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Budget 2016-2017

Speech of

Arun Jaitley

Minister of Finance

February 29, 2016

Madam Speaker,

I rise to present the Budget for the year 2016-17.

2. I am presenting this Budget when the global economy is in serious crisis. Global growth has slowed down from 3.4% in 2014 to 3.1% in 2015. Financial markets have been battered and global trade has contracted. Amidst all these global headwinds, the Indian economy has held its ground firmly. Thanks to our inherent strengths and the policies of this Government, a lot of confidence and hope continues to be built around India.

3. The International Monetary Fund has hailed India as a 'bright spot' amidst a slowing global economy. The World Economic Forum has said that India's growth is 'extraordinarily high'. We accomplished this despite very unfavourable conditions and despite the fact that we inherited an economy of low growth, high inflation and zero investor confidence in Government's capability to govern. We converted these difficulties and challenges into opportunities.

कश्ती चलाने वालों ने जब हार के दी पतवार हमें
लहर-लहर तूफ़ान मिले और मौज-मौज मँझदार हमें
फिर भी दिखाया है हमने और फिर ये दिखा देंगे सबको
इन हालात में आता है दरिया करना पार हमें

4. Let us look at our achievements compared to the last three years of the previous Government when growth had decelerated to 6.3%. The growth of GDP has now accelerated to 7.6%. This was possible notwithstanding the contraction of global exports by 4.4% compared to 7.7% growth in world exports during the last three years of the previous Government. CPI inflation was at 9.4% during the last three years of the previous Government. Under our Government, CPI inflation has come down to 5.4%, providing big relief to the public. This was accomplished despite two consecutive years of monsoon shortfall of 13%, compared to normal rainfall in the last three years of the previous Government.

5. Our external situation is robust. The Current Account deficit has declined from 18.4 billion US dollars in the first half of last year to 14.4 billion this year. It is projected to be 1.4% of GDP at the end of this year. Our foreign exchange reserves are at the highest ever level of about 350 billion US dollars.

6. Our initiatives in the last 21 months have not only placed the economy on a faster growth trajectory but have bridged the trust deficit, created by the previous Government. We had to work in an unsupportive global environment, adverse weather conditions and an obstructive political atmosphere.

मैडम, हमें आसमानी और सुल्तानी दोनों परिबलों ने परेशान किया है।

7. We believe in the principle that money with the Government belongs to the people and we have the sacred responsibility to spend it prudently and wisely for the welfare of our people, especially the poor and the downtrodden. We have increased our Plan expenditure at the RE stage in 2015-16 in contrast to the usual practice of reducing it. We achieved this despite adopting the Fourteenth Finance Commission recommendations which increased devolution to the States by 55%.

8. We must now look ahead. The risks of further global slowdown and turbulence are mounting. This complicates the task of economic management for India. It has three serious implications for us. First, we must strengthen our firewalls against these risks by ensuring macro-economic stability and prudent fiscal management. Second, since foreign markets are weak, we must rely on domestic demand and Indian markets to ensure that India's growth does not slow down. And third, we must continue with the pace of economic reforms and policy initiatives to change the lives of our people for the better.

9. We see these challenges as opportunities. The financial years 2015-16 and 2016-17 have been and will be extremely challenging for Government expenditure. The 14^{th} Finance Commission has reduced the Central share of taxes to 58% from the 68%. In the financial year 2015-16, we managed to improve upon the budgeted expenditure due to revenue buoyancy, notwithstanding the steep reduction in the Central share of taxes. The next financial year 2016-17 will cast an additional burden on account of the recommendations of the 7^{th} Central Pay Commission and the implementation of Defence OROP. The Government, therefore, has to prioritise its expenditure. We wish to enhance expenditure in the farm and rural sector, the social sector, the infrastructure sector and provide for recapitalisation of the banks. This will address those sectors which need immediate attention. Once the Government discharges these priority obligations, it shall then focus on other areas which are also of utmost priority to the Government.

10. While increasing the outlay of various social sector programmes, the Government will undertake three major schemes to help the weaker sections of the society. The Pradhan Mantri Fasal Bima Yojana has already been announced to protect the farmer from the adverse consequences of nature. The farmer will pay a nominal amount of insurance premium and get the highest ever compensation in the event of any loss suffered. **A health insurance scheme which protects one-third of India's population against hospitalisation expenditure is also being announced. The Government is also launching a new initiative to ensure that the BPL families are provided with a cooking gas connection, supported by a Government subsidy.** This will significantly improve the health of women and those BPL families who suffer adversely from the ill-effects of Chulha cooking.

11. The Annual Budget is also an opportunity for the Government to outline its priorities for the year to come. The priority of our Government is clearly to provide additional resources for vulnerable sections, rural areas and social and physical infrastructure creation. The Government shall also endeavour to continue with the ongoing reform programme and ensure the passage of the Constitutional amendments to enable the implementation of the Goods and Service Tax, the passage of Insolvency and Bankruptcy law and other important reform measures which are pending before the Parliament.

12. Additionally, as I will elaborate later, we will undertake significant reforms, such as the enactment of a law to ensure that all Government benefits are conferred upon persons who deserve it, by giving a statutory backing to the AADHAR platform; bringing significant changes in the legislative framework relating to the transport sector so as to free it from constraints and restrictions; incentivising gas discovery and exploration by providing calibrated marketing freedom; enactment of a comprehensive law to deal with resolution of financial firms; providing legal framework for dispute resolution in PPP projects and public utility contracts; undertaking important banking sector reforms and public listing of general insurance companies; and undertaking significant changes in FDI policy.

13. Our agenda for the next year is, therefore, to 'Transform India' in this direction. My Budget proposals are, therefore, built on this transformative agenda with nine distinct pillars. These include:

(i) Agriculture and Farmers' Welfare: with focus on doubling farmers' income in five years;

(ii) Rural Sector: with emphasis on rural employment and infrastructure;

(iii) Social Sector including Healthcare: to cover all under welfare and health services;

(iv) Education, Skills and Job Creation: to make India a knowledge based and productive society;

(v) Infrastructure and Investment: to enhance efficiency and quality of life;

(vi) Financial Sector Reforms: to bring transparency and stability;

(vii) Governance and Ease of Doing Business: to enable the people to realise their full potential;

(viii) Fiscal Discipline: prudent management of Government finances and delivery of benefits to the needy; and

(ix) Tax Reforms: to reduce compliance burden with faith in the citizenry.

In each of these themes, I shall outline specific policy measures and initiatives which would have a transformative impact on our economy and the lives of our people.

I. Agriculture and Farmers' Welfare

14. Let me first take up Agriculture and Farmers' Welfare. We are grateful to our farmers for being the backbone of the country's food security. We need to think beyond 'food security' and give back to our farmers a sense of 'income security'. Government will, therefore, reorient its interventions in the farm and non-farm sectors to double the income of the farmers by 2022. Our total allocation for Agriculture and Farmers' welfare is ₹ 35,984 crore.

15. We need to address issues of optimal utilisation of our water resources; create new infrastructure for irrigation; conserve soil fertility with balanced use of fertilizer; and provide value addition and connectivity from farm to markets.

16. Irrigation is a critical input for increasing agriculture production and productivity. Out of 141 million hectares of net cultivated area in the country, only 46% is covered with irrigation.

17. The '*Pradhan Mantri Krishi Sinchai Yojana'* has been strengthened and will be implemented in mission mode. 28.5 lakh hectares will be brought under irrigation under this Scheme.

18. Implementation of 89 irrigation projects under AIBP, which have been languishing, will be fast tracked. This will help to irrigate 80.6 lakh hectares. These projects require ₹17,000 crore next year and ₹86,500 crore in the next five years. We will ensure that 23 of these projects are completed before 31st March, 2017.

19. A dedicated Long Term Irrigation Fund will be created in NABARD with an initial corpus of about ₹20,000 crore. To achieve all these, a total provision of ₹12,517 crore has been made through budgetary support and market borrowings in 2016-17.

20. Simultaneously a major programme for sustainable management of ground water resources has been prepared with an estimated cost of ₹6,000 crore and proposed for multilateral funding.

21. At least 5 lakh farm ponds and dug wells in rain fed areas and 10 lakh compost pits for production of organic manure will be taken up by making productive use of the allocations under MGNREGA.

22. The Soil Health Card Scheme is now being implemented with greater vigour. Through this, farmers get information about nutrient level of the soil and can make judicious use of fertilizers. The target is to cover all 14 crore farm holdings by March 2017. ₹368 crore has been provided for National Project on Soil Health and Fertility. Besides, 2,000 model retail outlets of Fertilizer companies will be provided with soil and seed testing facilities during the next three years. Fertilizer companies will also co-market city compost which increases the efficacy of chemical fertilizer. A policy for conversion of city waste into compost has also been approved by the Government under the *Swachh Bharat Abhiyan.*

23. To increase crop yields in rain fed areas, which account for nearly 55% of the country's arable land, organic farming is being promoted. Towards this end, the Government has launched two important schemes. First, the '*Parmparagat Krishi Vikas Yojana'* which will bring 5 lakh acres under organic farming over a three year period. Second, the Government has launched a value chain based organic farming scheme called "Organic Value Chain Development in North East Region". The emphasis is on value addition so that organic produce grown in these parts find domestic and export markets. A total provision of ₹412 crore has been made for these schemes.

24. Incentives are being given for enhancement of pulses production. ₹500 crores under National Food Security Mission has been assigned to pulses. The number of districts covered has been increased to 622.

25. A national level competition will be held among 674 *Krishi Vigyan Kendras* with a total prize money of ₹50 lakh to improve the efficiency and performance of these *Kendras*.

26. Access to markets is critical for the income of farmers. The Government is implementing the Unified Agriculture Marketing Scheme which envisages a common e-market platform that will be deployed in selected 585 regulated wholesale markets. Amendments to the APMC Acts of the States are a pre-requisite to join this e-platform. I am happy to inform that 12 States have already amended their APMC Acts and are ready to come on board. More States are expected to join this platform in the coming year. **The Unified Agricultural Marketing E Platform will be dedicated to the Nation on the birthday of Dr. Baba Saheb Ambedkar on 14th April this year.**

27. 97 lakh MT of storage capacity was added to the Central pool stock during the current year.

28. We are implementing the *Pradhan Mantri Gram Sadak Yojana* (PMGSY) as never before. This Scheme had suffered in the past because of underfunding. The allocations in 2012-13 and 2013-14 were only ₹8,885 crore and ₹9,805 crore respectively. We have substantially increased the allocation in the last two years and have now allocated ₹19,000 crore in 2016-17. Together with States' share, totally about ₹27,000 crore will be spent on this Yojana in 2016-17. Our goal is to advance the completion target of the programme from 2021 to 2019 and connect the remaining 65,000 eligible habitations by constructing 2.23 lakh kms of roads. Accordingly, the pace of construction which is currently 100 kms per day, as compared to the average of 73.5 kms during 2011-14, will be substantially stepped up.

29. To support farmers in the aftermath of natural calamities, Government has revised the norms of assistance under the National Disaster Response Fund in April 2015.

30. Special focus has been given to ensure adequate and timely flow of credit to the farmers. Against the target of ₹8.5 lakh crore in 2015-16, the target for agricultural credit in 2016-17 will be an all-time high of ₹9 lakh crore. To reduce the burden of loan repayment on farmers, a provision of ₹15,000 crore has been made in the BE 2016-17 towards interest subvention.

31. Government has approved the path breaking Crop Insurance Scheme, namely, Prime Minister *Fasal Bima Yojana*. For effective implementation of this Scheme, I have provided a sum of ₹5,500 crore in the Budget 2016-17.

32. We have to ensure that the benefit of MSP reaches farmers in all parts of the country. **Three specific initiatives will be taken up in 2016-17 for this. First, the remaining States will be encouraged to take up decentralized procurement. Second, an online Procurement System will be undertaken through the Food Corporation of India. This will usher in transparency and convenience to the farmers through prior registration and monitoring of actual procurement. Third, effective arrangements have been made for pulses procurement.**

33. Farmers also take up other allied activities to supplement their family income. To make dairying more remunerative to the farmers, four new projects will be taken up: first, **the '*Pashudhan Sanjivani*', an animal wellness programme and provision of Animal Health Cards ('*Nakul Swasthya Patra*'); second, an Advanced breeding technology; third, Creation of '*E-Pashudhan Haat*', an e market portal for connecting breeders and farmers; and fourth, a National Genomic Centre for indigenous breeds. These projects will be implemented at a cost of ₹850 crores over the next few years.**

34. There has been a visible rise in the yield of honey, from an average of 18 to 20 kg per box per annum in the year 2013-14 to 25 kg per box per annum by 2015-16. The total production of honey in the country has increased from 76,150 metric tonnes in 2014-15 to 86,500 metric tonnes. 90% of the domestic honey is now exported.

II. Rural Sector

35. After agriculture, I now turn to the other segments of the rural economy.

36. A sum of ₹2.87 lakh crore will be given as Grant in Aid to Gram Panchayats and Municipalities as per the recommendations of the 14th Finance Commission. This is a quantum jump of 228% compared to the previous five year period. The funds now allocated, translate to an average assistance of over ₹80 lakh per Gram Panchayat and over ₹21 crore per Urban Local Body. These enhanced allocations are capable of transforming villages and small towns. Ministry of Panchayati Raj will work with the States and evolve guidelines to actualise this.

37. There is an urgent need to focus on areas of drought and rural distress. Every block in these distress areas will be taken up as an intensive Block under the *Deen Dayal Antyodaya* Mission. Formation of Self Help Groups (SHGs) will be speeded up to promote multiple livelihoods. Cluster Facilitation Teams (CFT) will be set up under MGNREGS to ensure water conservation and natural resource management. These districts would also be taken up on priority under Pradhan Mantri Krishi Sinchaii Yojna.

38. A sum of ₹38,500 crore has been allocated for MGNREGS in 2016-17.

39. 300 Rurban Clusters will be developed under the Shyama Prasad Mukherjee Rurban Mission launched by the Honourable Prime Minister recently. These Clusters will incubate growth centres in rural areas by providing infrastructure amenities and market access for the farmers. They will also expand employment opportunities for the youth.

40. As on 1st April, 2015, a total of 18,542 villages were not electrified. The Honourable Prime Minister, in his address to the Nation on 15th August, 2015 announced that the remaining villages will be electrified within the next 1000 days.

41. As on 23rd February, 2016, 5542 villages have been electrified. This is more than the total combined achievement of previous three years. The Government is committed to achieve 100% village electrification by 1st May, 2018. ₹ 8,500 crore has been provided for Deendayal Upadhayaya Gram Jyoti Yojna and Integrated Power Development Schemes.

