificate of Registration to companies proposing to conduct business of NBFCs.

► The RBI has prescribed the following prudential measures for NBFC’s lending against collateral of shares:

► Maintain a loan-to-value ratio of 50%;
► Accept only specified securities as collateral for loans of value more than INR 0.5 million;
► Online reporting to stock exchanges for NBFCs with asset size of more than INR 1 billion.

**Banking**

► Subsequent to the announcement made by the Finance Minister in the Union Budget 2014-15 to encourage private sector participation for providing long term financing for the infrastructure sector, the RBI has rationalized provisions relating to issuance of long term bonds for funding loans to the infrastructure sector as well as affordable housing. Key features of the same include the following:

► The bond shall be denominated in Indian Rupees with a minimum maturity period of seven years and carrying a fixed or floating rate of interest;
► The bonds should be fully paid, redeemable, unsecured and are to be issued in plain vanilla form without call or put option;
► The bonds will not be eligible for deposit insurance;
► Cross-holding of such bonds among the banks will not be permitted;
The bonds would be exempted from the computation of net demand and time liabilities and hence would not be subject to CRR/SLR requirements.

To further financial inclusion, the RBI has amended the existing guidelines for appointment of BCs by permitting all domestic scheduled commercial banks and RRBs to engage NBFC-NDs as BCs, subject to certain conditions.

The RBI in November 2014 released the guidelines for licensing of PB in the private sector.

The RBI released the guidelines for licensing of SFB in the private sector in November 2014.

The RBI has amended the existing guidelines on PPI.

Insurance

The Government introduced certain amendments to the Insurance Laws (Amendment) Bill, 2008 in the Rajya Sabha on 30 July 2014 post which, the 2008 Bill was referred to a Select Committee of the Members of Parliament. The Select Committee’s report was presented in the Rajya Sabha on 10 December 2014. The President of India promulgated the Insurance Laws (Amendment) Ordinance, 2014 on 26 December 2014. The key provisions of the Ordinance include:

- Increase in the FDI limit in the insurance sector from 26 per cent to a composite cap of 49 per cent (consisting of FDI and FPI investment);
- ‘Control’ defined to include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;
- Separate definition introduced for health insurance business;
- Definition of insurer widened to include a foreign company engaged in re-insurance business through a branch established in India;
- An Indian insurer which is a public company to be permitted to issue instruments (to be prescribed) other
than equity shares of single face value for raising capital;

► Responsibility of appointing insurance agents to be entrusted to insurers, and the IRDA to regulate their eligibility, qualifications and other aspects (The IRDA has also issued an exposure draft on IRDA (Appointment of Insurance Agents) Regulations, 2015 in this regard).

► The Government notified rules in respect of foreign investment in Indian insurance companies [i.e. The Indian Insurance Companies (Foreign Investment) Rules, 2015] (Rules) with effect from 19 February 2015. These Rules apply to foreign investment (FDI including foreign venture capital investment and FPI) in Indian insurance companies, Insurance Brokers, Third Party Administrators, Surveyors and Loss Assessors and other insurance intermediaries appointed under the provisions of the Insurance Regulatory Development Authority Act, 1999.

► The key provisions of the Rules include:

► Inclusion of the definition of ‘control’ as defined in the Ordinance;

► Introduction of the concept of Indian control and Indian ownership;

► Requirement of obtaining an FIPB approval for FDI beyond 26 per cent and up to 49 per cent.

► With a view to increase insurance penetration in India and to ensure increased participation by banks and NBFCs, the RBI has issued the following guidelines:

► Circular dated 15 January 2015 permitting banks to set-up a subsidiary/JV for undertaking insurance business with risk participation, undertake insurance broking/corporate agency activities through a subsidiary/JV or departmentally and undertake referral services;

► Master Circular dated 1 July 2014 which permits entry of NBFCs into insurance business on both a risk and non-risk participation basis.
Information technology
Draft policy on Internet of Things

► DEITY has come out with a draft IoT Policy document which focuses on following objectives:

► To create an IoT industry in India of USD 15 billion by 2020. It has been assumed that India would have a share of 5-6% of global IoT industry;

► To undertake capacity development (human and technology) for IoT specific skill-sets for domestic and international markets;

► To undertake R&D for all the assisting technologies;

► To develop IoT products specific to Indian needs in all possible domains.

► The framework of the IoT Policy has been proposed to be implemented via a multi-pillar approach. The approach comprises of five vertical pillars (demonstration centers, capacity building and incubation, R&D and innovation, incentives and engagements, human resource development) and two horizontal supports (standards and governance structure).

Telecommunications

► In February 2015, the TRAI has issued the Telecommunication Interconnection Usage Charges (Twelfth Amendment) Regulation, 2015, wherein interconnection usage charges have been substantially reduced.

► In January 2015, TRAI finalized its recommendations on ‘Definition of Revenue Base (AGR) for Reckoning of Licence Fee and Spectrum Usage Charges’. Key features include:

► Revenue from non-core sources (such as rent, profit on sale of fixed assets, dividend, interest and miscellaneous income) should be excluded to arrive at the AGR;

► ISPs having AGR of less than INR 5 crore in a year shall pay license fee of INR 10 lakh or actual license fee based on the applicable rate, whichever is less;
In January 2015, the Union cabinet fixed the starting price for 3G spectrum auctions at INR 3,705 crore per MHz.

In December 2014, TRAI finalized its recommendations on ‘Valuation and Reserve Price of Spectrum: 2100 MHz Band’.

In October 2014, DoT approved full mobile number portability. In February 2015, the TRAI has issued the Telecommunication Mobile Number Portability (Sixth Amendment) Regulations, 2015, which would facilitate full mobile number portability in the country, with effect from 3 May 2015.

The Government has set up a joint task force with industry to rejuvenate India's mobile handset manufacturing ecosystem with a view to achieve production of 500 million units of mobile handsets by 2019.

Real estate

SEBI issued regulations for REITs on 26 September 2014. Key features of SEBI (REIT) Regulations are as follows:

- Minimum investment required to be made by REIT should be INR 500 crores;
- REITs permitted to invest in securities or properties or transferable development rights in India;
- Investment also permitted in properties through SPVs subject to completion of prescribed conditions;
- REITs shall not invest in vacant land or agricultural land or mortgages other than mortgage backed securities. REITs also not permitted to invest in units of other REITs or undertake lending to any person;
- A REIT shall hold at least two projects, directly or through SPV, with not more than 60 per cent of the value of the assets, proportionately on a consolidated basis, in one project;
- At least 80 per cent of value of REIT assets should be invested in completed and rent generating properties. Further such assets should be held for a period of at least three years;
► Not less than 75 per cent of the revenues of the REIT and the SPV, other than gains arising from disposal of properties should be at any time, from rental and letting real estate assets or any other income incidental to the leasing of such assets;

► Compulsory distribution of at least 90 per cent of net distributable cash flows of the REIT to the unit holders on at least a half-yearly basis;

► Qualification criteria, rights and responsibilities prescribed for various parties to the REIT; sponsors, manager, trustee;

► REITs permitted to borrow funds subject to fulfilment of prescribed conditions.

► DIPP has revised the regulations for FDI in construction development sector by way of notification of Press Note 10 of 2014. Key features of Press Note 10 are as follows:

► The phrase ‘serviced housing plot’ has been replaced with ‘serviced plot’ to give clarity that commercial plots are also covered;

► Minimum developed area of serviced plot of 10 hectares has been removed. Now there is no minimum development requirement for serviced plot. Minimum built up area of 50,000 square meters has been reduced to minimum floor area of 20,000 square meters to encourage development of smaller projects. In case of a combination project, minimum floor area of 20,000 square meters is to be complied with;

► Minimum capitalization requirement has been reduced for WOS to USD 5 million. Subsequent tranches of FDI can be brought up to 10 years or completion of project, whichever is earlier;

► The investor will be permitted to exit on completion of the project or after development of trunk infrastructure i.e. roads, water supply, street lighting, drainage and sewerage. Importance has clearly been placed on development of ‘trunk infrastructure’ before the investor exits the project. Also, the term ‘trunk infrastructure’ is specifically defined to mean ‘roads, water supply, street lighting, drainage and sewerage’;
 ► Repatriation/sale before completion from non-resident to non-resident to be considered by FIPB on a case to case basis;

 ► The Indian investing company has been made responsible for all approvals. Earlier policy casted an obligation on the investor as well;

 ► Condition of requirement of development of 50% of project within a period of five years has been removed. This clause created issues for non-resident to exit even after meeting three years minimum lock-in-period;

 ► Minimum area development requirement and minimum capitalization would not be applicable to a project where 30% of total project cost is for low-cost affordable housing;

 ► Affordable Housing Project has been defined as a project using at least 40% of the FAR/FSI for dwelling unit of floor area of not more than 140 square meters will be considered as Affordable Housing Project for the purpose of FDI policy in construction development sector. Out of the total FAR/FSI reserved for affordable housing, at least one-fourth should be for houses of floor area of not more than 60 square meters;

 ► It is clarified that 100% FDI is allowed in completed projects for operation and management of township, mall/shopping complexes and business centers.

Media

Broadcasting

Digitization of TV broadcasting

 ► In August 2014, the MIB extended the Phase III deadline from September 2014 to December 2015 and the Phase IV deadline from December 2014 to December 2016 to achieve pan-India digitization of TV broadcasting.

Regulatory framework for Platform Services

 ► Presently, the PS are not subject to any specific regulations and the possible impact of the content carried on these channels is a cause for concern for the regulators.
To address the above concern and to bring uniformity in the differentiated treatment under the different policy guidelines applicable to the different types of DPOs, TRAI has submitted its recommendations to the Government on 19 November 2014 after consultation with the stakeholders, which amongst others include capping the number of channels that can be offered by DPOs in DAS areas and in non-DAS areas, compliance with advertising and content code, and conditions of imposing penal provisions in case of violations.

Regulatory framework for ground-based broadcasters

Given that there is no regulatory framework, TRAI has proposed to the MIB to differentiate between PS run by the DPO and ground-based broadcasters.

TRAI has recommended to MIB to outline a separate regulatory framework for ground-based broadcasters. The framework shall be the same as the framework contained in the uplinking/downlinking guidelines of MIB for satellite-based broadcasters, except for certain concessions in regulatory clearance/permission.

Communications Bill

The Government is evaluating setting up a new super regulator - to be named Communication Commission - for the communications sector by doing away with TRAI, the regulator for the telecom and broadcasting sector.

The Telecommunication (Broadcasting and Cable) Services (Second) Tariff (Fourteenth Amendment) Order, 2015

To facilitate and incentivize the cable TV operators to implement DAS before the cut-off dates notified by the Government, TRAI has issued The Telecommunication (Broadcasting and Cable) Services (Second) Tariff (Fourteenth Amendment) Order, 2015, which, among other matters, aims to simplify tariffs and expand the definition of DAS.
Radio

Phase III of FM radio expansion

► On 16 January 2015, the Union Cabinet approved the Phase III auctions in principle and also gave the nod to migration of private FM radio licenses from Phase II to Phase III thus, enabling renewal of radio operating licenses some of which would have expired on 31 March 2015.

► The implementation of Phase III will help penetration of FM reaching towns with population of 1 lakh. Phase III will make radio more relevant to advertisers and this in turn will reflect on radio’s share in the overall advertising pie.

Health sciences

Drugs

► The NPPA continued to increase the number of drugs under its price control mechanism by imposing price controls on 52 new formulations of drugs.

► Based on recommendations received from an expert committee set up by Union Health Ministry to ban hazardous drugs in pharmaceutical market in India, the Union Health Ministry has decided to take appropriate action on continued marketing of drugs that have been banned by two or more countries in world on grounds of efficacy and safety.

Clinical trials

► The Union Health Ministry has released a draft of Drugs and Cosmetics (Amendment) Bill, 2015 to amend the Drugs and Cosmetics Act, 1940 which inter alia provides for upgradation and introduction of provisions for clinical trials. The Bill proposes to expand the scope by inserting a separate chapter on clinical trials which will regulate the conduct of clinical trials and matters connected therewith.

► The NABH has issued draft accreditation standards for clinical trial sites, ethics committees and investigators and invited comments from various stakeholders.
Medical devices

- The Government has allowed 100% FDI under automatic route in the medical devices sector to boost domestic manufacturing.

- The draft version of Drugs and Cosmetics (Amendment) Bill, 2015 released by Union Health Ministry proposes to expand the scope of the legislation and will regulate the import, manufacture, distribution and sale of medical devices and matters connected therewith.

- The Union Health Ministry has amended the Drugs and Cosmetics Rules mandating the labelling of medical devices. Labels must now inter alia mention the name of the device, a clear product description highlighting its use along with the name and address of the manufacturer.