42. *Swachh Bharat* Mission is India's biggest drive to improve sanitation and cleanliness, especially in rural India. This subject was very close to the heart of the Father of the Nation. For the first time since independence, the Parliament held a comprehensive debate on sanitation. This has become a topic of discussion in almost every home. We have introduced ranking of urban areas in sanitation which has resulted in constructive competition among towns and cities. ₹ 9,000 crore has been provided for Swachh Bharat Abhiyan.

43. In order to continue this momentum, priority allocation from Centrally Sponsored Schemes will be made to reward villages that have become free from open defecation.

44. We need to derive greater benefit from our demographic advantage. We need to spread digital literacy in rural India. Of the 16.8 crore rural households as many as 12 crore households do not have computers and are unlikely to have digitally literate persons. We have already approved two Schemes to promote digital literacy: National Digital Literacy Mission; and Digital Saksharta Abhiyan (DISHA). **We now plan to launch a new Digital Literacy Mission Scheme for rural India to cover around 6 crore additional households within the next 3 years. Details of this scheme will be spelt out separately.**

45. Modernisation of land records is critical for dispute free titles. The National Land Record Modernisation Programme has been revamped under the Digital India Initiative and will be implemented as a Central sector scheme with effect from 1st April, 2016. The revamped Programme will build an integrated land information management system. ₹150 crore has been provided for this purpose.

46. *Panchayat Raj* Institutions need to develop governance capabilities to deliver on the Sustainable Development Goals. **It is, therefore, proposed to launch a new restructured scheme, namely, *Rashtriya Gram Swaraj Abhiyan,* for which ₹655 crore is being set apart in 2016-17.**

47. For rural development as a whole, I have allocated ₹ 87,765 crore in the Budget for 2016-17.

III. Social Sector including Health Care

48. When asked what he intends doing for regeneration of India, Swami Vivekananda had said "no amount of politics would be of any avail until the masses in India are well educated, well fed and well cared for". I now proceed to present the key elements of my proposals in the Social Sector.

49. In our country, cooking gas cylinders were considered an upper middle class luxury. Gradually it spread to the middle class. But the poor do not have access to cooking gas. Women of India have faced the curse of smoke during the process of cooking. According to experts having an open fire in the kitchen is like burning 400 cigarettes an hour. The time has come to remedy this situation.

50. We have decided to embark upon on a massive mission to provide LPG connection in the name of women members of poor households. I have set aside a sum of ₹2,000 crore in this year's Budget to meet the initial cost of providing these LPG connections. This will benefit about 1 crore 50 lakh households below the poverty line in 2016-17. The Scheme will be continued for at least two more years to cover a total of 5 crore BPL households. This will ensure universal coverage of cooking gas in the country. This measure will empower women and protect their health. It will reduce drudgery and the time spent on cooking. It will also provide employment for rural youth in the supply chain of cooking gas.

51. I want to take this opportunity to express our gratitude and appreciation for the 75 lakh middle class and lower middle class households who have voluntarily given up their cooking gas subsidy, in response to the call given by the Hon'ble Prime Minister. Their gesture is a matter of pride for the country.

52. Catastrophic health events are the single most important cause of unforeseen out-of-pocket expenditure which pushes lakhs of households below the poverty line every year. Serious illness of family members cause severe stress on the financial circumstances of poor and economically weak families, shaking the foundation of their economic security**. In order to help such families, the Government will launch a new health protection scheme which will provide health cover up to Rs.One lakh per family. For senior citizens of age 60 years and above belonging to this category, an additional top-up package up to ₹30,000 will be provided.**

53. Making quality medicines available at affordable prices has been a key challenge. We will reinvigorate the supply of generic drugs. 3,000 Stores under Prime Minister's *Jan Aushadhi* Yojana will be opened during 2016-17.

54. About 2.2 lakh new patients of End Stage Renal Disease get added in India every year resulting in additional demand for 3.4 crore dialysis sessions. With approximately 4,950 dialysis centres in India, largely in the private sector and concentrated in the major towns, the demand is only half met. Every dialysis session costs about ₹2,000 – an annual expenditure of more than ₹3 lakh. Besides, most families have to undertake frequent trips, often over long distances, to access dialysis services, incurring heavy travel costs and loss of wages.

55. To address this situation, I propose to start a 'National Dialysis Services Programme'. Funds will be made available through PPP mode under the National Health Mission, to provide dialysis services in all district hospitals. To reduce the cost, I propose to exempt certain parts of dialysis equipment from basic customs duty, excise/CVD and SAD.

56. Scheduled Caste and Scheduled Tribe entrepreneurs are beginning to show great promise in starting and running successful business enterprises. The Prime Minister had given a call for promoting entrepreneurship among

SC/ST to become job providers rather than job seekers. I am happy to inform you that the Union Cabinet has approved the "Stand Up India Scheme" to promote entrepreneurship among SC/ST and women. ₹ 500 crore has been provided for this purpose. The Scheme will facilitate at least two such projects per bank branch, one for each category of entrepreneur. This will benefit at least 2.5 lakh entrepreneurs.

57. We are celebrating the 125th Birth Anniversary of Dr. B.R. Ambedkar. This must become the Year of Economic Empowerment for SC/ST entrepreneurs. We have extensively interacted with the Dalit India Chamber of Commerce and Industry on building an entrepreneurship eco-system. It is proposed to constitute a National Scheduled Caste and Scheduled Tribe Hub in the MSME Ministry in partnership with industry associations. This Hub will provide professional support to Scheduled Caste and Scheduled Tribe entrepreneurs to fulfil the obligations under the Central Government procurement policy 2012, adopt global best practices and leverage the Stand Up India initiative.

58. The schemes for welfare and skill development for Minorities such as Multi-sectoral Development Programme and USTAAD shall be implemented effectively.

IV. Education, Skills and Job Creation

59. I would now like to highlight the steps proposed to be taken under education, skill development and job creation which is the fourth pillar of my Budget proposals.

Education

60. After universalisation of primary education throughout the country, we want to take the next big step forward by focusing on the quality of education. An increasing share of allocation under *Sarva Shiksha Abhiyan* will be allocated for this. **Further, 62 new *Navodaya Vidyalayas* will be opened in the remaining uncovered districts over the next two years.**

61. It is our commitment to empower Higher Educational Institutions to help them become world class teaching and research institutions. **An enabling regulatory architecture will be provided to ten public and ten private institutions to emerge as world-class Teaching and Research Institutions.** This will enhance affordable access to high quality education for ordinary Indians. A detailed scheme will be formulated.

62. We have decided to set up a Higher Education Financing Agency (HEFA) with an initial capital base of ₹1,000 crores. The HEFA will be a

not-for-profit organisation that will leverage funds from the market and supplement them with donations and CSR funds. These funds will be used to finance improvement in infrastructure in our top institutions and will be serviced through internal accruals.

63. To help Students, Higher Education Institutions and Employers to access degree certificates of candidates, **it is proposed to establish a Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets, on the pattern of a Securities Depository.** This will help validate their authenticity, safe storage and easy retrieval.

Skill Development

64. "Skill India" mission seeks to capitalise our demographic advantage. Since its launch, the National Skill Development Mission has created an elaborate skilling eco-system and imparted training to 76 lakh youth. We want to bring entrepreneurship to the doorsteps of youth through *Pradhan Mantri Kaushal Vikas Yojana* (PMKVY). We have decided to set up 1500 Multi Skill Training Institutes across the country. I am setting aside an amount of ₹1,700 crore for these initiatives.

65. We have decided to set up a National Board for Skill Development Certification in partnership with the industry and academia. We propose to further scale up Pradhan Mantri Kaushal Vikas Yojna to skill one crore youth over the next three years.

66. Entrepreneurship Education and Training will be provided in 2200 colleges, 300 schools, 500 Government ITIs and 50 Vocational Training Centres through Massive Open Online Courses. Aspiring entrepreneurs, particularly those from remote parts of the country, will be connected to mentors and credit markets.

Job Creation

67. In order to incentivize creation of new jobs in the formal sector, Government of India will pay the Employee Pension Scheme contribution of 8.33% for all new employees enrolling in EPFO for the first three years of their employment. This will incentivize the employers to recruit unemployed persons and also to bring into the books the informal employees. In order to channelize this intervention towards the target group of semi-skilled and unskilled workers, the scheme will be applicable to those with salary up to ₹15,000 per month. I have made a budget provision of ₹1,000 crore for this scheme.

68. Further, the Finance Bill, 2016 proposes to broaden and liberalize the scope of the employment generation incentive available under Section 80JJAA of the Income Tax Act. The deduction will be available not only to assessees deriving income from manufacture of goods in a factory but to all assessees who are subject to statutory audit under the Act. Thus, a deduction of 30% of the emoluments paid to such employees can be claimed for three years. The minimum number of days for which they should be employed during the year is proposed to be reduced from 300 to 240 days. No deduction will, however, be admissible in respect of employees whose monthly emoluments exceed ₹25,000. Also, no deduction will be admissible in respect of employees for whom the Government is paying the entire EPS contribution.

69. A National Career Service was launched in July, 2015. Already 35 million jobs seekers have registered on this platform. We propose to make 100 Model Career Centres operational by the end of 2016-17. We also propose to inter-link State Employment Exchanges with the National Career Service platform.

70. Retail Trade is the largest service sector employer in the country. Many more jobs can be created in this sector, provided the regulations are simplified. **If Shopping Malls are kept open all seven days of the week, why not the small and medium shops? These shops should be given the choice to remain open on all seven days of the week on voluntary basis.** The interest of the workers in terms of mandatory weekly holiday, number of working hours per day, etc., of course, have to be protected. We propose to circulate a Model Shops and Establishments Bill which can be adopted by the State Governments on voluntary basis.

V. Infrastructure and Investment

71. The fifth support pillar of the Budget theme ‘Transform India’ is infrastructure and investment.

72. In the road sector, there were more than 70 projects that were languishing at the beginning of the year, due to legacy factors. Aggregate length of these projects was about 8,300 kms involving more than ₹1 lakh crore investment. With exemplary and proactive interventions, nearly 85% of these projects have been put back on track.

73. India’s highest ever kilometres of new highways were awarded in 2015. At the same time, India’s highest ever production of motor vehicles was achieved in 2015. This is a sign of growth in the economy; but it presents a challenge also. Therefore, we have speeded up the process of road construction. I have proposed an allocation of ₹55,000 crore in the Budget for Roads and Highways. This will be further topped up by additional ₹15,000 crore to be raised by NHAI through bonds. Thus the total investment in the road sector, including PMGSY allocation, would be ₹97,000 crore during 2016-17.

74. Together with the capital expenditure of the Railways, the total outlay on roads and railways will be ₹2,18,000 crore in 2016-17.

75. We further expect to approve nearly 10,000 kms of National Highways in 2016-17. This will be much higher than in the two previous years. The pace of completion of road projects will also rise to nearly 10,000 kms in 2016-17. In addition, nearly 50,000 kms of State highways will also be taken up for up-gradation as National Highways.

76. The total outlay for infrastructure in BE 2016-17 stands at ₹2,21,246 crore.

77. Passenger traffic on our roads has to be made more efficient for the benefit of the common man and the middle class. This is a totally unreformed sector which suffers from several impediments. Abolition of permit-raj will be our medium term goal. **Government will enact necessary amendments in the Motor Vehicles Act and open up the road transport sector in the passenger segment. An enabling eco-system will be provided for the States which will have the choice of adopting the new legal framework**. Entrepreneurs will be able to operate buses on various routes, subject to certain efficiency and safety norms. The major benefits of this game changing initiative will be provision of more efficient public transport facilities, greater public convenience, new investment in this moribund sector, creation of new jobs for our youth, growth of start-up entrepreneurs and other multiplier effects. These measures will take us faster down the road to development.

78. In 2015, India’s major ports have handled the highest ever quality of cargo. We have also added the highest ever capacity in major ports. We have started a series of measures for modernizing the ports and increasing their efficiency. The Sagarmala project has already been rolled out. We are planning to develop new greenfield ports both in the eastern and western coasts of the country. The work on the National Waterways is also being expedited. ₹800 crore has been provided for these initiatives.

79. In the civil aviation sector, the Government is drawing up an action plan for revival of unserved and underserved airports. There are about 160 airports and air strips with State Governments which can be revived at an indicative cost of ₹50 crore to ₹100 crore each. We will partner with the State Governments to develop some of these airports for regional connectivity. Similarly, 10 of the 25 non-functional air strips with the Airport Authority of India will also be developed.

80. India is blessed with rich natural resources including oil and gas. However, their discovery and exploitation has been below our potential. Imports of hydrocarbons occupy a large share of India's total imports. There is a situation of rising demand, near stagnation in production and consequent rapid increase in imports. As part of our drive towards self-sufficiency, the Government is considering to incentivise gas production from deep-water, ultra deep-water and high pressure-high temperature areas, which are presently not exploited on account of higher cost and higher risks. **A proposal is under consideration for new discoveries and areas which are yet to commence production, first, to provide calibrated marketing freedom; and second, to do so at a pre-determined ceiling price to be discovered on the principle of landed price of alternative fuels.**

81. In the other segments of the infrastructure sector, our Government has achieved the highest coal production growth in over two decades, highest ever capacity addition in generation, highest ever increase in transmission lines and in distribution of LED bulbs.

82. In the power sector, we need to diversify the sources of power generation for long term stability. Government is drawing up a comprehensive plan, spanning next 15 to 20 years, to augment the investment in nuclear power generation. Budgetary allocation up to ₹3,000 crore per annum, together with public sector investments, will be leveraged to facilitate the required investment for this purpose.

83. To augment infrastructure spending further, Government will permit mobilisation of additional finances to the extent of ₹31,300 crore by NHAI, PFC, REC, IREDA, NABARD and Inland Water Authority through raising of Bonds during 2016-17.

84. Our private sector plays an important role in the development of infrastructure, many of which are implemented in the Public Private Partnership (PPP) mode. I would like to announce three new initiatives to reinvigorate this sector.

(i) **A Public Utility (Resolution of Disputes) Bill will be introduced during 2016-17 to streamline institutional**

arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts;

(ii) **Guidelines for renegotiation of PPP Concession Agreements will be issued, keeping in view the long term nature of such contracts and potential uncertainties of the real economy, without compromising transparency;**

(iii) **A new credit rating system for infrastructure projects which gives emphasis to various in-built credit enhancement structures will be developed, instead of relying upon a standard perception of risk which often result in mispriced loans.**

85. **I would like to announce further reforms in our FDI policy**. The changes proposed are in the areas of insurance and pension, Asset Reconstruction Companies, Stock Exchanges, etc. Details of the changes are given in Annex I of the Budget Speech.

86. The duty drawback scheme has been widened and deepened to include more products and countries. The Government will continue to take measures to support the export sector.