Infrastructure and transportation

Railways

- FDI in railway infrastructure permitted up to 100% under the automatic route. Railway infrastructure would cover construction, operation and maintenance of the following:
  - Suburban corridor projects through PPP;
  - High speed train projects;
  - Dedicated freight lines;
  - Rolling stock including train sets, and locomotives/coaches manufacturing and maintenance facilities;
  - Railway electrification;
  - Signaling systems;
  - Freight terminals;
  - Passenger terminals;
  - Infrastructure in industrial park pertaining to railway lines/sidings including electrified railway lines and connectivity to main railway line;
► Mass rapid transport systems.

However, FDI beyond 49% in sensitive areas from security point of view to be brought before Cabinet Committee on Security for consideration on a case-to-case basis.

► Government has identified nine corridors for raising speeds of passenger trains to 160/200 kilometers per hour.

► In the Railway Budget, it was proposed to procure power through the bidding process at economical tariff from generating companies, power exchanges, and bilateral arrangements. This initiative is likely to result in substantial savings of at least INR 3,000 crore in next few years.

► Ministry of Railways has announced a proposal to set up JVs with States for focused project development, resource mobilization, land acquisition, project implementation and monitoring of critical rail projects. Further, the proposal to set up JVs with major public sector companies who are Railways customers for meeting their requirements of new lines has also been announced.

Roadways

► National Highways and Infrastructure Development Corporation incorporated on 18 July 2014 to design, build, operate, maintain and upgrade National Highways and other infrastructure including inter-connecting roads particularly in the North-Eastern region and strategic areas of the country.

► Web portal for online approval of movement of over dimensional and overweight cargo launched by Ministry of Road Transport and Highways.

► RBI has advised all scheduled commercial banks to treat road sector debt as secured within the limits of 90% of debt due, enabling banks to allocate a larger portion of lending to road sector.

Civil aviation

► Ministry of Civil Aviation finalized its draft civil aviation policy. The new policy is a step towards making civil aviation a vibrant sector of the country’s economy and aims at providing people safe, secure, sustainable and affordable air connectivity services with world-class civil aviation infrastructure.
In its endeavor to tap alternate sources of energy, AAI decided to establish solar photovoltaic power plants at its airports to meet its own requirements. A detailed action plan has been prepared to produce 5 MW for captive consumption at 13 airports. This is likely to be completed by 31 March 2015.

**Power**

Government has formulated an Integrated Energy Policy covering all sources of energy including renewable energy sources. This policy document gives roadmap to develop energy supply options and increased exploitation of renewable energy sources. Ministry of New and Renewable Energy has made a plan for capacity addition of about 30,000 MW power during 12th plan period (2012-2017) from various renewable energy sources in the country. Some of the key initiatives which have been undertaken to promote solar energy are providing fiscal and financial incentives, capital subsidy for off-grid/decentralized solar power generation systems, implementation of national solar mission and setting up solar parks.

Government plans to take wind energy generation to 60,000 MW in the next 5 years from around 20,000 MW currently. Government also plans to have 100,000 MW of installed solar capacity by 2022 and has identified 40,000 MW of immediate potential for rooftop solar.

**Shipping**

The Government finalized guidelines that allow Indian shipping companies to directly own and operate foreign flag vessels. Previously, these companies could own foreign vessels only through a foreign subsidiary.

The MoS has laid down guidelines to create a regulatory framework for land allotment by major ports in India.

The MoS scrapped the requirement of annual renewal of licenses for Indian ships. Instead, it will issue lifetime licenses for Indian ships or any other vessel chartered by an Indian citizen or company.
In order to revive investors interest in SEZ and to promote development of SEZ in the country, MoC initiated a two-step approach – after reducing the minimum area requirement for setting up SEZs in 2014, it has now permitted dual use of non-processing areas allowing developers to set up social infrastructure such as schools, hospitals and hotels, which can be accessed by people from within and outside the zones subject to certain conditions.

The conditions depend on whether the social or commercial infrastructure and other facilities are permitted to be used only by SEZ entities or by both SEZ and DTA entities.

As part of increasing the ease of doing business in India, MoC has deployed an online submission process from 1 November 2014 for various transactions by SEZ developers and units such as application for setting up unit, approval for job-work and submission of certain returns.

The Government has recently launched the ambitious ‘Make in India’ campaign, focusing on 25 key sectors with a vision to increase the share of manufacturing sector in the GDP from 16% to 25% by 2022 and thereby create additional 100 million jobs.

DMIC is being developed in co-ordination with the Government of Japan as a global manufacturing and investment destination utilizing the 1,483 kilometer long, high-capacity western Dedicated Railway Freight Corridor. 24 cities are envisaged in the DMIC plan with 7 being developed in the first phase. 8 NMIZs which are proposed to have single window clearance facility have been identified under the DMIC and 9 outside the DMIC to ensure development and availability of specialized manufacturing zones.

To bolster electronic manufacturing, the Government has also tried to revive the M-SIPS and has received more than 40 applications for new investments recently.
Indirect tax

Customs duty

- Notifications issued to further deepen/amend the tariff concessions in respect of specified goods imported under India-ASEAN Free Trade Agreement and India-Japan Comprehensive Economic Partnership Agreement as well as under Comprehensive Economic Cooperation Agreements with Korea, Malaysia and Singapore.

- Benefit of advance ruling extended to resident private limited company; definitions of ‘private limited company’ and ‘resident’ linked to Companies Act, 2013 and Income-tax Act respectively.

- Importers bringing goods in a vehicle by land permitted to file a bill of entry prior to import of goods in the same manner as imports by air or sea.

- Notification issued making several amendments to Duty Drawback regime to facilitate industry.

- Exemption to specified goods when imported for the Airborne Early Warning and Control System Program of Ministry of Defence.

- Substantial reduction in import and customs clearance documentation requirements to facilitate trade.

- Agreement entered into between India-Taipei Association in Taipei and the Taipei Economic and Cultural Center in India on the FICCI/TAITRA Carnet to facilitate temporary duty-free importation of goods from respective territories.

- State Governments notified as Sponsoring Authority under Project Import regulations with respect to Metro Rail or Monorail projects for urban public transport.

- CBEC extends time duration for submission of utilization certificate on imports of natural gas and liquefied natural gas used for generation of electrical energy from 6 months to 12 months.

- Extension of 24x7 Customs clearance facility for specified imports/exports to/from various sea ports and air cargo complexes.
Fixed rate of interest of 6% a year notified for delayed refund of pre-deposit.

Duty exemption provided in respect of specified goods required for Intensified Malaria Control Project funded by Global Fund to Fight AIDS, Tuberculosis and Malaria.

Partial exemption of customs duty on import of urea under Urea Off-Take Agreement between Government of India and Oman-India Fertilizer Company SAOC.