87. Our FDI policy has to address the requirements of farmers and food processing industry. A lot of fruits and vegetables grown by our farmers either do not fetch the right prices or fail to reach the markets. Food processing industry and trade should be more efficient. 100% FDI will be allowed through FIPB route in marketing of food products produced and manufactured in India. This will benefit farmers, give impetus to food processing industry and create vast employment opportunities.

88. **A new policy for management of Government investment in Public Sector Enterprises, including disinvestment and strategic sale, has been approved.** We have to leverage the assets of CPSEs for generation of resources for investment in new projects. We will encourage **CPSEs to divest individual assets like land, manufacturing units, etc. to release their asset value for making investment in new projects.** The NITI Aayog will identify the CPSEs for strategic sale.

89. We will adopt a comprehensive approach for efficient management of Government investment in CPSEs by addressing issues such as capital restructuring, dividend, bonus shares, etc. **The Department of Disinvestment is being re-named as the “Department of Investment and Public Asset Management (DIPAM)”.**

VI. Financial Sector Reforms

90. A vibrant financial sector is of critical importance to the growth of every economy. In my last two Budgets, I had announced several measures in this regard. I would now like to announce the following initiatives:

(i) A systemic vacuum exists with regard to bankruptcy situations in financial firms. A comprehensive **Code on Resolution of Financial Firms** will be introduced as a Bill in the Parliament during 2016-17. This Code will provide a specialised resolution mechanism to deal with bankruptcy situations in banks, insurance companies and financial sector entities. This Code, together with the Insolvency and Bankruptcy Code 2015, when enacted, will provide a comprehensive resolution mechanism for our economy.

(ii) The RBI Act 1934, is being amended to provide statutory basis for a **Monetary Policy Framework and a Monetary Policy Committee** through the Finance Bill 2016. A committee-based approach will add lot of value and transparency to monetary policy decisions.

(iii) A **Financial Data Management Centre** under the aegis of the Financial Stability Development Council (FSDC) will be set up to facilitate integrated data aggregation and analysis in the financial sector.

(iv) To improve greater **retail participation in Government securities**, RBI will facilitate their participation in the primary and secondary markets through stock exchanges and access to NDS-OM trading platform.

(v) New derivative products will be developed by SEBI in the Commodity Derivatives market.

(vi) To facilitate **deepening of corporate bond market**, a number of measures will be undertaken, details of which are given in Annex II of the Budget Speech. The enactment of Insolvency and Bankruptcy Code would provide a major boost to the development of the corporate bond market.

(vii) To tackle the problem of stressed assets in the banking sector, Asset Reconstruction Companies (ARCs) have a very important role. I therefore, propose to make necessary **amendments in the SARFAESI Act 2002** to enable the sponsor of an ARC to hold up to 100% stake in the ARC and permit non-institutional investors to invest in Securitization Receipts.

(viii) In the recent past, there have been rising instances of people in various parts of the country being defrauded by **illicit deposit taking schemes**. The worst victims of these schemes are the poor and the financially illiterate. The operation of such schemes are often spread over many States. I, therefore, propose to bring in **comprehensive Central legislation** in 2016-17 to deal with the menace of such schemes.

(ix) I also propose to **amend the SEBI Act 1992** in the coming year to provide for more members and benches of the Securities Appellate Tribunal.

91. As the Honourable Members are well aware, the strength of the financial sector is dependent upon a strong and well-functioning Banking system. We already have a comprehensive 'Plan For Revamping of Public Sector Banks', *INDRADHANUSH,* which is under implementation. We are now confronted with the problem of stressed assets in Public Sector Banks, which is a legacy from the past. Several steps have already been taken in this regard. We are not interfering in lending and personnel matters of the Banks. Structural issues have been addressed in various sectors like Power, Coal, Highways, Sugar and Steel. The Banks are putting in special efforts to effect recoveries, with a focus on reviving stalled projects.

92. To support the Banks in these efforts as well as to support credit growth, I have proposed an allocation of ₹25,000 crore in BE 2016-17 towards recapitalisation of Public Sector Banks. If additional capital is required by these Banks, we will find the resources for doing so. We stand solidly behind these Banks.

93. Our Public Sector Banks will have to be strong and competitive. The Bank Board Bureau will be operationalized during 2016-17 and a roadmap for consolidation of Public Sector Banks will be spelt out. The process of transformation of IDBI Bank has already started. Government will take it forward and also consider the option of reducing its stake to below 50%.

94. For speedier resolution of stressed assets, the Debt Recovery Tribunals will be strengthened with focus on improving the existing infrastructure, including computerised processing of court cases, to support reduction in the number of hearings and faster disposal of cases.

95. The *Pradhan Mantri Mudra Yojana* (PMMY) was launched for the benefit of bottom of the pyramid entrepreneurs. Banks and NBFC-MFIs have reported that the amount sanctioned under PMMY had reached about Rs.One lakh crore to over 2.5 crore borrowers by early February this year. I propose to increase the target next year to ₹1,80,000 crore.

96. To provide better access to financial services, especially in rural areas, we will undertake a massive nationwide rollout of ATMs and Micro ATMs in Post Offices over the next three years.

97. Public shareholding in Government-owned companies is a means of ensuring higher levels of transparency and accountability. To promote this objective, the general insurance companies owned by the Government will be listed in the stock exchanges.

VII. Governance and Ease of Doing Business

98. Our Government is giving unparalleled emphasis to good governance with special focus on process reforms, IT-enabled Government processes, etc. The whole idea is to remove the irritants for the public in their interface with Government agencies.

99. A Task Force has been constituted for rationalisation of human resources in various Ministries. A comprehensive review and rationalisation of autonomous bodies is also underway.

100. A critical component of minimum Government and maximum governance is to ensure targeted disbursement of Government subsidies and financial assistance to the actual beneficiaries. Public money should reach the poor and the deserving without any leakage. Three specific initiatives are proposed to achieve this objective.

- First, we will introduce a bill for Targeted Delivery of Financial and Other Subsidies, Benefits and Services by using the *Aadhar* framework. The bill will be introduced in the current Budget Session of the Parliament. The *Aadhar* number or authentication shall not, however, confer any right of citizenship or domicile. A social security platform will be developed using Aadhar to accurately target beneficiaries. This will be a transformative piece of legislation which will benefit the poor and the vulnerable.
- Second, we have already introduced Direct Benefit Transfer in LPG. Based on this successful experience, we propose to introduce DBT on pilot basis for fertilizer in a few districts across the country, with a view to improving the quality of service delivery to farmers.
- Third, of the 5.35 lakh Fair Price Shops in the country, automation facilities will be provided in 3 lakh Fair Price Shops by March 2017.

101. We have to bring more transparency and efficiency in Government procurement of goods and services. The Director General of Supplies and Disposal (DGS&D) will establish a technology driven platform to facilitate procurement of goods and services by various Ministries and agencies of the Government.

102. To remove the difficulties and impediments to ease of doing business, we will introduce a bill to amend the Companies Act, 2013 in the current Budget Session of the Parliament. The Bill would also improve the enabling environment for start-ups. The registration of companies will also be done in one day.

103. Monitoring of prices of essential commodities is a key element of good governance. A number of measures have been taken to deal with the problem of abrupt increase in prices of pulses. Government has approved creation of buffer stock of pulses through procurement at Minimum Support Price and at market price through Price Stabilisation Fund. This Fund has been provided with a corpus of ₹900 crore to support market interventions.

104. Madam Speaker, for good governance, we have to capitalise on the country's unity in diversity. To strengthen understanding of each other, it is proposed to create a closer engagement between different States and Districts in a structured manner. ***"Ek Bharat Shreshtha Bharat"*** **programme will be launched to link States and Districts in an annual programme that connects people through exchanges in areas of language, trade, culture, travel and tourism.** We will do this through mutual agreement with participating States and Districts.

105. In 2017, the country will celebrate 70th Anniversary of our Independence. We will chalk out milestones for nation's journey beyond the 70th Anniversary of Independence. Dr. Toynbee, the historian, had observed that "a chapter which had a Western beginning will have to have an Indian ending…..". My belief is that the year 2017 will unfold the great historian's dream. Our scheme of "*Ek Bharat Shreshtha Bharat"* is part of this vision.

VIII. Fiscal Discipline

106. Let me now elaborate on the fiscal situation in the context of the Budget for the year 2016-17.

107. While preparing this Budget, I have received conflicting suggestions about the FRBM roadmap. Different schools of thought have argued either in favour of fiscal consolidation and stability or for a less aggressive consolidation and for boosting growth. I have weighed the policy options and decided that prudence lies in adhering to the fiscal targets. Consequently, the fiscal deficit in RE 2015-16 and BE 2016-17 have been retained at 3.9% and 3.5% of GDP respectively. While doing so, I have ensured that the development agenda has not been compromised.

108. The total expenditure in the Budget for 2016-17 has been projected at ₹19.78 lakh crore, consisting of ₹5.50 lakh crore under Plan and ₹14.28 lakh crore under Non-Plan. The increase in Plan expenditure is in the order of 15.3% over current year BE. Plan Allocations have given special emphasis to sectors like agriculture, irrigation, social sector including health, women and child development, welfare of Scheduled Castes and Scheduled Tribes, minorities, infrastructure, etc. Continuing with the policy of higher empowering States, the total resources being transferred to States are ₹99,681 crore more over RE 2015-16 and ₹2,46,024 crore more over Actuals of 2014-15. Details of allocations in certain vital sectors and schemes and transfers to States are given in **Annex III** to the Speech.

109. This is the last year of the 12^{th} Plan. Successive committees have questioned the merit in having Plan and Non-Plan classification of Government expenditure. A broad understanding over the years has been that Plan expenditures are good and Non-Plan expenditures are bad. This results in skewed allocations in the Budget. We need to correct this and give greater focus to Revenue and Capital classification of Government expenditure. We have, therefore, decided that the Plan-Non-Plan classification will be done away with from fiscal 2017-18. The Finance Ministry will closely work with the State Finance Departments to align Central and State Budgets in this matter.

110. To improve the quality of Government expenditure, every new scheme being sanctioned by Government will have a sunset date and outcome review. A redeeming feature of this year's Budget is that we have improved upon the Revenue Deficit target from 2.8% to 2.5% of GDP in RE 2015-16.

111. The FRBM Act has been under implementation for more than a decade. Both Central and State Governments have made significant gains from the implementation of this Act. There is now a school of thought which believes that instead of fixed numbers as fiscal deficit targets, it may be better to have a fiscal deficit range as the target, which would give necessary policy space to the Government to deal with dynamic situations. There is also a suggestion that fiscal expansion or contraction should be aligned with credit contraction or expansion respectively, in the economy.

While remaining committed to fiscal prudence and consolidation, a time has come to review the working of the FRBM Act, especially in the context of the uncertainty and volatility which have become the new norms of global economy. I, therefore, propose to constitute a Committee to review the implementation of the FRBM Act and give its recommendations on the way forward.

112. As the Honourable Members are aware, the Seventh Central Pay Commission has submitted its Report. Following the past practice, a Committee has been constituted to examine the Report and give its recommendations. In the meantime, I have made necessary interim provisions in the Budget.

113. We have rationalised and restructured more than 1500 Central Plan Schemes into about 300 Central Sector and 30 Centrally Sponsored Schemes. This will avoid overlapping of expenditure. I reiterate that I remain committed to the financial requirements arising from economic packages that have been announced by our Government and also commitments emanating from reorganisation of States.

114. I have also allocated initial sums of ₹100 crore each for celebrating the Birth Centenary of Pandit Deen Dayal Upadhyay and the 350th Birth Anniversary of Guru Gobind Singh.

IX. Tax Reforms

115. I now turn to Tax Reforms which is elaborated in Part B of my Budget Speech.

PART B

Madam Speaker,

116. I shall now present my tax proposals

117. The Government acknowledges the role of taxpayers in nation building. Each rupee of tax contributes towards the Government's efforts to provide better infrastructure, rural revival and social well-being. Taxation is a major tool available to Government for removing poverty and inequality from the society. The posterity will not forgive us if we do not use this opportunity in this perspective.

The thrust of my tax proposals this year falls in nine categories:-

(1) Relief to small tax payers.

(2) Measures to boost growth and employment generation.

(3) Incentivizing domestic value addition to help Make in India.

(4) Measures for moving towards a pensioned society.

(5) Measures for promoting affordable housing.

(6) Additional resource mobilization for agriculture, rural economy and clean environment.

(7) Reducing litigation and providing certainty in taxation.

(8) Simplification and rationalization of taxation.

(9) Use of Technology for creating accountability.

Relief to small tax payers

118. In order to lessen tax burden on individuals with income not exceeding ₹5 lakhs, I propose to raise the ceiling of tax rebate under section 87A from ₹2,000 to ₹5,000. There are 2 crore tax payers in this category who will get a relief of ₹3,000 in their tax liability.

119. The people who do not have any house of their own and also do not get any house rent allowance from any employer today get a deduction of ₹24,000 per annum from their income to compensate them for the rent they pay. I propose to increase the limit of deduction in respect of rent paid under section 80GG from ₹24,000 per annum to ₹60,000 per annum, which should provide relief to those who live in rented houses.

120. Presumptive taxation scheme under section 44AD of the Income Tax Act is available for small and medium enterprises i.e non corporate businesses with turnover or gross receipts not exceeding one crore rupees.

At present about 33 lakh small business people avail of this benefit, which frees them from the burden of maintaining detailed books of account and getting audit done. I propose to increase the turnover limit under this scheme to Rupees two crores which will bring big relief to a large number of assesses in the MSME category.

121. I also propose to extend the presumptive taxation scheme to professionals with gross receipts up to ₹50 lakh with the presumption of profit being 50% of the gross receipts.

Measures to boost growth and employment generation

122. I had, in my last budget speech mooted the proposal to reduce the rate of Corporate Tax from 30% to 25% over a period, accompanied by rationalization and removal of various tax exemptions and incentives. In any case the effective rate of tax paid by companies comes to an average of 24.67 % because of various exemptions which they are availing of. A phasing out plan of removing these exemptions and tax incentives was placed in public domain and we have received a large number of constructive suggestions. The final plan of phasing out exemptions is given in Annexure. The highlights are as follows:-

(a) The accelerated depreciation provided under IT Act will be limited to maximum 40% from 1.4.2017.

(b) The benefit of deductions for Research would be limited to 150% from 1.4.2017 and 100% from 1.4.2020.

(c) The benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020.

(d) The weighted deduction under section 35CCD for skill development will continue up to 1.4.2020.

123. The reduction in corporate tax rate has to be calibrated with additional revenue expected from the incentives being phased out. The benefits from phasing out of exemptions are available to Government only gradually. In the first phase, therefore, I propose the following two changes in corporate income-tax rates:-

(a) The new manufacturing companies which are incorporated on or after 1.3.2016 are proposed to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.

(b) I also propose to lower the corporate income tax rate for the next financial year of relatively small enterprises i.e companies with turnover not exceeding ₹5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess.

124. Startups generate employment, bring innovation and are expected to be key partners in Make in India programme. I propose to assist their propagation through 100% deduction of profits for 3 out of 5 years for startups set up during April 2016 to March 2019. MAT will apply in such cases. Capital gains will not be taxed if invested in regulated/notified Fund of Funds and by individuals in notified startups, in which they hold majority shares.

125. Research is the driver of innovation and innovation provides a thrust to economic growth. I propose a special patent regime with 10% rate of tax on income from worldwide exploitation of patents developed and registered in India.

126. In order to get more investment in Asset Reconstruction Companies (ARCs) which play a very important role in resolution of bad debts, I propose to provide complete pass through of income-tax to securitization trusts including trusts of ARCs. The income will be taxed in the hands of the investors instead of the trust. However, the trust will be liable to deduct tax at source.

127. The period for getting benefit of long term capital gain regime in case of unlisted companies is proposed to be reduced from three to two years.

128. Non-banking financial companies shall be eligible for deduction to the extent of 5% of its income in respect of provision for bad and doubtful debts.

129. The determination of residency of foreign company on the basis of Place of Effective Management (POEM) is proposed to be deferred by one year.

130. I would like to reiterate our commitment to implement General Anti Avoidance Rules (GAAR) from 1.4.2017.

131. In order to meet with our commitment to BEPS initiative of OECD and G-20, the Finance Bill, 2016 includes provision for requirement of country by country reporting for companies with a consolidated revenue of more than Euro 750 million.

132. I propose to exempt service tax on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by Assessing Bodies empanelled by Ministry of Skill Development & Entrepreneurship.

133. I propose to exempt service tax on general insurance services provided under 'Niramaya' Health Insurance Scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability.

134. To promote use of refrigerated containers, I propose to reduce the basic custom and excise duty on them to 5% and 6% respectively.

135. A number of assistive devices, rehabilitation aids and other goods for differently abled (Divyang) persons attract Nil basic customs duty. I propose to extend this exemption to Braille paper.

Incentivising domestic value addition to help Make in India.

136. Customs and excise duty structure plays an important role in incentivizing domestic value addition towards Make in India campaign of our Government. In line with that, I propose to make suitable changes in customs and excise duty rates on certain inputs, raw materials, intermediaries and components and certain other goods and simplify procedures, so as to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair etc. Details of such changes are given in the Annexure to Budget Speech.

Measures for moving towards a pensioned society

137. Pension schemes offer financial protection to senior citizens. I believe that the tax treatment should be uniform for defined benefit and defined contribution pension plans. I propose to make withdrawal up to 40% of the corpus at the time of retirement tax exempt in the case of National Pension Scheme.

138. In case of superannuation funds and recognized provident funds, including EPF, the same norm of 40% of corpus to be tax free will apply in respect of corpus created out of contributions made after 1.4.2016.

139. Further, the annuity fund which goes to the legal heir after the death of pensioner will not be taxable in all three cases. Also, we are proposing a monetary limit for contribution of employer in recognized Provident and Superannuation Fund of ₹1.5 lakh per annum for taking tax benefit.

140. I propose to exempt from service tax the Annuity services provided by the National Pension System (NPS) and Services provided by EPFO to employees.

141. I also propose to reduce service tax on Single premium Annuity (Insurance) Policies from 3.5% to 1.4% of the premium paid in certain cases.

Measures for promoting affordable housing

142. Pradhan Mantri Awas Yojna embodies the assurance of the Government to address the housing needs of all and more specifically the poor, in a time bound manner. Construction of houses creates considerable employment opportunities as well. In order to fuel activity in the housing sector, I propose to give 100% deduction for profits to an undertaking from a housing project for flats upto 30 sq. metres in four metro cities and 60 sq. metres in other cities, approved during June 2016 to March 2019, and is completed within three years of the approval. Minimum Alternate Tax will, however, apply to these undertakings.

143. For the 'first – home buyers', I propose to give deduction for additional interest of ₹50,000 per annum for loans up to ₹35 lakh sanctioned during the next financial year, provided the value of the house does not exceed ₹50 lakh.

144. Another proposal to stimulate housing activity is to facilitate investments in Real Estate Investment Trusts. I propose that any distribution made out of income of SPV to the REITs and INVITs having specified shareholding will not be subjected to Dividend Distribution Tax.

145. It is proposed to exempt service tax on construction of affordable houses up to 60 square metres under any scheme of the Central or State Government including PPP Schemes.

146. I also propose to extend excise duty exemption, presently available to Concrete Mix manufactured at site for use in construction work at such site to Ready Mix Concrete.

Additional resource mobilization for agriculture, rural economy and clean environment

147. Dividend Distribution Tax (DDT) uniformly applies to all investors irrespective of their income slabs. This is perceived to distort the fairness and progressive nature of taxes. Persons with relatively higher income can bear a higher tax cost. I, therefore, propose that in addition to DDT paid by the companies, tax at the rate of 10% of gross amount of dividend will be payable by the recipients, that is, individuals, HUFs and firms receiving dividend in excess of ₹10 lakh per annum.

148. I also propose to raise the surcharge from 12% to 15% on persons, other than companies, firms and cooperative societies having income above ₹1 crore.

149. I also propose to collect tax at source at the rate of 1% on purchase of luxury cars exceeding value of Rs.ten lakh and purchase of goods and services in cash exceeding Rs.two lakh. For compliant tax payers with resources, this levy not only advances collection of tax when the expenditure is incurred, but it provides data to the tax authorities to identify the persons who incur such expenditure, but may be missing from the tax base. Farmers and notified class of persons will have an option of giving a form by which TCS will not be charged.

150. Rate of Securities Transaction tax in case of 'Options' is proposed to be increased from .017% to .05%.

151. In order to tap tax on income accruing to foreign e-commerce companies from India, it is proposed that a person making payment to a non-resident, who does not have a permanent establishment, exceeding in aggregate ₹1 lakh in a year, as consideration for online advertisement, will withhold tax at 6% of gross amount paid, as Equalization levy. The levy will only apply to B2B transactions.

152. I propose to impose a Cess, called the Krishi Kalyan Cess, @ 0.5% on all taxable services, proceeds of which would be exclusively used for financing initiatives relating to improvement of agriculture and welfare of farmers. The Cess will come into force with effect from 1st June 2016. Input Tax credit of this cess will be available for payment of this cess.

153. The pollution and traffic situation in Indian cities is a matter of concern. I propose to levy an infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs.

154. I also propose to impose an excise duty of '1% without input tax credit or 12.5% with input tax credit' on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of ₹ 6 crores and ₹ 12 crores respectively. Necessary steps will also be taken to enable the new taxpayers to comply with this levy without any difficulty.

155. I propose to change the excise duty on branded readymade garments and made up articles of textiles with a retail sale price of ₹1,000 and above from 'Nil without input tax credit or 6%/12.5% with input tax credit' to '2% without input tax credit or 12.5% with input tax credit'.

156. I propose to rename the 'Clean Energy Cess' levied on coal, lignite and peat as 'Clean Environment Cess' and simultaneously increase its rate from ₹200 per tonne to ₹400 per tonne.

157. To discourage consumption of tobacco and tobacco products, I propose to increase the excise duties on various tobacco products other than beedi by about 10 to 15%.

158. I propose to amend the Finance Act, 1994 so as to declare assignment by the Government of the right to use the radio-frequency spectrum and its subsequent transfers a service, to make it clear that assignment of right to use the spectrum is a service leviable to service tax and not sale of intangible goods.

Reducing litigation and providing certainty in taxation

159. We are moving towards a lower tax regime with non-litigious approach. Thus, while compliant taxpayers can expect a supportive interface with the department, tax evasion will be countered strongly. Capability of the tax department to detect tax evasion has improved because of enhanced access to information and availability of technology driven analytical tools to process such information. I want to give an opportunity to the earlier non-compliant to move to the category of compliant.

160. I propose a limited period Compliance Window for domestic taxpayers to declare undisclosed income or income represented in the form of any asset and clear up their past tax transgressions by paying tax at 30%, and surcharge at 7.5% and penalty at 7.5%, which is a total of 45% of the undisclosed income. There will be no scrutiny or enquiry regarding income declared in these declarations under the Income Tax Act or the Wealth Tax Act and the declarants will have immunity from prosecution. Immunity from Benami Transaction (Prohibition) Act, 1988 is also proposed subject to certain conditions. The surcharge levied at 7.5% of undisclosed income will be called Krishi Kalyan surcharge to be used for agriculture and rural economy. We plan to open the window under this Income Disclosure Scheme from 1st June to 30th September, 2016 with an option to pay amount due within two months of declaration.

161. Our Government is fully committed to remove black money from the economy. Having given one opportunity for evaded income to be declared once, we would then like to focus all our resources for bringing people with black money to books.

162. Litigation is a scourge for a tax friendly regime and creates an environment of distrust in addition to increasing the compliance cost of the tax payers and administrative cost for the Government. There are about 3 lakh tax cases pending with the 1st Appellate Authority with disputed amount being 5.5 lakh crores. In order to reduce this number, I propose a new Dispute Resolution Scheme (DRS).

163. A taxpayer who has an appeal pending as of today before the Commissioner (Appeals) can settle his case by paying the disputed tax and interest up to the date of assessment. No penalty in respect of Income-tax cases with disputed tax up to ₹ 10 lakh will be levied. Cases with disputed tax exceeding ₹ 10 lakh will be subjected to only 25% of the minimum of the imposable penalty for both direct and indirect taxes. Any pending appeal against a penalty order can also be settled by paying 25% of the minimum of the imposable penalty. Certain categories of persons including those who are charged with criminal offences under specific Acts are proposed to be barred from availing this scheme.

164. I had in my Budget speech of July, 2014 assured that this Government would not retrospectively create a fresh tax liability. I had also hoped then that the cases pending in various courts and other legal fora relating to certain retrospective amendments undertaken to the Income-tax Act, 1961, through the Finance Act, 2012 will soon reach their logical conclusion. I would like to reiterate that we are committed to provide a stable and predictable taxation regime. We will not resort to such amendments in future. I had also announced constitution of a High Level Committee which would oversee any fresh case where the assessing officer proposes to assess or reassess the income in respect of indirect transfers by applying the retrospective amendment. In order to allay any fears of tax adventurism, this Committee will now be chaired by the Revenue Secretary and consist of Chairman, CBDT and an expert from outside. This Committee will effectively oversee the implementation of the assurances.

165. In order to give an opportunity to the past cases which are ongoing under the retrospective amendment, I propose a one-time scheme of Dispute Resolution for them, in which, subject to their agreeing to withdraw any pending case lying in any Court or Tribunal or any proceeding for arbitration, mediation etc. under BIPA, they can settle the case by paying only the tax arrears in which case liability of the interest and penalty shall be waived.

166. Levy of heavy penalty for concealment of income has over the years resulted in large number of disputes despite a number of decisions of the Apex court on interpretation of statutory provisions and principles guiding imposition of penalty. At present the Income-tax Officer has discretion to levy penalty at the rate of 100% to 300% of tax sought to be evaded. I propose to modify the entire scheme of penalty by providing different categories of misdemeanor with graded penalty and thereby substantially reducing the discretionary power of the tax officers. The penalty rates will now be 50% of tax in case of underreporting of income and 200% of tax where there is misreporting of facts. Remission of penalty is also proposed in certain circumstances where taxes are paid and appeal is not filed.

167. Another issue which has led to considerable number of disputes is quantification of disallowance of expenditure relatable to exempt income in terms of Section 14A of the Income Tax Act. I propose to rationalize the formula in Rule 8D governing such quantification. The said Rule is being amended to provide that disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed.

168. As another tax payer friendly measure, I propose to provide a time limit of one year for disposing petitions of the tax payers seeking waiver of interest and penalty.

169. The Income-tax Department is also issuing instruction making it mandatory for the assessing officer to grant stay of demand once the assesse pays 15% of the disputed demand, while the appeal is pending before Commissioner of Income-tax (Appeals). In case of deviation, assessing officer has to get orders of his superiors. The tax payer also has an option to go to superior officer in case he does not agree with conditions of stay order passed by the subordinate officer.

170. In order to remove backlog of cases we are creating 11 new benches of Customs, Excise and Service Tax Appellate Tribunal (CESTAT).

171. The monetary limit for deciding an appeal by a single member Bench of ITAT is proposed to be enhanced from ₹15 lakhs to ₹50 lakhs.

172. I also propose to amend the CENVAT Credit Rules, 2004, so as to improve credit flow, reduce the compliance burden and associated litigation, particularly those relating to apportionment of credit between exempted and non exempted final products/services. The amendments in these rules will also enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units.

Simplification and rationalization of taxation

173. The Government has already accepted many recommendations of Tax Administration Reform Committee and I propose to accept a number of recommendations of Justice Easwar Committee in this Budget.

174. To reduce multiplicity of taxes, associated cascading and to reduce cost of collection, I propose to abolish 13 cesses, levied by various Ministries in which revenue collection is less than ₹50 crore in a year.

175. To improve the cash flow position of small tax payers who get their funds blocked due to current TDS provision, I propose to rationalize TDS provisions for Income Tax as per Annexure.

176. Non-residents without PAN are currently subjected to a higher rate of TDS. It is proposed to amend the relevant provision to provide that on furnishing of alternative documents, the higher rate will not apply.

177. The facility for revision of return, hitherto available to a service tax assessee only, is being extended to Central Excise assessees also.

178. I propose to provide additional options to banking companies and financial institutions, including non-banking financial companies, for reversal of input tax credits with respect to non-taxable services provided by them by way of extending deposits, loans and advances.

179. Our Government has taken a number of steps to reduce the cargo release time and the transaction costs of EXIM trade. I propose to amend the Customs Act to provide for deferred payment of customs duties for importers and exporters with proven track record.

180. In 2014-15 Budget, I had announced the intent to implement Indian Customs Single Window Project. We have made significant progress in this and it would be implemented at major ports and airports starting from beginning of next financial year.

181. The customs Baggage Rules for international passengers are being simplified so as to increase the free baggage allowance. The filing of baggage declaration will be required only for those passengers who carry dutiable goods.

Use of Technology for creating accountability

182. Technology is a boon for mankind. We plan to use technology in taxation Department in a big way to make life simpler for a law abiding citizen, and also for data mining to track tax evaders.