Excise duty

Discretionary powers of CESTAT and commissioner (appeals) for grant of stay of pre-deposit has been replaced with a mandatory deposit of 7.5% for first appeal/10% for second appeal of the duty demanded or penalty imposed or both. The pre-deposit is subject to upper ceiling limit of INR 100,000,000. The amendment is prospective and not applicable to appeals and stay applications pending for decision prior to enactment of this provision.

Excise Valuation Rules have been amended to prescribe that the sale price shall be deemed to be the transaction value even if goods are being sold below cost (if no additional consideration flows from the buyer), effectively nullifying the decision of the Supreme Court in case of Fiat India Private Limited effective from 11 July 2014.

Penalty of 1% each month to be levied in case duty declared as per return is not paid within one month from the due date.

Excise duty on petrol and diesel has been increased as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Unbranded</th>
<th>Branded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petrol</td>
<td>INR 8.95 per liter</td>
<td>INR 10.10 per liter</td>
</tr>
</tbody>
</table>
| Diesel      | INR 7.96 per liter | Lower of:  
1. 14% + INR 5 per liter; and  
2. INR 10.25 per liter. |
► Exemption provided for specified anti-malarial drugs and other diagnostics/medical products to be utilized for Intensified Malaria Control Project under the National Vector Borne Disease Control Programme.

► Exemption provided on goods donated for relief and rehabilitation of the people affected by the floods in the state of Jammu and Kashmir.

► Circular has been issued stipulating mandatory pre-deposit of duty or penalty before filing an appeal even in case of rejection of drawback claims.

► Refund of pre-deposit amount (deposited at the time of filing appeal) shall be granted along with interest at the rate of 6% a year from the date of passing of order till the date of payment (in cases where refund is not granted within 3 months of passing of order).

► Relief provided to automobile sector, capital and consumer goods by reduction in rate of excise duty till 31 December 2014 has not been extended and thus from 1 January 2015, Excise duty payable at the normal applicable rates (without exemption).

► Clarification issued that the Delhi High Court judgment prohibiting audit in case of M/s Travelite (India) was in respect of service tax and does not affect the audit envisaged under the provisions of Excise law.

► Summons under Excise and Service tax can be issued after obtaining prior permission from officers not below the rank of Assistant Commissioner. Further, such summons can be issued against the senior officials of the organization (CFO, CEO, etc.) only in cases where the loss to revenue occurred on the basis of organizational decision making process involving such officials.

CENVAT credit

► Significant limitation introduced on time for claiming CENVAT credit on input and input services - to be availed within six months from date of invoice/challan.

► Clarified that the time limit of six months for availing CENVAT credit is for initial availing of credit and does not affect a situation where credit has been reversed and then taken again on fulfillment of conditions.
► Credit under reverse charge can be claimed immediately on payment of service tax irrespective of payment of invoice value (except partial reverse charge).

► LTUs no longer eligible to transfer credit availed on or after 11 July 2014.

► It is clarified that place of removal for determining the eligibility to avail CENVAT credit shall be the place at which sale is effected or the property in goods passes from the seller to the buyer.

► Service tax certificate for transportation of goods by rail (STTG certificate) issued by the Indian Railways has been included as an eligible document for availing CENVAT credit.

### Service tax

► Interest rates for delay in payment of Service tax have been significantly increased. The new rates being 1.5% each month for the first 6 months, 2% each month for the next 6 months and 30% each year after 1 year.

► E-payment of Service tax has been made mandatory in all cases (relaxation may be allowed by officials in certain cases).

► Taxable percentage has been rationalized in case of works contracts to 70% of contract value, other than those pertaining to ‘original works’.

► Percentage of service tax due to be paid by a service recipient under the partial reverse charge mechanism for Rent-a-cab service where the service provider is not availing the benefit of abatement has been made 50%.

► Service of transportation of passenger by air-conditioned contract carriages has become taxable.

► Services provided by Government or local authority or Governmental authority other than water supply, public health, sanitation conservancy, solid waste management and slum improvement and upgradation have been made taxable.

► Rates of exchange notified under Customs laws were being used to determine the value of imported/exported services wherein the payment/receipt was in foreign currency. Now such rates of exchange would be determined as per GAAP.
In respect of services provided or agreed to be provided by a recovery agent to a banking company or a financial institution or NBFC, 100% service tax shall be payable by the person receiving the service.

**Foreign Trade Policy**

- IEC applications can be filed online by applicants having access to net banking facilities of specified banks. Other applicants shall continue to file applications manually in the prescribed format.

- Export obligation has to be fulfilled within a period of six months under Advance authorization/DFIA schemes in cases where rubber has been imported by availing the benefits under such schemes.

- Export proceeds realized in Indian currency for exports made to Iran shall be considered at par with the freely convertible foreign exchange for the purpose of availing export benefits/incentives under the Foreign Trade Policy.

- Registration requirements with DGFT for export of cotton and cotton yarn has been dispensed with. Earlier, traders were required to register their targeted export volume in advance for the entire year.

- GSM/CDMA based vehicle tracking system having a valid IMEI/ESN/MEID number can be freely imported.

- ‘GSM mobile handsets’ with duplicate or fake IMEI and ‘CDMA mobile handsets' with duplicate or fake ESN/MEID are added to the list of ‘Prohibited’ items for import.

- Minimum export price of edible oils in branded consumer packs of up to 5 kilograms has been reduced from USD 1100 per MT to USD 900 per MT.

- Quantity of inputs to be allowed under Advance authorization/DFIA shall be in proportion to the quantity of inputs actually used/consumed in production. Proportion of these inputs actually used/consumed in production of export product shall be clearly indicated in shipping bills.
GST

► The Constitution (One Hundred and Twenty-Second) Amendment Bill for ushering in GST was tabled in Lok Sabha on 19 December 2014 and had the following key features:

► Conferred concurrent taxing powers to Union and State Governments for levy of tax on every intra-state transaction of supply of goods and services, except alcohol for human consumption;

► Subsumed major indirect taxes levied by Union and State Governments (such as Central Excise duty, Service tax, State VAT/Sales tax and Central sales tax);

► Inclusion of petroleum products under GST may be at a future date;

► IGST to apply on inter-state transactions of goods and services (including imports);

► Special provisions for levy of additional tax (not exceeding 1 per cent) on supply of goods accruing to the origin State;

► Formation of the GST Council within 60 days from the enactment of Constitution Amendment Bill;

► GST Council to be entrusted with the responsibility of making recommendations on all key aspects related to the levy.
Global tax update

2014 witnessed tax change on an exceptional level: BEPS discussion drafts turned into final recommendations with many jurisdictions already legislating on a unilateral basis in anticipation of final recommendations; the focus of public debate shifted to the role of governments in eroding each other’s tax bases; and across the globe, new and sometimes highly novel national legislation was released to address BEPS challenges.