183. A pilot was run in 2015-16 for e-assessment to obviate the requirement for tax payers to visit the Income-tax offices. I propose to expand the scope of e-assessments to all assessees in 7 mega cities in the coming years. The cases selected for scrutiny will be scrutinized in e-environment whereby unless the assessee himself wants to be heard, or for special reasons to be recorded, the assessing officer wants to hear the party, there will be no face to face contact of IT Department with assessee.

184. Income-tax Department (ITD) will fully expand the pilot initiative of ‘e-Sahyog’ with a view to reduce compliance cost, especially for small taxpayers. The objective of the 'e-Sahyog' pilot project is to provide an online mechanism to resolve mismatches in Income-tax returns without requiring taxpayers to attend the Income-tax office.

185. I propose that in matters pertaining to Income-tax Act, Government will pay interest at the rate of 9% p.a against normal rate of 6% p.a in case there is delay in giving effect to Appellate order beyond ninety days. The officers who delay it, will be accountable for this loss to Government.

186. I also propose to change the procedure to provide for a shift from physical control to record based control for customs bonded warehouses, supported by sophisticated IT systems.

187. Madam Speaker, my direct tax proposals would result in revenue loss of ₹ 1,060 crore and my indirect proposals are expected to yield ₹20,670 crores. Thus the net impact of all tax proposals would be revenue gain of ₹19,610 crores.

CONCLUSION

Madam Speaker,

188. This Budget is being presented amidst global and domestic headwinds. There are several challenges. We see them as opportunities. I have outlined the agenda of our Government to 'Transform India' for the benefit of the farmers, the poor and the vulnerable.

189. Madam Speaker, it is said that "Champions are made from something they have deep inside of them - a desire, a dream, a vision". We have a desire to provide socio-economic security to every Indian, especially the farmers, the poor and the vulnerable; we have a dream to see a more prosperous India; and a vision to 'Transform India'.

190. With these words, Madam Speaker, I commend the Budget to the House.

Annex No. I to Part A

PROPOSED CHANGES/REFORMS IN FDI AND RELATED POLICIES

(i) Foreign investment will be allowed in the insurance and pension sectors in the automatic route up to 49% subject to the extant guidelines on Indian management and control to be verified by the Regulators.

(ii) 100% FDI in Asset Reconstruction Companies (ARCs) will be permitted through automatic route. Foreign Portfolio Investors (FPIs) will be allowed up to 100% of each tranche in securities receipts issued by ARCs subject to sectoral caps.

(iii) Investment limit for foreign entities in Indian stock exchanges will be enhanced from 5 to 15% on par with domestic institutions. This will enhance global competitiveness of Indian stock exchanges and accelerate adoption of best-in-class technology and global market practices.

(iv) The existing 24% limit for investment by FPIs in Central Public Sector Enterprises, other than Banks, listed in stock exchanges, will be increased to 49% to obviate the need for prior approval of Government for increasing the FPI investment.

(v) The basket of eligible FDI instruments will be expanded to include hybrid instruments subject to certain conditions.

(vi) FDI will be allowed beyond the 18 specified NBFC activities in the automatic route in other activities which are regulated by financial sector regulators.

(vii) With a view to promote Make in India and following the practices in advanced countries, foreign investors will be accorded Residency Status subject to certain conditions. Currently, these investors are granted business visa only up to 5 years at a time.

(viii) In order to ensure effective implementation of Bilateral Investment Treaties signed by India with other countries, I propose to introduce a Centre State Investment Agreement. This will ensure fulfilment of the obligations of the State Governments under these Treaties. States which opt to sign these Agreements will be seen as more attractive destinations by foreign investors.

All these decisions will facilitate ease of doing business for foreign investors and their domestic recipients.

Annex No. II to Part A

MEASURES FOR DEEPENING OF CORPORATE BOND MARKET

(a) LIC of India will set up a dedicated fund to provide credit enhancement to infrastructure projects. The fund will help in raising the credit rating of bonds floated by infrastructure companies and facilitate investment from long term investors.

(b) RBI will issue guidelines to encourage large borrowers to access a certain portion of their financing needs through market mechanism instead of the banks. (c) Investment basket of foreign portfolio investors will be expanded to include unlisted debt securities and pass through securities issued by securitisation SPVs.

(d) For developing an enabling eco system for the private placement market in corporate bonds, an electronic auction platform will be introduced by SEBI for primary debt offer.

(e) A complete information repository for corporate bonds, covering both primary and secondary market segments will be developed jointly by RBI and SEBI.

(f) A framework for an electronic platform for repo market in corporate bonds will be developed by RBI.

Annex No. III-A to Part A

ALLOCATIONS OF IMPORTANT MINISTRIES, SECTORS and VULNERABLE SECTIONS

Rs in crore

MINISTRY/DEPARTMENT	Actual 14-15	RE 15-16	BE 16-17
Ministry Of Agriculture And Farmers Welfare	25917	22958	44485
Ministry Of Drinking Water And Sanitation	12091	10907	14010
Ministry Of Health And Family Welfare	32154	34957	39533
Ministry Of Housing And Urban Poverty Alleviation	2728	1961	5411
Ministry Of Human Resource Development	68875	67586	72394
Ministry Of Micro Small And Medium Enterprises	2767	3021	3465
Ministry Of Minority Affairs	3089	3736	3827
Ministry Of New And Renewable Energy	515	262	5036
Ministry Of Road Transport And Highways	33048	47107	57976
Ministry Of Rural Development	69817	79279	87765
Ministry Of Skill Development And Entrepreneurship	0	1038	1804
Ministry Of Social Justice And Empowerment	5784	6580	7350
Ministry Of Urban Development	13254	18340	24523
Ministry Of Water Resources, River Development And Ganga Rejuvenation	5480	7032	6201
Ministry Of Women And Child Development	18539	17352	17408

SECTOR TOTALS	Actual 2014-15	RE 2015-16	BE 2016-17	IEBR	Total for 2016-17
Agriculture and Irrigation	31497	25988	47912	6300	54212.33
Social Sectors including Education and Health	136431	139619	151581	…	…
Rural Development and Drinking Water	81908	90185	101775	…	…
Infrastructure & Energy	185139	180610	221246	25000	246246.39

ALLOCATION FOR WELFARE OF VULNERABLE SECTIONS ACROSS ALL MINISTRIES			
	Actual 14-15	RE 2015-16	BE 2016-17
Schemes for welfare of Women	…	81249	90625
Allocation for welfare of Children	…	64635	65758
SC sub Plan	19921	20963	24005
ST SubPlan	30035	34675	38833

Annex No. III-B to Part A

ALLOCATIONS OF IMPORTANT SCHEMES

Rs. In crore

		BE 2016-17
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	38500
2	National Social Assistance Programme	9500
3	Schemes under Tribal Sub-Plan- across all Ministries	24005
4	Schemes under Scheduled Castes Sub-Plan- across all Ministries	38833
5	Allocation for North Eastern Region-across all Ministries	33097
6	Umbrella Scheme for Development of Minorities.	1245
a	*Multi-Sectoral Development Programme for Minorities*	*1125*
b	*Education Scheme for Madrasas and Minorities*	*120*
7	Green Revolution	12980
a	*Krishonnati Yojna*	*7580*
b	*Rashtriya Krishi Vikas Yojna*	*5400*
8	White Revolution	1273
9	Blue Revolution	575
10	Pradhan Mantri Krishi Sinchai Yojna (PMKSY)	5717
a	*Har Khet ko Pani*	*500*
b	*Accelerated Irrigation Benefit Programme and other schemes under PMKSY in Water Resources Ministry*	*1377*
c	*Per Drop More Crop*	*2340*
d	*Integrated Watershed Management Programme*	*1500*
11	Pradhan Mantri Gram Sadak Yojna	19000
12	National Rural Drinking Water Programme	5000
13	Swachh Bharat Abhiyan (SBA)	11300
14	National Health Mission (NHM)	20037
15	Rashtriya Swastha Suraksha Yojna (RSSY)	1500
16	National Education Mission (NEM)	28010
of which	*NEM : Sarva Shiksha Abhiyan*	*22500*

17	National Programme of Mid-day Meals in Schools	9700
18	Integrated Child Development Scheme (Umbrella ICDS)	16120
19	Pradhan Mantri Awas Yojna (PMAY)	20075
20	Urban Rejuvenation Mission (AMRUT and Mission for Development of 100 Smart Cities)	7296
21	Make in India: Scheme for Investment Promotion and Amended Technology Upgradation Fund Scheme	1804
22	National Industrial Corridors	1448
23	Digital India Programme and E-learning, E-panchayat, Land Records Modernisation	2059
24	Central Pool of Resources for North Eastern Region and Sikkim	900
25	Schemes of North Eastern Council	795
26	National Investment and Infastructure Fund	4000
27	Equity Capital to Mudra and Credit Guarantee Fund under Pradhan Mantri Mudra Yojana	2400
28	Start up and stand up	1100
29	Schemes for employment generation	1155
30	Scheme for LPG connection to poor households	2000
31	Deendayal Upadhyaya Gram Jyoti Yojana and Integrated Power Development Scheme(IPDS)	8500
32	Sagarmala	450
33	Pradhan Mantri Kaushal Vikas Yojana	1771
34	Metro Projects	10000
35	Namame Gange- National Ganga Plan	2250
36	Rashtriya Yuva Sashakthikaran Karyakram	397
37	Khelo India	216
38	Recapitilization of Public Sector Banks	25000

This Annex provides total allocations (Plan and Non-Plan) under 38 important Schemes. Rationalization of Schemes was undertaken to avoid too thin spread of resources. The allocation for BE 2016-17 only is provided as it is not immediately feasible to draw a one-to-one correspondence between the newly rationlised schemes with the earlier subsumed component schemes.

Source : Expenditure Budget 2016-17 Volume1 & 2

<u>Annex No. III-C to Part A</u>

Resources Transferred to State and U.T.Governments

(In crore of Rupees)

S.No.		Actual 2014-15	RE 2015-16	BE 2016-17
1	**Devolution of State's share in taxes**	**337808**	**506193**	**570337**
2	**Non-Plan Grants and Loans**	**77198**	**108312**	**118437**
	Grants	77125	108233	118356
	Loans	73	79	81
	State Governments	*76286*	*105353*	*115655*
	UT	*912*	*2959*	*2782*
3	**Central Assistance to State Plan/UT Plan**	**270829**	**216108**	**241900**
	Grants	258890	203608	229400
	Loans	11939	12500	12500
	State Governments	*264725*	*208587*	*234366*
	UT	*6104*	*7521*	*7534*
4	**Total (Grant & Loans)**	**348027**	**324420**	**360337**
	Grants	336015	311841	347756
	Loans	12012	12579	12581
4	**Total Assistance**	**685835**	**830613**	**930674**
	State Governments	*678819*	*820133*	*920358*
	UT	*7016*	*10480*	*10316*
5	**Less - Recovery of Loans & Advances**	**10658**	**9093**	**9473**
	State Governments	*10582*	*8649*	*9028*
	UT	*76*	*444*	*445*
6	**Net Resources transferred to State & UT Governments (1+4-5)**	**675177**	**821520**	**921201**
	State Governments	*668237*	*811484*	*911330*
	UT	*6940*	*10036*	*9871*
	Increase in RE 15-16 over Actual 14-15	…	146343	…
	Increase in BE16-17 over RE 15-16	…	…	99681
	Increase in BE 16-17 over Actual 14-15	…	…	246024

ANNEXURE TO PART-B OF THE BUDGET SPEECH

DIRECT TAX

1. Measures to boost the Financial Sector

1.1 It is proposed to provide that redemption by an individual of Sovereign Gold Bond issued by Reserve Bank of India under Sovereign Gold Bond Scheme, 2015 shall not be charged to capital gains tax. It is also proposed to provide that long terms capital gains arising to any person on transfer of Sovereign Gold Bond shall be eligible for indexation benefits.

1.2 It is proposed to provide that any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company subscribed by a non-resident shall be exempt from capital gains tax.

1.3 It is proposed to provide that any transfer of units in merger or consolidation of plans of a mutual fund scheme shall be exempt from capital gains tax.

1.4 It is proposed to provide that interest earned on Deposit Certificates issued under Gold Monetisation Scheme, 2015 and capital gains arising from them shall be exempt from tax.

1.5 It is proposed to modify the conditions of special taxation regime for off shore funds under section 9A of the Income-tax Act so as to provide that a fund registered or set up in a country notified by the Central Government will also be eligible for the said regime. It is also proposed to provide that the condition of not having control and management of any business or not carrying on any business by the fund will be applicable only to activities in India and not from India.

1.6 The determination of residency of foreign company on the basis of Place of Effective Management is proposed to be deferred by one year. It shall now apply with effect from1.04.2017. It is also proposed to make necessary provision for adaptation, modification and exception in the provisions of the Act for determination of income and applicability of other provisions in case a foreign company becomes resident in India for the first time.

1.7 Taking into account the recommendations of A.P. Shah Committee and the decision of the Hon'ble Supreme Court in the case of Castleton, it is proposed to amend the provisions of section 115JB of the Income-tax Act so as to provide that Minimum Alternate Tax (MAT) shall not be applicable to a foreign company, w.e.f. 01.04.2001 if the foreign company does not have as a permanent establishment under relevant Double Taxation Avoidance Agreement (DTAA) or a place of business in India.

1.8 With a view to facilitate setting up of international financial centre in India, it is proposed to provide for the following tax benefits:-

- ❖ The companies located in international financial services centre shall not be liable to dividend distribution tax.
- ❖ Minimum Alternate Tax shall be charged at the rate of nine per cent from units located in international financial services centre.
- ❖ The transaction in foreign currency of sale of equity share or units of equity oriented funds or units of a business trust taking place on a recognised stock exchange established in international financial services centre shall not be liable to securities transaction tax. It is also proposed that the gains arising from transfer of such long term capital asset shall be exempt from tax.
- ❖ The transaction in foreign currency of sale of commodity derivatives taking place on a recognised association established in international financial services centre shall not be liable to commodity transaction tax.

1.9 It is proposed to provide that the subsidy granted by the Central Government and credited directly to the corpus of fund established for specific purposes laid down by Government shall not be treated as income of such fund.

1.10 Consequent upon the judgement of various Courts in the context of the definition of 'securities' under Securities Contracts Regulation Act, 1956, it is proposed to clarify that the capital gain arising from transfer of a long term asset being share of a private limited company shall be chargeable to tax at the rate of ten per cent.

1.11 It is proposed to provide that acquisition of shares by an individual or HUF as a consequence of demerger or amalgamation of a company shall not attract tax liability under section 56(2)(vii) of the Income-tax Act.

2. Measures to rationalize the Pension Sector

2.1 It is proposed to provide a uniform tax treatment to the recognised provident fund, national pension system and superannuation fund. Accordingly, the following are proposed:-

- ❖ Exemption limit is proposed to be increased from ₹1 lakh to ₹1.5 lakh for annual contribution by an employer to a superannuation fund.

- A monetary limit of ₹1.5 lakh is proposed to be provided for annual contribution by an employer to a recognised provident fund.
- Any amount received by the nominee, on the death of the employee at the time of closure of account under National Pension System referred to in section 80CCD of the Income-tax Act is proposed to be exempt.
- Exemption is proposed to be provided for one-time portability from a recognised provident fund or superannuation fund to National Pension System.
- It is proposed that 40% of the pension wealth received by an employee from the National Pension System Trust shall be exempt.
- It is also proposed that the exemption under the recognised provident fund and superannuation fund will be limited to 40% of the accumulated amount arising out of contributions made in such funds on or after 01.04.2016. However, this restriction shall not be applicable to an employee participating in a recognised provident fund and whose monthly salary does not exceed ₹15,000/-.

3. Measures to promote the Housing and Real Estate Sector

3.1 It is proposed to provide that deduction of interest payable on capital borrowed for acquisition or construction of a self-occupied house property shall be allowed if such acquisition or construction is completed within five years.

3.2 It is proposed to provide that standard deduction of 30% shall be allowed against the amount received on account of unrealised rent while computing the house property income.

3.3 It is proposed to provide that the date of agreement fixing the amount of consideration for the transfer of immovable property and not the date of registration shall be taken for the purposes of computing capital gains in case of transfer of immovable property if any payment in consequence of such agreement has been made by the purchaser of the property through any mode other than cash.

4. Measures to Phase Out Deductions

4.1 It proposed to phase out the following deductions available in the Income-tax Act:-

(i) <u>Section 10AA of the Income-tax Act : Deduction for units established in SEZ</u>

It is proposed to amend section 10AA of the Income-tax Act to provide for a sunset date of 31.03.2020 for commencement of activity of manufacture or production of any article or thing or providing services by a unit located in a Special Economic Zone for availing the deduction under said section.

(ii) <u>Depreciation.</u>

It is proposed to amend Rule 5 of Income-tax Rules, 1962 to restrict the highest rate of depreciation under the Income-tax Act to 40% for all the assets (whether old or new) falling in the relevant block of assets with effect from 01.4.2017

(iii) <u>Section 35 of the Income-tax Act : Deduction for Expenditure on Scientific Research.</u>

It is proposed to amend section 35 of the Income-tax Act so as to reduce the weighted deduction under section 35(1)(ii), 35 (2AA) and 35 (2AB) to 150% from the financial year 2017-18 to financial year 2019-20 and from the financial year 2020-21 onwards the deduction shall be restricted to 100%. It is also proposed that deduction under section 35(1) (iia) and (iii) of the Income-tax Act shall be reduced from 125% to 100% with effect from 01.04.2017.

(iv) <u>Section 35AD of the Income-tax Act : Investment linked deduction for specified business.</u>

It is proposed to amend section 35AD of the Income-tax Act so as to reduce the deduction from 150% to 100% in the case of a cold chain facility, warehousing facility for storage of agricultural produce, an affordable housing project, production of fertilizer and building and operating hospitals with effect from 01.04.2017.

(v) <u>Section 35AC of the Income-tax Act : Deduction for Expenditure on social projects.</u>

It is proposed to amend section 35AC of the Income-tax Act so as to provide that no deduction under the said section shall be available from financial year 2017-18 (Assessment Year 2018-19).

(vi) <u>Section 35CCC of the Income-tax Act : Deduction for expenditure on agricultural extensions project.</u>

It is proposed to amend section 35CCC of the Income-tax Act to restrict the deduction to 100% from financial year 2017-18 (Assessment Year 2018-19).

(vii) <u>Section 35 CCD of the Income-tax Act : Deduction for expenditure on skill development project.</u>

It is proposed to amend section 35CCD of the Income-tax Act so as to provide that the weighted deduction of 150% shall be available upto financial year 2019-20 (assessment year 2020-21). However, the deduction under the said section shall be restricted to 100% from financial year 2020-21 (Assessment Year 2021-22).

(viii) <u>Section 80-IA of the Income-tax Act : Deduction for development of infrastructure facility.</u>

It is proposed to amend section 80IA of the Income-tax Act so as to provide that no deduction shall be available to enterprise which starts development, operation and maintenance of any infrastructure facility on or after 1st April, 2017. It is further proposed to provide that the development, operation and maintenance of an infrastructure facility beginning on or after 1st April, 2017 shall be eligible for investment linked deduction under section 35AD of the Income-tax Act.

(ix) <u>Section 80-IAB of the Income-tax Act : Deduction for development of Special Economic Zone.</u>

It is proposed to amend section 80IAB of the Income-tax Act so as to provide that no deduction shall be available under this section where the development of Special Economic Zone begins on or after 1st April, 2017.

(x) <u>Section 80-IB of the Income-tax Act : Deduction for production of mineral oil and natural gas.</u>

It is proposed to amend section 80-IB(9)(ii), (iv) & (v) of the Income-tax Act so as to provide that no deduction shall be available to an undertaking engaged in production of mineral oil or natural gas if the production commences on or after 1st April, 2017.

5. Measures for TDS / TCS Rationalisation

Present Section	Heads	Existing Threshold Limit (₹)	Proposed Threshold Limit (₹)
192A	Payment of accumulated balance due to an employee in EPF	30,000	50,000
194BB	Winnings from Horse Race	5,000	10,000
194C	Payments to Contractors	Aggregate annual limit of 75,000	Aggregate annual limit of 1,00,000

194LA	Payment of Compensation on acquisition of certain Immovable Property	2,00,000	2,50,000
194D	Insurance commission	20,000	15,000
194G	Commission on sale of lottery tickets	1,000	15,000
194H	Commission or brokerage	5,000	15,000

Present Section	**Heads**	**Existing Rate of TDS (%)**	**Proposed Rate of TDS (%)**
194DA	Payment in respect of Life Insurance Policy	2%	1%
194EE	Payments in respect of NSS Deposits	20%	10%
194D	Insurance commission	10%	5%
194G	Commission on sale of lottery tickets	10%	5%
194H	Commission or brokerage	10%	5%
194K	Income in respect of Units	To be omitted w.e.f 01.06.2016	
194L	Payment of Compensation on acquisition of Capital Asset	To be omitted w.e.f 01.06.2016	

5.2 It is proposed to amend section 206AA of the Income-tax Act so as to provide that TDS shall not be deducted at a higher rate in case of non-residents not having PAN, subject to prescribed condition.

5.3 It is proposed to extend DTAA benefits by allowing for rate in force being applicable for withholding tax purposes in respect of distribution by Category-I and II Alternate Investment Funds to the non-resident investors. It is also proposed to provide that the investors may seek certificate of lower deduction or nil deduction of tax.

5.4 The regime for taxation of Securitisation Trusts and their investors is proposed to be modified. It is proposed to provide complete pass through to securitisation trust and the income is to be taxed in the hands of investor in same manner and to the same extent as it would have been taxed, if the investor had made underlying investments directly and not through trust. It is also proposed to provide that the income of securitisation trust shall be exempt and that the securitisation trust shall effect tax deduction at source.

5.5 It is also proposed to provide that upon self-certification, no tax will be deducted on rental payments if the income of the payee does not exceed the maximum amount not chargeable to tax.

6. Measures for promoting Economic Growth

6.1 It is proposed to provide that in case of foreign company, mere storage of crude oil in India would not constitute Business Connection and the income arising or accruing on storage and sale of the crude oil, subject to fulfilment of certain conditions, shall not be liable to tax in India.

6.2 It is proposed to provide that in case of a foreign company engaged in business of mining of diamonds, no income shall be deemed to accrue or arise in India to it through or from the activities which are confined to display of uncut and unassorted diamonds in a notified Special Zone.

6.3 It is proposed to provide that the plant & machinery acquired and installed for transmission activity would also be eligible for additional depreciation under section 32(1)(iia) of the Income-tax Act.

6.4 It is proposed to amend sub-section (1A) of section 32AC of the Income-tax Act to provide that the acquisition of the plant & machinery of the specified value has to be made in the previous year. However, installation may be made by 31.03.2017 in order to avail the benefit of additional depreciation of 15%.

6.5 It is proposed to expand the scope of section 43B of the Income-tax Act so as to provide that certain specified payments payable to Railways shall be allowed as deduction as business income only if the same has been paid on or before the due date of filing of return for the relevant year.

6.6 It is proposed to provide that the non-compete fee received/ receivable in relation to not carrying out any profession will be chargeable to tax as an income from business or profession.

6.7 It is proposed to amend the provisions of the Income-tax Act so as to provide that the fees paid for obtaining right to use the spectrum is to be amortized over the period for which the right to use the spectrum has been granted.

7. Measures for prevention of abuse of Law

7.1 It is proposed to provide that where a trust or institution registered u/s 12AA of the Income-tax Act ceases to be charitable organisation, the amount of net asset as on date of such conversion which represents the income accreted to the trust over a period of time shall be charged to additional income-tax at the maximum marginal rate. Similarly, if on dissolution a charitable trust or institution does not transfer all its assets within one year of dissolution to another charitable organization, the amount of accreted income to the extent not transferred shall be subject to this levy of additional income-tax.

7.2 For implementing the country by country (CbC) reporting and master file submission in relation to OECD report on BEPS action plan Action 13, which is the minimum standard to be followed by every member/partner country, it is proposed to provide for furnishing of documents by the specified person. It is also proposed to provide for penal consequence in case of non-compliance by such person.

7.3 It is proposed to provide that no set off of losses shall be allowed against deemed undisclosed income u/s 68 to 69D of the Income-tax Act.

7.4 It is proposed to provide a tax neutral treatment to conversion of a company into Limited Liability Partnership (LLP), if, among the other existing conditions, the total value of the assets in the books of account of the company in any of the three preceding years from the year in which conversion takes place does not exceed five crore rupees.

7.5 It is proposed to provide that the buyback of shares by a company shall mean purchase of its own shares in accordance with relevant provisions of the Companies Act and that the distributed income shall mean, the consideration paid on buyback of shares as reduced by the amount received by the company for issue of such shares to be determined in the prescribed manner.

8. Measures for Simplification of Procedures

8.1 It is proposed to amend the provision of section 44AB of the Income-tax Act to enhance the threshold limit for audit of accounts from ₹ 25 lakh to ₹ 50 lakh for persons having income from profession.

8.2 It is proposed to amend the provisions of section 44AD of the Income-tax Act so as to increase the threshold limit of presumptive taxation from ₹ 1 crore to Rs 2 crore. It is also proposed to provide that if the taxpayer opts for the presumptive taxation scheme, he has to remain in that scheme for 5 years. Further, if he does not offer the income as per the said scheme in any of the five years, he shall not be eligible to claim the benefit under the scheme for next 5 years.

8.3 It is proposed to amend section 139 of the Income-tax Act so as to provide that,-

- ❖ a person shall be required to furnish his return of income if this total income during the previous year without claiming exemption under section 10(38) exceeds the maximum amount which is not chargeable to tax.

- a person, who has not furnished a return for any previous year by the due date, may furnish the same before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier. He may also revise such return before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

- a return furnished in response to a notice issued under section 142 (1) of the Income-tax Act cannot be revised.

- a return which is otherwise valid would not be treated defective merely because self-assessment tax and interest payable in accordance with the provisions of section 140A, has not been paid on or before the date of furnishing of the return.

8.4 It is proposed to amend the provisions of section 211 of the Income-tax Act to provide that the number of instalments and due dates for payment of advance tax in the case of individuals, HUFs, firms, etc. shall be the same as is applicable to companies. It is also proposed that the taxpayer eligible for presumptive taxation scheme under section 44AD of the Income-tax Act shall pay whole amount of advance tax in one instalment on or before the 15th March of the financial year.

8.5 It is proposed to amend section 253 of the Income-tax Act to provide that no appeal shall be filed by the Income-tax Department against the direction of the Dispute Resolution Panel.

8.6 It is proposed to amend section 254 of the Income-tax Act to reduce the time limit for rectifying an order passed by Appellate Tribunal from 4 years to 6 months.

8.7 It is proposed to amend section 281B of the Income-tax Act to provide for revocation of attachment of property in cases where assessee furnishes a Bank Guarantee from a scheduled bank of an amount not less than the fair market value of such property or of an amount sufficient to protect the interest of revenue.

8.8 As a step forward in digitisation of processes of the Income-tax Department, it is proposed to provide that notices and documents may be issued by the income tax authorities in electronic form also.

8.9 It is proposed to amend section 147 of the Income-tax Act to provide that a case may be reopened by the Assessing Officer on the basis of information culled out from the data base by the Directorate of Systems indicating that income has escaped assessment.

8.10 With a view to reduce litigation and to collect taxes at the earliest point of time it is proposed to expand the scope of adjustment that can be done at the time of processing of return under sub-section 143(1) of the Income-tax Act. It is also proposed that before making an assessment u/s 143(3) of the Act, a return shall be processed u/s 143(1) of the Act.

INDIRECT TAX

The Table below summarises the changes in Customs, Central Excise and Service Tax rate structures and law and procedure.