2014 saw the BEPS Project that aims at better aligning rights to tax with real economic activity come to life. On 16 September 2014, the OECD released a series of deliverables that addressed seven of the 15 BAPs. Subsequently, discussion drafts on other BAPs were released such as Interest Deductions and Other Financial Payments (BAP 4), Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance (BAP 5), Preventing the Artificial Avoidance of PE Status (BAP 7), Make Dispute Resolution Mechanisms More Effective (BAP 14). The OECD found it harder to obtain consensus as countries started to firm up their positions. This led to a number of issues being carried over for continued work in 2015. Only two of the reports are final: Addressing the Tax Challenges of the Digital Economy (BAP 1) and Developing a Multilateral Instrument to Modify Bilateral Tax Treaties (BAP 15). The Reports on BAP 3: Strengthening Rules on Controlled Foreign Corporations and BAP 12: Requiring Taxpayers to Disclose Aggressive Planning Arrangements are keenly awaited.

A joint proposal from Germany and the UK on the subject of patent box found favor with the OECD’s Global Forum on Harmful Tax Practices; the United States is reported to have shared a proposal with the OECD on cash boxes. The United Kingdom Diverted Profits Tax, seeming to pre-empt the OECD’s work on PE issues, has drawn interest far and wide. These are instances of new and novel approaches being put in place by countries in offsetting BEPS-related concerns.

On 27 January 2015, the European Council formally adopted a binding general anti-abuse rule to be included in the PSD. This new rule aims at preventing Member States from granting the benefits of the PSD to arrangements that are not ‘genuine’, i.e., that have been put into place to obtain a tax advantage without reflecting economic reality.
On 16 December 2014, the Russian draft law on extension of the thin capitalization rules was submitted to the State Duma.

The Canadian Government amended its thin capitalization Rules, to cover even third party loans, including from banks, if it appears that there is a back to back arrangement either in the nature of a security, or deposit, or collateral provided by an Associated Enterprise.

On 3 December 2014, the UK Government issued a consultation document in relation to BAP 2 (Neutralizing the effects of hybrid mismatch arrangements). This consultation document also considers how the UK should respond to the matters that the OECD has left open or is still working on. It is proposed that the new rules apply to amounts accruing from 1 January 2017. A similar public consultation document has also been issued by South Africa.

On 2 February 2015, the Obama administration released its fiscal year 2016 budget proposals. This includes new proposals that would represent a substantial change to the US international tax regime. In particular, the proposal to impose a new 19% minimum tax on foreign earnings, as well as the companion proposal to impose a one-time 14% tax on previously untaxed foreign earnings, would have significant implications for US multinational companies. Several of its international tax proposals are aimed at addressing concerns similar to those that are the target of the OECD BEPS project.

On 20 January 2015, the Spanish Secretary of State for the Treasury announced that the Government will include a country-by-country reporting obligation for multinationals in the new Corporate Income Tax Regulations. These Regulations are expected to be adopted in the first half of 2015 and enter into force on 1 January 2016.

The above trends indicate that even though the BEPS Project has not reached the implementation stage, it has substantially influenced tax policy changes in various economies. Some tax administrators are even applying future BEPS concepts to previously executed transactions. Even if directionally consistent with the BEPS Project, these early actions may actually threaten the coherence of the overall Project, creating more uncertainty, greater risk and an erosion of trust between tax authorities and taxpayers.

In the coming year, this tax change around the globe is likely to intensify with many of the BAPs reaching finality.
## Glossary