Sl.No.	Changes	Existing	Proposed
I	**Promoting Agriculture and food processing**		
1.	Krishi Kalyan Cess proposed to be levied on all taxable services to finance and promote initiatives to improve agriculture, with effect from 01.06.2016.	-	0.5%
2.	Services provided by National Centre for Cold Chain Development under Department of Agriculture, Cooperation and Farmer's welfare, Government of India, by way of knowledge dissemination, being exempted from service tax, with effect from 01.04.2016.	14%	Nil
3.	Excise duty on electric motor, shafts, sleeve, chamber, impeller, washer required for the manufacture of centrifugal pump being reduced. More than 50% of such pumps are used in agriculture.	12.5%	6%
4.	Concessional 5% Basic Customs Duty as presently available under project imports for cold storage, cold room (including for farm level pre-cooling) being extended for 'cold chain including pre-cooling unit, pack houses, sorting and grading lines and ripening chambers' also.	10%	5%
5.	BCD on refrigerated containers being reduced	10%	5%
6.	Excise duty on refrigerated containers being reduced	12.5%	6%

7.	Excise duty on micronutrients [covered under S. No. 1(f) of Schedule 1 Part (A) of the Fertilizer Control Order, 1985 and manufactured by the manufacturers which are registered under the FCO, 1985] being reduced.	12.5%	6%
8.	Excise duty on physical mixture of fertilizers, made out of chemical fertilizers on which duty of excise has been paid, by Co-operative Societies, holding certificate of manufacture for mixture of fertilizers under the Fertilizer Control Order 1985, for supply to the members of such Co-operative Societies, being exempted.	1% (without ITC or 6% (with ITC)	Nil
II	**Broadening of Tax base**	**Existing**	**Proposed**
1.	Exemption on services provided by,- (i) a senior advocate to an advocate or partnership firm of advocates providing legal service; and (ii) a person represented on an arbitral tribunal to an arbitral tribunal, being withdrawn and service tax being levied under forward charge, with effect from 01.04.2016.	Nil	14%
2.	Exemption to construction, erection, commissioning or installation of original works pertaining to monorail or metro, in respect of contracts entered into on or after 1st March 2016 being withdrawn, with effect from 01.03.2016.	Nil	5.6%
3.	Exemption to the services of transport of passengers, by ropeway, cable car or aerial tramway being withdrawn, with effect from 01.04.2016.	Nil	14%
4.	Negative List entry that covers 'service of transportation of passengers, with or without accompanied belongings, by a stage carriage' being omitted and tax	Nil	5.6%

	proposed to be levied on service of transportation of passengers by air conditioned stage carriage, at the abatement of 60% without input tax credit, with effect from 01.06.2016.		
5.	Abatement on shifting of used household goods by a Goods Transport Agency is being rationalized at the rate of 60%, without input tax credit, with effect from 01.04.2016.	4.2%	5.6%
III	**Measures to boost construction sector and promote affordable housing**		
		Existing	**Proposed**
1.	Service Tax on services in respect of- (i) construction services under Housing For All (HFA) (Urban) Mission/ Pradhan Mantri Awas Yojana (PMAY); (ii) construction projects under "Affordable housing in partnership" component of PMAY, subject to carpet area of dwelling units of such projects not exceeding 60 square metres; (iii) low cost houses up to a carpet area of 60 square metres per house in a housing project under any housing scheme of the State Government. being exempted, with effect from 01.03.2016.	5.6%	Nil
2.	Excise duty exemption, presently available to Concrete Mix manufactured at site for use in construction work at such site being extended to Ready Mix Concrete manufactured at the site of construction for use in construction work at such site.	12.5%	Nil
IV	**Promoting social security and moving towards a pensioned society**		
1.	Service Tax on service of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and	3.5%	Nil

	Development Authority (PFRDA) being exempted, with effect from 01.04.2016.		
2.	Service tax on services provided by Employees' Provident Fund Organization (EPFO) to employees, being exempted, with effect from 01.04.2016.	14%	Nil
3.	Composition rate of service tax on single premium annuity (insurance) policies being reduced from 3.5% to 1.4% of the premium charged, with effect from 01.04.2016.	3.5%	1.4%
4.	Service Tax on the services of general insurance business provided under 'Niramaya' Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability being exempted, with effect from 01.04.2016.	14%	Nil
V	**Financial, Banking & Insurance Sector**		
		Existing	**Proposed**
1.	The services provided by mutual fund agent/distributor to a mutual fund or asset management company being taxed under forward charge, with effect from 01.04.2016.	14%	14%
2.	Service tax on the regulatory services provided by Securities and Exchange Board of India and Insurance Regulatory Development Authority being exempted, with effect from 01.04.2016.	14%	NIL
3.	Additional options being provided for reversal of actual input tax credits with respect to non-taxable services provided by them by way of extending deposits, loans, and advances to banking companies and financial institutions, including non banking financial companies. This will come into effect from 01.04.2016.		
4.	Service tax on services provided by Insurance Regulatory and Development Authority of India (IRDA), being exempted, with effect from 01.04.2016.	14%	Nil

VI	**Incentivizing domestic value addition, 'Make in India'**		
		Existing	**Proposed**
1.	**Balloons**		
	BCD on Natural latex rubber made balloons being increased.	10%	20%
2.	**Jewellery**		
	BCD on Imitation jewellery being increased.	10%	15%
3.	**Metals**		
	BCD being increased on		
	a) Primary aluminium	5%	7.5%
	b) Other aluminium products	7.5%	10%
	c) Zinc alloys	5%	7.5%
4.	**Renewable Energy**		
(i)	BCD on Industrial solar water heater being increased.	7.5%	10%
(ii)	BCD exemption on solar tempered glass / solar tempered (anti-reflective coated) glass being withdrawn and 5% concessional BCD being imposed, subject to actual user conditions.	Nil	5%
(iii)	Solar lamp being exempt from excise duty	12.5%	Nil
5.	**Capital Goods**		
	Tariff rate of BCD being increased on goods falling under 211 specified tariff lines in Chapter 84, 85 and 90. Out of which: (i) The effective rate of BCD on goods falling under 115 specified tariff lines in being maintained at 7.5%. (ii) The effective rate of BCD on goods falling under remaining 96 tariff lines is being increased to 10%.	7.5% 7.5% 7.5%	10% 7.5% 10%
6.	**Mineral fuels and Mineral oils**		
(i)	Rate of Oil Industries Development Cess, on domestically produced crude oil [OIDB Cess under the Oil Industry (Development) Act, 1974], being reduced.	₹ 4500 PMT	20% ad valorem

(ii)	BCD being rationalized on:		
	a) Coal; briquettes, ovoids and similar solid fuels manufactured from coal	2.5% / 10%	2.5%
	b) Lignite, whether or not agglomerated, excluding jet	10%	2.5%
	c) Peat (including peat litter), whether or not agglomerated	10%	2.5%
	d) Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	5% / 10%	5%
	e) Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10%	5%
	f) Tar distilled from coal, from lignite or from peat and other mineral tars, whether or not dehydrated or partially distilled, including reconstituted tars	10%	5%
	g) Oils and other products of the distillation of high temperature coal tar similar products in which the weight of the aromatic constituents exceeds that of the non-aromatic constituents	2.5% / 5 %/ 10%	2.5%
	h) Pitch and pitch coke, obtained from coal tar or from other mineral tars	5% / 10%	5%
7.	**Chemicals & Petrochemicals**		
(i)	BCD on all acyclic hydrocarbons and all cyclic hydrocarbons [other than para-xylene which attracts Nil BCD and styrene which attracts 2% BCD] being rationalized.	5% / 2.5%	2.5%
(ii)	BCD on denatured ethyl alcohol (Ethanol) being reduced, subject to actual user condition.	5%	2.5%
(iii)	SAD on Orthoxylene, being reduced, for the manufacture of phthalic anhydride subject to actual user condition.	4%	2%

(iv)	BCD on electrolysers, membranes and their parts required by caustic soda/ potash unit using membrane cell technology being exempted.	2.5%	Nil
8.	**Paper, Paperboard and newsprint**		
(i)	Basic customs duty on wood in chips or particles for manufacture of paper, paperboard and news print being reduced.	5%	Nil
(ii)	BCD on Plans, drawings and designs being increased.	Nil	10%
9.	**Textiles**		
(i)	Basic Customs Duty on specified fibres and yarns being reduced.	5%	2.5%
(ii)	Basic customs duty on import of specified fabrics [for manufacture of textile garments for export] of value equivalent to 1% of FOB value of exports in the preceding financial year being exempted subject to the specified conditions.	Applicab le rate	Nil
10.	**Electronics / Hardware**		
(i)	BCD on polypropylene granules / resins for the manufacture of capacitor grade plastic films being reduced.	7.5%	Nil
(ii)	BCD on E-Readers being increased.	Nil	7.5%
(iii)	BCD on parts of E-readers being reduced.	Applicable rate	5%
(iv)	Nil Basic Customs Duty being extended on magnetron of capacity of 1 KW to 1.5 KW for use in manufacture of domestic microwave ovens, subject to actual user condition.	10%	Nil
(v)	Machinery, electrical equipment, instrument and parts thereof (except populated PCBs) for semiconductor wafer fabrication/LCD fabrication units being exempted.	Applicable BCD SAD – 4%	Nil BCD Nil SAD
(vi)	Machinery, electrical equipment, instrument and parts thereof (except populated PCBs) imported for Assembly, Test, Marking and Packaging of semiconductor chips (ATMP) being exempted.	Applicable BCD SAD – 4%	Nil BCD Nil SAD

(vii)	The exemption from basic customs duty, CV duty, SAD on charger/adapter, battery and wired headsets/speakers for manufacture of mobile phone being withdrawn.	BCD – Nil CVD – Nil SAD - Nil	Applicable BCD CVD – 12.5% SAD – 4%
(viii)	Inputs, parts and components, subparts for manufacture of charger / adapter, battery and wired headsets /speakers, of mobile phone, subject to actual user condition being exempted.	Applicab le BCD, CVD SAD	Nil BCD Nil CVD Nil SAD
(ix)	Parts and components, subparts for manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR)/network video recorder (NVR), CCTV camera/IP camera, lithium ion battery [other than those for mobile handsets] being exempted.	Applicable BCD, CVD SAD	Nil BCD Nil CVD Nil SAD
(x)	Basic Customs Duty exemption on Magnetic - Heads (all types), Ceramic/ Magnetic cartridges and stylus, Antennas, EHT cables, Level meters/level indicators/ tuning indicators/ peak level meters/ battery meter/VC meters/Tape counters, Tone arms, Electron guns being withdrawn.	Nil	Applicab le BCD
(xi)	Specified telecommunication equipment [Soft switches and Voice over Internet Protocol (VoIP) equipment namely VoIP phones, media gateways, gateway Product/Switch (POTP/POTS), Optical controllers and session border controllers, Optical Transport equipment; combination of one / more of Packet Optical Transport Network(OTN) products, and IP Radios, Carrier Ethernet Switch, Packet Transport Node (PTN) products, Multiprotocol Label Switching-Transport Profile (MPLS-TP) products, Multiple Input / Multiple Output (MIMO) and Long Term Evolution (LTE) Products on which 10% BCD was imposed in 2014-15 Budget] being excluded from the purview of the other exemption also.	Nil	10%

(xii)	Basic Customs Duty exemption on preform of silica for manufacture of telecom grade optical fibre /cables being withdrawn.	Nil	10%
(xiii)	Basic Customs Duty on specified capital goods and inputs for use in manufacture of Micro fuses, Sub-miniature fuses, Resettable fuses and Thermal fuses being exempted.	Applicable rate	Nil
(xiv)	Concessional Basic Customs Duty on Neodymium Magnet (before Magnetization) and Magnet Resin (Strontium Ferrite compound/before formed, before magnetization) for manufacture of BLDC motors, being prescribed subject to actual user condition.	Applicable rate	2.5%
(xv)	Exemption from SAD on populated PCBs for manufacture of personal computers (laptop or desktop) being withdrawn.	Nil	4%
(xvi)	Exemption from SAD on populated PCBs of mobile phone/tablet computer being withdrawn. Concessional SAD on populated PCBs for manufacture of mobile phone/tablet computer imposed.	Nil	2%
(xvii)	Excise duty structure on domestically manufactured charger/adapter, battery and wired headsets/speakers for supply to mobile phone manufacturers as original equipment manufacturer being changed.	Nil	2% [without ITC] or 12.5% [with ITC]
(xviii)	Excise duty on inputs, parts and components, subparts for manufacture of charger/adapter, battery and wired headsets/speakers of mobile phone, subject to actual user condition being exempted.	12.5% / Nil	Nil
(xix)	Excise duty structure on Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets] being changed.	12.5%	4% [without ITC] or 12.5% [with ITC]

(xx)	Excise duty on parts and components, subparts for manufacture of Routers, broadband Modems, Set-top boxes for gaining access to internet, set top boxes for TV, digital video recorder (DVR) / network video recorder (NVR), CCTV camera / IP camera, lithium ion battery [other than those for mobile handsets] being exempted.	12.5%	Nil
11.	**Metals, glass and ceramics**		
(i)	BCD on Silica sand being reduced.	5%	2.5%
(ii)	Basic Customs Duty on brass scrap being reduced.	5%	2.5%
(iii)	Excise duty structure on disposable containers made of aluminium foils being changed.	2% [without ITC] or 6% [with ITC]	2% [without ITC] or 12.5% [with ITC]
12.	**Automobiles**		
(i)	BCD on Golf cars being increased.	10%	60%
(ii)	Nil BCD and 6% excise/CVD being extended on parts of electric vehicles and hybrid vehicles, presently.	Available upto 31.03.2016	Without any time limit
(iii)	BCD on aluminium Oxide for manufacture of Wash Coats, which are used in the manufacture of catalytic converters, being reduced subject to actual user condition	7.5%	5%
(iv)	Description of "Engine for HV (Atkinson cycle)" to "Engine for xEV (hybrid electric vehicle)" for the purposes of Nil Basic Customs Duty and 6% CVD being changed.	Applicable BCD and CVD	Nil BCD 6% CVD
(v)	Description of "Engine for HV (Atkinson cycle)" to "Engine for xEV(hybrid electric vehicle)" being changed for the purposes of concessional 6% excise duty	12.5%	6%
13.	**Capital Goods**		
(i)	CVD exemption on specified machinery required for construction of roads being withdrawn.	Nil	12.5%

14.	**Defence Production**		
(i)	Customs duties exemption on direct imports of specified goods for defence purposes by Government of India or State Governments being withdrawn, with effect from 01.04.2016.	BCD- Nil CVD – Nil SAD – Nil	BCD – 5% to 10% CVD – 12.5% SAD – 4%
(ii)	BCD exemption on specified goods imported by contractors of Government of India PSUs or sub-contractors of such PSUs for defence purposes being withdrawn, with effect from 01.04.2016.	Nil	7.5% to 10%
15.	**Maintenance, repair and overhaul [MRO] of aircrafts**		
(i)	Tools and tool kits being exempted from Basic Customs duty, CVD and SAD when imported by MROs for maintenance, repair, and overhauling [MRO] of aircraft subject to certification by the Directorate General of Civil Aviation.	Applicable BCD, CVD and SAD	Nil BCD Nil CVD Nil SAD
(ii)	Exemption from excise duty being extended to tools and tool kits when procured by MROs for maintenance, repair, and overhauling [MRO] of aircraft subject to a certification by the Directorate General of Civil Aviation	Applicable excise duty	Nil
(iii)	Procedure for availment of exemption from customs duties on parts, testing equipment, tools and tool-kits for maintenance, repair and overhaul of aircraft being simplified based on records and subject to actual user condition.		
(iv)	The restriction of one year for utilization of duty free parts for maintenance, repair and overhaul of aircraft being removed.		
(v)	The existing conditions of stay [60 days] being further relaxed, so as to provide for stay up to 6 months of the foreign aircraft for maintenance, repair or overhauling, with further extension of such period by DGCAs as deemed fit.		
(vi)	The procedure for availment of exemption from excise duty on parts, testing equipment, tools and tool-kits for maintenance, repair and overhaul of aircraft being simplified based on records.		