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<td>AAI</td>
<td>Airports Authority of India</td>
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<td>AAR</td>
<td>Authority for advance ruling</td>
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<td>AD</td>
<td>Authorized dealer</td>
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<tr>
<td>ADR</td>
<td>American Depository Receipt</td>
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<tr>
<td>AFS</td>
<td>Anti Fouling Systems</td>
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<td>AGR</td>
<td>Adjusted Gross Revenue</td>
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<td>AIF</td>
<td>Alternate Investment Fund</td>
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<tr>
<td>AIF Regulations</td>
<td>SEBI (Alternative Investment Funds) Regulation, 2012</td>
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<tr>
<td>AMC</td>
<td>Asset Management Company</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
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<td>BAP</td>
<td>BEPS Action Plan</td>
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<tr>
<td>BC</td>
<td>Business Correspondent</td>
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<tr>
<td>BCD</td>
<td>Basic customs duty</td>
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<tr>
<td>BED</td>
<td>Basic excise duty</td>
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<tr>
<td>BEPS</td>
<td>Base Erosion and Profit Shifting</td>
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<td>BO</td>
<td>Branch Office</td>
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<td>BSE</td>
<td>Bombay Stock Exchange</td>
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<td>CBDT</td>
<td>Central Board of Direct Taxes</td>
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<tr>
<td>CBEC</td>
<td>Central Board of Excise and Customs</td>
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<tr>
<td>CCEA</td>
<td>Cabinet Committee on Economic Affairs</td>
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<td>CCPS</td>
<td>Compulsorily Convertible Preference Shares</td>
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<tr>
<td>CD</td>
<td>Certificate of Deposit</td>
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<td>CDMA</td>
<td>Code Division Multiple Access</td>
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<td>CDR</td>
<td>Corporate Debt Restructuring</td>
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<td>CDSCO</td>
<td>Central Drugs Standard Control Organization</td>
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<tr>
<td>CENVAT</td>
<td>Central value added tax</td>
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<tr>
<td>CERC</td>
<td>Central Electricity Regulatory Commission</td>
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<td>CESTAT</td>
<td>Customs, Excise and Service Tax Appellate Tribunal</td>
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<tr>
<td>CHA</td>
<td>Customs House Agent</td>
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<tr>
<td>CIC</td>
<td>Core Investment Companies</td>
</tr>
<tr>
<td>CIC-ND-SI</td>
<td>Core Investment Company - Non-deposit taking - Systemically important</td>
</tr>
<tr>
<td>CoR</td>
<td>Certificate of Registration</td>
</tr>
<tr>
<td>CP</td>
<td>Commercial Paper</td>
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<tr>
<td>CRR</td>
<td>Cash Reserve Ratio</td>
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<tr>
<td>CST</td>
<td>Central sales tax</td>
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<tr>
<td>CTT</td>
<td>Commodities transaction tax</td>
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<td>Customs Act</td>
<td>Customs Act, 1962</td>
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<tr>
<td>CVD</td>
<td>Countervailing duty</td>
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<td>DAS</td>
<td>Digital Addressable System</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>DCGI</td>
<td>Drugs Controller General of India</td>
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<tr>
<td>DDT</td>
<td>Dividend distribution tax</td>
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<tr>
<td>DEITY</td>
<td>Department of Electronics and IT</td>
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<tr>
<td>DFIA</td>
<td>Duty Free Import Authorisation</td>
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<tr>
<td>DGFT</td>
<td>Directorate General of Foreign Trade</td>
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<tr>
<td>DGP</td>
<td>Director General of Police</td>
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<tr>
<td>DIPP</td>
<td>Department of Industrial Policy and Promotion</td>
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<tr>
<td>DMIC</td>
<td>Delhi-Mumbai Industrial Corridor</td>
</tr>
<tr>
<td>DOE</td>
<td>Directorate of Enforcement</td>
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<tr>
<td>DOP</td>
<td>Department of Pharmaceuticals</td>
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<tr>
<td>DoT</td>
<td>Department of Telecommunication</td>
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<tr>
<td>DPO</td>
<td>Distribution Platform Operators</td>
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<tr>
<td>DTA</td>
<td>Domestic tariff area</td>
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<tr>
<td>DTAA</td>
<td>Double taxation avoidance agreement</td>
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<td>DTC</td>
<td>Direct Taxes Code, 2010</td>
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<td>DTH</td>
<td>Direct to home</td>
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<tr>
<td>ECB</td>
<td>External commercial borrowing</td>
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<tr>
<td>EDI</td>
<td>Electronic data interchange Mobile number portability</td>
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<td>EMF</td>
<td>Electromagnetic Field</td>
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<tr>
<td>EPC</td>
<td>Engineering, procurement and construction</td>
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<tr>
<td>EPCG</td>
<td>Export promotion capital goods</td>
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<tr>
<td>ESDM</td>
<td>Electronic System Design and Management</td>
</tr>
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<td>ESN</td>
<td>Electronic serial number</td>
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<td>ESOP</td>
<td>Employee stock option plan</td>
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<tr>
<td>FAR</td>
<td>Floor Area Ratio</td>
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<tr>
<td>FCCB</td>
<td>Foreign currency convertible bonds</td>
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<td>FCNR (B)</td>
<td>Foreign currency non resident (Bank)</td>
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<td>FDI</td>
<td>Foreign direct investment</td>
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<tr>
<td>FED, CO Cell</td>
<td>Foreign Exchange Department, Central Office cell, RBI</td>
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<td>FEMA</td>
<td>Foreign Exchange Management Act, 1999</td>
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<tr>
<td>FII</td>
<td>Foreign Institutional Investor</td>
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<td>FIPB</td>
<td>Foreign Investment Promotion Board</td>
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<tr>
<td>FM</td>
<td>Finance Minister</td>
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<td>FMCG</td>
<td>Fast Moving Consumer Goods</td>
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<tr>
<td>FPI</td>
<td>Foreign Portfolio Investment</td>
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<tr>
<td>FSI</td>
<td>Floor Space Index</td>
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<td>FTS</td>
<td>Fees for technical services</td>
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<tr>
<td>FVCI</td>
<td>Foreign Venture Capital Investor</td>
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<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
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<td>GAAR</td>
<td>General Anti Avoidance Accounting Rules</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<tr>
<td>GDR</td>
<td>Global Depository Receipt</td>
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<tr>
<td>GSM</td>
<td>Global system for mobile communications</td>
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<tr>
<td>GST</td>
<td>Goods and service tax</td>
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</table>
HDPE  High Density Polyethylene
HUF  Hindu undivided family
ICT  Informations and Communications Technology
IDF  Infrastructure debt fund
IDR  Indian depository receipt
IEC  Import Export Code
IFC  Infrastructure Finance Corporation
IGST  Integrated GST
ILD  International Long Distance
IMEI  International mobile equipment identity
Income-tax Act  Income-tax Act, 1961
INR  Indian National Rupee
Invit  Infrastructure Investment Trusts
IoT  Internet of things
IP  Intellectual Property
IPPDC  IP Promotion & Development Council
IPR  Intellectual Property Rights
IRDA  Insurance Regulatory and Development Authority
IREDA  Indian Renewable Energy Development Agency Ltd
ISP  Internet service provider
IT  Information technology
ITA  Information Technology Agreement
JV  Joint venture
KYC  Know your customer
LAB  Local Area Bank
LCD  Liquid Crystal Display
LED  Light Emitting Diode
LIBOR  London inter bank offered rate
LLP  Limited liability partnership
LO  Liaison Office
LSA  Licensed Service Area
LTIB  Long term Infrastructure Bond
LTU  Large Taxpayer Unit
M&A  Mergers & Acquisitions
MAT  Minimum alternate tax
MCPCB  Metal Core Printed Circuit Board
MEID  Mobile equipment identifier
MF  Mutual Fund
MFI  Micro Finance Institution
MHz  Megahertz
MIB  Ministry of Information and Broadcasting
MoC  Ministry of Commerce
MoS  Ministry of Shipping
MoU  Memorandum of Understanding
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<td>MRP</td>
<td>Maximum Retail Price</td>
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<td>M-SIPS</td>
<td>Modified Special Incentive Package Scheme</td>
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<td>MW</td>
<td>Megawatt</td>
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<td>NABH</td>
<td>National Accreditation Board for Hospitals and Healthcare Providers</td>
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<td>NAV</td>
<td>Net Asset Value</td>
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<td>NBFC</td>
<td>Non Banking Finance Company</td>
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<td>NBFC-ND</td>
<td>Non-deposit taking NBFC</td>
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<td>NCD</td>
<td>Non convertible debenture</td>
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<td>NHB</td>
<td>National Housing Bank</td>
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<td>NIC</td>
<td>National Industrial Classification</td>
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<td>NIMZ</td>
<td>National Investment and Manufacturing Zone</td>
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<td>NLD</td>
<td>National Long Distance</td>
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<td>NMP</td>
<td>National Manufacturing Policy</td>
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<td>NOF</td>
<td>Net Owned Funds</td>
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<td>NPA</td>
<td>Non-performing asset</td>
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<td>NPIT</td>
<td>National Policy on Information Technology 2012</td>
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<td>NPPA</td>
<td>National Pharmaceutical Pricing Authority</td>
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<td>NRE</td>
<td>Non Resident External Rupee (Account)</td>
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<td>NRI</td>
<td>Non-resident Indian</td>
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<td>NSE</td>
<td>National Stock Exchange</td>
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<td>NTP 2012</td>
<td>National Telecom Policy 2012</td>
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<tr>
<td>ODI</td>
<td>Overseas Direct Investment</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OLED</td>
<td>Organic LED</td>
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<td>PB</td>
<td>Payments Banks</td>
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<td>PCB</td>
<td>Printed Circuit Board</td>
</tr>
<tr>
<td>PE</td>
<td>Permanent Establishment</td>
</tr>
<tr>
<td>PO</td>
<td>Project Office</td>
</tr>
<tr>
<td>PPI</td>
<td>Pre-paid payment instrument</td>
</tr>
<tr>
<td>PPP</td>
<td>Public private partnership</td>
</tr>
<tr>
<td>PS</td>
<td>Platform Services</td>
</tr>
<tr>
<td>PSD</td>
<td>Parent-Subsidiary Directive</td>
</tr>
<tr>
<td>QFI</td>
<td>Qualified Financial Institution</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and development</td>
</tr>
<tr>
<td>RBI</td>
<td>Reserve Bank of India</td>
</tr>
<tr>
<td>REIT</td>
<td>Real Estate Investment Trust</td>
</tr>
<tr>
<td>ROB/RUB</td>
<td>Road Over Bridge/Road Under Bridge</td>
</tr>
<tr>
<td>RRB</td>
<td>Regional Rural Bank</td>
</tr>
<tr>
<td>RTA</td>
<td>Regional Trade Agreement</td>
</tr>
<tr>
<td>SAAR</td>
<td>Special Anti Avoidance Rules</td>
</tr>
<tr>
<td>SAARC</td>
<td>South Asian Association of Regional Cooperation</td>
</tr>
<tr>
<td>SAARC FTA</td>
<td>South Asian Association of Regional Cooperation free trade agreement</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
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<tr>
<td>SAD</td>
<td>Special additional duty</td>
</tr>
<tr>
<td>SAR</td>
<td>Specific Absorption Rate</td>
</tr>
<tr>
<td>SDS</td>
<td>Step down subsidiary</td>
</tr>
<tr>
<td>SE</td>
<td>Stock exchange</td>
</tr>
<tr>
<td>SEBI</td>
<td>Securities and Exchange Board of India</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special economic zone</td>
</tr>
<tr>
<td>SFB</td>
<td>Small Finance Banks</td>
</tr>
<tr>
<td>SLR</td>
<td>Statutory Liquidity Ratio</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprise</td>
</tr>
<tr>
<td>SPV</td>
<td>Special Purpose Vehicle</td>
</tr>
<tr>
<td>STT</td>
<td>Securities transaction tax</td>
</tr>
<tr>
<td>TP</td>
<td>Transfer pricing</td>
</tr>
<tr>
<td>TRAI</td>
<td>Telecom Regulatory Authority of India</td>
</tr>
<tr>
<td>TRC</td>
<td>Tax Residency Certificate</td>
</tr>
<tr>
<td>TV</td>
<td>Television</td>
</tr>
<tr>
<td>UAS</td>
<td>Unified access service</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>USO</td>
<td>Universal Service Obligation</td>
</tr>
<tr>
<td>UT</td>
<td>Union territory</td>
</tr>
<tr>
<td>VAT</td>
<td>Value added tax</td>
</tr>
<tr>
<td>VCC</td>
<td>Venture Capital Company</td>
</tr>
<tr>
<td>VCF</td>
<td>Venture Capital Fund</td>
</tr>
<tr>
<td>VCU</td>
<td>Venture Capital Undertaking</td>
</tr>
<tr>
<td>WOS</td>
<td>Wholly owned subsidiary</td>
</tr>
<tr>
<td>WPI</td>
<td>Wholesale price index</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
## Compliance calendar for the period
1 March 2015 to 31 March 2016

<table>
<thead>
<tr>
<th>Date of compliance</th>
<th>Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MARCH 2015</strong></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Payment of excise and service tax liability for the month of February 2015 (other than e-payment)</td>
</tr>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of February 2015</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in February 2015</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of February 2015</td>
</tr>
<tr>
<td>15</td>
<td>Payment of advance tax [100% of the estimated tax (as reduced by tax already paid, if any) for tax year 2014-15]</td>
</tr>
<tr>
<td>31</td>
<td>Payment of excise and service tax liability for the month of March 2015 (including e-payment) Last day for payment of advance tax for tax year 2014-15</td>
</tr>
<tr>
<td><strong>APRIL 2015</strong></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of March 2015</td>
</tr>
<tr>
<td>25</td>
<td>Filing of service tax return for the period 1 October 2014 to 31 March 2015</td>
</tr>
<tr>
<td>30</td>
<td>Filing of yearly excise return related to principal input in Form ER-5 for year ending 31 March 2015 Filing of yearly excise return of Installed Capacity Statement in ER-7</td>
</tr>
<tr>
<td><strong>MAY 2015</strong></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Payment of excise and service tax liability for the month of April 2015 (other than e-payment)</td>
</tr>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of April 2015</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in April 2015</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of April 2015</td>
</tr>
<tr>
<td>15</td>
<td>Electronically file quarterly (Jan to Mar 2015) withholding tax returns in Form 24Q/26Q/27Q</td>
</tr>
<tr>
<td>30</td>
<td>Furnishing annual statement (in Form 49C) for tax year 2014-15 by a NR having Liaison Office in India Due date for issue of quarterly (Jan to Mar 2015) TDS/TCS certificate in respect of withholding for payments (other than salary) in Form 16A/27D</td>
</tr>
<tr>
<td>31</td>
<td>Issue annual certificate of withholding to employees in respect of salary paid during tax year 2014-15 in Form 16</td>
</tr>
<tr>
<td>Date of compliance</td>
<td>Particulars</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>JUNE 2015</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Payment of excise and service tax liability for the month of May 2015 other than e-payment</td>
</tr>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of May 2015</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in May 2015</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of May 2015</td>
</tr>
<tr>
<td>15</td>
<td>Payment of advance tax (Not less than 15% of the estimated tax for tax year 2015-16)</td>
</tr>
<tr>
<td>30</td>
<td>Final adjustment of amount paid, if any, on a monthly basis under Rule 6(3)(ii) of Cenvat Credit Rules, 2004</td>
</tr>
<tr>
<td>JULY 2015</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Payment of excise and service tax liability for the month of June 2015 (other than e-payment)</td>
</tr>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of June 2015</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in June 2015</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of June 2015</td>
</tr>
<tr>
<td>15</td>
<td>Electronically file quarterly (April to June 2015) withholding tax returns in Form 24Q/26Q/27Q</td>
</tr>
<tr>
<td>30</td>
<td>Issue of quarterly (Apr to June 2015) TDS/TCS certificate in respect of withholding for payments other than salary in Form 16A/27D</td>
</tr>
<tr>
<td>31</td>
<td>File income tax and wealth tax return for individual and non-corporates [who are not subject to tax audit and non-transfer pricing (TP) cases], for tax year 2014-15</td>
</tr>
<tr>
<td>AUGUST 2015</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Payment of excise and service tax liability for the month of July 2015 (other than e-payment)</td>
</tr>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of July 2015</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in July 2015</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of July 2015</td>
</tr>
<tr>
<td>SEPTEMBER 2015</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Payment of excise and service tax liability for the month of August 2015 (other than e-payment)</td>
</tr>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of August 2015</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in August 2015</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of August 2015</td>
</tr>
<tr>
<td>15</td>
<td>Payment of advance tax (Not less than 45% of the estimated tax for tax year 2015-16)</td>
</tr>
<tr>
<td>Date of compliance</td>
<td>Particulars</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>30</td>
<td>File income tax and wealth tax return for non-corporates (who are subject to tax audit and non-TP cases) and corporates (non-TP cases) for tax year 2014-15</td>
</tr>
</tbody>
</table>

**OCTOBER 2015**

<table>
<thead>
<tr>
<th>5</th>
<th>Payment of excise and service tax liability for the month of September 2015 (other than e-payment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of September 2015</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in September 2015</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of September 2015</td>
</tr>
<tr>
<td>15</td>
<td>Electronically file quarterly (July to Sept 2015) withholding tax returns in Forms 24Q/26Q/27Q</td>
</tr>
<tr>
<td>25</td>
<td>Filing of service tax return for the period 1 April 2015 to 30 September 2015</td>
</tr>
<tr>
<td>30</td>
<td>Issue of quarterly (July to Sept 2015) TDS/TCS certificate in respect of withholding on payments other than salary in Form 16A/27D</td>
</tr>
</tbody>
</table>

**NOVEMBER 2015**

<table>
<thead>
<tr>
<th>5</th>
<th>Payment of excise and service tax liability for the month of October 2015 (other than e-payment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of October 2015</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in October 2015</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of October 2015</td>
</tr>
</tbody>
</table>
| 30    | File income tax and wealth tax return and other certifications for taxpayers subject to TP compliance, for the tax year 2014-15  
|       | Filing of excise return in Form ER-4 for the year ending 31 March 2015 (by units paying more than 1 crore of duty) |

**DECEMBER 2015**

<table>
<thead>
<tr>
<th>5</th>
<th>Payment of excise and service tax liability for the month of November 2015 (other than e-payment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of November 2015</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in November 2015</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of November 2015</td>
</tr>
<tr>
<td>15</td>
<td>Payment of advance tax (Not less than 75% of the estimated tax for tax year 2015-16)</td>
</tr>
</tbody>
</table>

**JANUARY 2016**

| 5     | Payment of excise and service tax liability for the month of December 2015 (other than e-payment) |

Budget Connect+ 2015 100
<table>
<thead>
<tr>
<th>Date of compliance</th>
<th>Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of December 2015</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in December 2015</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of December 2015</td>
</tr>
<tr>
<td>15</td>
<td>Electronically file quarterly (Oct to Dec 2015) withholding tax returns in Forms 24Q/26Q/27Q</td>
</tr>
<tr>
<td>30</td>
<td>Due date for issue of quarterly (Oct to Dec 2015) TDS/TCS certificate in respect of withholding for payments (other than salary) in Form 16A/27D</td>
</tr>
<tr>
<td><strong>FEBRUARY 2016</strong></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Payment of excise and service tax liability for the month of January 2016 (other than e-payment)</td>
</tr>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of January 2016</td>
</tr>
<tr>
<td>7</td>
<td>Payment of taxes withheld in January 2016</td>
</tr>
<tr>
<td>10</td>
<td>Filing of excise return for the month of January 2016</td>
</tr>
<tr>
<td><strong>MARCH 2016</strong></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Payment of excise and service tax liability for the month of February 2016 (other than e-payment)</td>
</tr>
<tr>
<td>6</td>
<td>E-payment of excise and service tax liability for the month of February 2016</td>
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<td>Payment of taxes withheld in February 2016</td>
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<td>Filing of excise return for the month of February 2016</td>
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<td>15</td>
<td>Payment of advance tax [100% of the estimated tax (as reduced by tax already paid, if any) for tax year 2015-16]</td>
</tr>
<tr>
<td>31</td>
<td>Payment of excise and service tax liability for the month of March 2016 (including e-payment)</td>
</tr>
<tr>
<td></td>
<td>Last day for payment of advance tax for tax year 2015-16</td>
</tr>
</tbody>
</table>
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Our offices

Ahmedabad
2nd floor, Shivalik Ishaan
Near C.N. Vidhyalaya
Ambawadi
Ahmedabad - 380 015
Tel: + 91 79 6608 3800
Fax: + 91 79 6608 3900

Bengaluru
12th & 13th floor
“UB City”, Canberra Block
No.24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 4027 5000
+ 91 80 6727 5000
Fax: + 91 80 2210 6000 (12th floor)
Fax: + 91 80 2224 0695 (13th floor)

Chandigarh
1st Floor, SCO: 166-167
Sector 9-C, Madhya Marg
Chandigarh - 160 009
Tel: + 91 172 671 7800
Fax: + 91 172 671 7888

Chennai
Tidel Park, 6th & 7th Floor
A Block (Module 601,701-702)
No.4, Rajiv Gandhi Salai,
Taramani Chennai - 600113
Tel: + 91 44 6654 8100
Fax: + 91 44 2254 0120

Hyderabad
Oval Office, 18, iLabs Centre
Hitech City, Madhapur
Hyderabad - 500081
Tel: + 91 40 6736 2000
Fax: + 91 40 6736 2200

Kochi
9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682304
Tel: + 91 484 304 4000
Fax: + 91 484 270 5393

Kolkata
22 Camac Street
3rd floor, Block ‘C’
Kolkata - 700 016
Tel: + 91 33 6615 3400
Fax: + 91 33 2281 7750

Mumbai
14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400028
Tel: + 91 022 6192 0000
Fax: + 91 022 6192 1000

NCR
Golf View Corporate Tower B
Near DLF Golf Course
Sector 42
Gurgaon - 122002
Tel: + 91 124 464 4000
Fax: + 91 124 464 4050

Pune
C-401, 4th floor
Panchshil Tech Park
Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 6603 6000
Fax: + 91 20 6601 5900

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