16.	**Ship Repair /Units**		
(i)	Excise duty on capital goods and spares thereof, raw materials, parts, material handling equipment and consumable for repairs of ocean-going vessels by a ship repair unit subject to actual user condition being exempted.	Applicable excise duty	Nil
(ii)	The procedure for availment of exemption from Basic Customs Duty, CVD and SAD by ship repair units being simplified based on records and subject to actual user condition.		
17.	**Miscellaneous**		
(i)	Basic customs duty on import of Medical Use Fission Molybdenum-99 by Board of Radiation and Isotope Technology (BRIT) for manufacture of radio pharmaceuticals being exempted.	7.5%	Nil
(ii)	Concessional BCD on Pulp of wood for manufacture of sanitary pads, napkins & tampons being provided.	5%	2.5%
(iii)	Concessional BCD on Super Absorbent Polymer when used for manufacture of sanitary pads, napkins & tampons being extended.	7.5%	5%
(iv)	Excise duty on parts of railway or tramway locomotives or rolling stock and railway or tramway track fixtures and fittings, railway safety or traffic control equipment, etc. being reduced.	12.5%	6%
(v)	"Foreign Satellite data" on storage media when imported by National Remote Sensing Centre (NRSC), Hyderabad being exempted.	Applicable BCD, CVD, SAD	Nil BCD Nil CVD Nil SAD
(vi)	Clean Energy Cess / Clean Environment Cess on coal, lignite or peat, produced or extracted as per traditional and customary rights enjoyed by local tribals without any license or lease in the State of Nagaland being exempted.	₹200 per tonne	Nil
(vii)	Excise duty on improved cookstoves including smokeless chulhas for burning wood, agrowaste, cowdung, briquettes, and coal being exempted unconditionally.	12.5%	Nil

18.	**Ores, concentrates**		
	Export duty reduced on:		
	a) Iron ore fines with Fe content below 58%	10%	Nil
	b) Iron ore lumps with Fe content below 58%	30%	Nil
	c) Chromium ores and concentrates, all sorts	30%	Nil
	d) Bauxite	20%	15%
19.	**Textiles**		
(i)	Excise duty on branded readymade garments and made up articles of textiles of retail sale price of ₹1000 or more being changed.	Nil (without ITC) or 6%/12.5% (with ITC)	2% (without ITC) or 12.5% (with ITC)
(ii)	The Tariff value for excise /CVD purposes on readymade garments and made up articles of textiles being changed.	30% of retail sale price	60% of retail sale price
(iii)	Excise duty on PSF / PFY, manufactured from plastic scrap or plastic waste including waste PET bottles, being changed.	2% (without ITC) or 6% (with ITC)	2% (without ITC) or 12.5% (with ITC)
20.	**Renewable Energy**		
(i)	Excise duty on carbon pultrusions used for manufacture of rotor blades, and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators being reduced.	12.5%	6%
(ii)	Excise duty on Unsaturated Polyester Resin (polyester based infusion resin and hand layup resin), Hardeners/Hardener for adhesive resin, Vinyl Easter Adhesive (VEA) and Epoxy Resin used for manufacture of rotor blades, and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators being increased.	Nil	6%

(iii)	"Valid agreement between importer / producer of power with urban local body for processing of municipal solid waste for not less than ten years from the date of commissioning of project" being provided as an alternative condition for availing concessional customs/excise duty benefits in case of power generation project based on municipal and urban waste.		
21.	**Jewellery**		
	Excise duty exemption on Articles of Jewellery [excluding silver jewellery, other than studded with diamonds or other precious stones namely, ruby, emerald and sapphire] being withdrawn with a higher threshold exemption upto ₹6 crore in a year and eligibility limit of ₹12 crore, along with simplified compliance procedure.	Nil	1% (without ITC) or 12.5% (ITC)
22.	**Footwear**		
(i)	Excise duty on rubber sheets & resin rubber sheets for soles and heels being reduced.	12.5%	6%
(ii)	The abatement rate from retail sale price (RSP) for the purposes of RSP based assessment of excise duty, for all categories of footwear being revised.	25%	30%
23.	**Service tax**		
(i)	a) Services provided by Indian Shipping lines by way of transportation of goods by a vessel to outside India being zero rated with effect from 1st March, 2016; and b) Service tax on services provided by them by way of transportation of goods by a vessel from outside India up to the customs station in India being imposed, with effect from 1st June, 2016.	No credit Nil	Input tax credit allowed 14%
(ii)	Service tax on services provided by Biotechnology Industry Research Assistance Council (BIRAC) approved biotechnology incubators to incubatees being exempted, with effect from 01.04.2016.	14%	Nil

(iii)	Service tax on the services provided by way of skill/vocational training by training partners under Deen Dayal Upadhyay Grameen Kaushalya Yojana being exempted, with effect from 01.04.2016.	14%	NIL
(iv)	Service tax on services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship being exempted, with effect from 01.04.2016.	14%	NIL
(v)	Notification No. 41/2012-ST, was amended by notification No.1/2016-ST so as to, *inter alia*, allow refund of service tax on services used beyond the factory etc. for the export. This amendment is being made effective from 1st July 2012. This will come into effect from the date of enforcement of Finance Bill 2016.		
(vi)	Quarterly payment of service tax being extended to 'One Person Company' (OPC) and HUF also, with effect from 01.04.2016.		
(vii)	Facility of payment of service tax being extended on receipt basis to 'One Person Company' (OPC) also, with effect from 01.04.2016.		
VI	**Ease of doing business**		
1.	13 cesses levied by other Ministries/Departments and administered by the Department of Revenue, where the revenue collection from each of them is less than ₹50 crore in a year being abolished.		
2.	Interest rates on delayed payment of duty/tax across all indirect taxes being rationalized at 15%, except in case of service tax collected but not deposited to the exchequer, in which case the rate of interest will be 24% from the date on which the service tax payment became due. For assesses with taxable value during preceding year/years covered by the notice is less than ₹ 60 Lakh, the rate of interest on delayed payment of service tax will be 12%. This will come into effect from date of enforcement of Finance Bill, 2016.	Customs 18% Excise 18% Service tax 18% 24% 30%	Customs Excise Service tax 15%. 24% in case of tax collected but not deposited

3.	The exemptions from customs duties on specified goods imported for petroleum exploration under various types of licenses or mining leases, pre-NELP contracts, NELP contracts, Marginal Fields Policy and the Coal Bed Methane Policy being merged into a single exemption with a unified list of specified goods and conditions
4.	Nil Basic Customs Duty and Nil CVD on imports of goods required for exploration & production of hydrocarbon activities being extended to such operations undertaken under Petroleum Exploration Licenses (PEL) or Mining Leases (ML) issued or renewed before 1st April 1999.
5.	CENVAT Credit Rules, 2004 being amended, to improve credit flow, reduce the compliance cost and litigation, particularly those relating to apportionment of credit between exempted and non-exempted final products / services. Changes are also being made in the provisions relating to input service distributor, including extension of this facility to transfer input services credit to outsourced manufacturers, under certain circumstances. Amendments will also enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units. This will come into effect from 01.04.2016.
6.	Amendments being made to Central Excise and Service Tax laws so as to provide for closure of proceedings against co-noticees, once the proceedings against the main noticee have been closed, with effect from date of enforcement of Finance Bill, 2016.
7.	Rules prescribing procedure for import or domestic procurement of goods at concessional rates of customs and excise duties for certain specified purposes being simplified.
8.	Number of returns for central excise assessee, above a certain threshold, is being reduced, from 27 to 13, one annual and 12 monthly returns. The annual return will also have to be filed by service tax assessees, above a certain threshold, taking total number of returns to three in a year for them. This will come into effect from 01.04.2016.
9.	The facility for revision of return, hitherto available to a service tax assessee only, being extended to manufacturers also.
10.	The monetary limit for launching prosecution being increased to ₹ 2 crore of service tax evasion and the power to arrest being restricted only to situations where the tax payer has collected the tax but not deposited it to the exchequer above a certain threshold of ₹ 2 crore. This will come into effect from date of enforcement of Finance Bill, 2016.

11.	The Customs Act being amended to provide for deferred payment of customs duties for certain class of importers and exporters. In consultations with Ministry of Shipping, the facility of direct port delivery is being extended to more importers.		
12.	In 2014-15 Budget, the intent to implement Indian Customs Single Window Project was announced. Significant progress has been made in that direction to implement this facility at major ports and airports starting from next financial year.		
13.	The duty free import allowance for bona fide gifts imported by post or air or by courier service being increased.	₹10,000	₹20,000
14.	Chief Commissioners of Central Excise are being instructed to file application for withdrawing prosecution in cases involving duty less than rupees five lakh and pending for more than fifteen years.		
VII	**Clean Environment Initiatives**	**Existing**	**Proposed**
1.	The name of ‘Clean Energy Cess’ levied on coal, lignite and peat being changed to ‘Clean Environment Cess’ and its rate being increased.	₹ 200 PMT	₹ 400 PMT
2.	Credit of input services on transport of passengers by rail at the existing rate of abatement of 70% being allowed, with effect from 01.04.2016.	4.2% Without credit	4.2% With input service credit
3.	Credit of input services on transport of goods in containers by rail at a reduced abatement rate of 60% being allowed, with effect from 01.04.2016.	4.2% Without credit	5.6% With input service credit
4.	Credit of input services on transport of goods, other than in containers by rail at the existing rate of abatement of 70% being allowed, with effect from 01.04.2016.	4.2% Without credit	4.2% With input service credit
5.	Credit of input services on transport of goods by vessel at the existing rate of abatement of 70% being allowed, with effect from 01.04.2016.	4.2% Without credit	4.2% With input service credit

6.	The customs and excise duty concessions on specified parts of electric vehicles / hybrid vehicles being extended.	Upto 31.03.2016	Without time limit
7.	Excise duty on sacks and bags of any plastic being rationalized.	12.5% or 15%	15%
VIII	**Reduce litigation and providing certainty in taxation**		
1.	An Indirect tax Dispute Resolution Scheme, 2016, being introduced wherein in respect of cases pending before Commissioner (Appeals), the assesse, after paying the duty, interest and penalty equivalent to 25% of penalty imposed, can file a declaration. The proceedings against the assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in certain cases.		
2.	Retail Sale Price [RSP] based assessment of excise duty being extended to all goods falling under heading 3401 and 3402 with the abatement rate of 30%.		
3.	Retail Sale Price [RSP] based assessment of excise duty being extended to: a) aluminium foils of a thickness not exceeding 0.2 mm [with abatement of 25%]; b) wrist wearable devices (commonly known as ‘smart watches’) [with abatement of 35%]; and c) accessories of motor vehicle and certain other specified goods [with abatement of 30%].		
4.	Exemptions being restored , with effect from 01.04.2015, in relation to contracts which had been entered into prior to 01.03.2015 for services of: a) construction provided to the Government, a local authority or a governmental authority, in respect of construction of govt. schools, hospitals etc. b) construction of ports, airports.	5.6% of total amount	Nil
5.	Exemption from service tax being extended to services provided by way of construction, maintenance etc. of canal, dam or other irrigation works provided to bodies set up by Government, during the period from the 1st July, 2012 to 29th January, 2014.	5.6% of total amount	Nil

6.	Section 67A being amended to obtain rule making powers in respect of the Point of Taxation Rules, 2011. Point of Taxation Rules, 2011 being amended accordingly, with effect from date of enforcement of Finance Bill, 2016.		
7.	Section 93A of the Finance Act, 1994 being amended so as to allow rebate by way of notification also, with effect from date of enforcement of Finance Bill, 2016.		
8.	Explanation 2 in section 65B(44) of the Finance Act, 1994 being amended so as to clarify that any activity carried out by a lottery distributor or selling agent are liable to service tax, with effect from date of enforcement of Finance Bill, 2016.		
9.	Being clarified that service provided by the Indian Railways to Container Train Operators (CTOs) of haulage of their container train is a service of 'Transport of Goods by Rail'.	14%	4.2%
10.	Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in Management (PGPM), Integrated Programme in Management and Fellowship Programme in Management (FPM) being exempted, with effect from 01.03.2016.	14%	Nil
11.	Cenvat Credit Rules, 2004 being amended so as to provide for reversal of Cenvat Credit of inputs/input services which have been commonly used in providing taxable output service and an activity which is not a 'service', with effect from 01.04.2016.		
12.	Notification No. 27/2012 – C.E. (N.T.) being amended so as to provide that time limit for filing application for refund of Cenvat Credit, in case of export of services, is 1 year from the specified date, with effect from 01.03.2016.		
13.	Assignment by the Government of the right to use the radio-frequency spectrum and its subsequent transfers being declared as a service so as to make it clear that assignment of right to use the spectrum is a service leviable to service tax and not sale of intangible goods, with effect from date of enforcement of Finance Bill, 2016.	14%	14%
14.	A condition mandating inclusion of cost of fuel in the consideration for the services of renting of motor-cab services for availing abatement from service tax, being introduced with effect from 01.04.2016.		

15.	Service tax on the services of Information Technology software on media bearing RSP, being exempted, provided appropriate Central Excise duty is paid, with effect from 01.03.2016.	Nil	Nil
16.	Mutual exclusiveness of levy of excise duty and service tax on information technology software [in respect of Software recorded on media "NOT FOR RETAIL SALE"] being ensured by exempting from excise duty only that portion of the transaction value on which service tax is paid, with effect from 01.03.2016.	14%	14%
IX	**Rationalization/anti avoidance**	**Existing**	**Proposed**
1.	The abatement rate at 70% in respect of services by way of construction of residential complex etc. being rationalized, with effect from 01.04.2016.	3.5%/ 4.2%	4.2%
2.	Concessional CVD on Gold dore bar being increased and concessional excise duty on refined gold bars manufactured from such gold dore or gold ore/concentrate, silver dore bar and copper ore or concentrate being increased. Excise duty exemption under the existing area based exemptions on refined gold being prospectively withdrawn. Concessional CVD on silver dore bar and excise duty on refined silver being increased.	CVD 8% Excise duty 9% CVD 7% Excise duty 8%	CVD 8.75% Excise duty 9.5% CVD 7.75% Excise duty 8.5%
3.	Actual user condition for the imports of Phosphoric Acid and Anhydrous Ammonia at concessional BCD/CVD for manufacture of Fertilizers being prescribed.		
4.	Actual user condition on imports of LCD/LED/OLED Panels at Nil BCD for manufacture of LCD/LED/OLED TVs being prescribed.		
5.	Excise duty payable per machine per month on chewing tobacco without lime tube / lime pouches and jarda scented tobacco being aligned by providing the same speed slabs for both the products.		

6.	Abatement rate being rationalized at 70% in respect of services by a tour operator subject to certain conditions, with effect from 01.04.2016.	3.5%/ 5.6% of amount charged	4.2% of amount charged
7.	The rate of service tax on the services of a foreman to a chit fund being rationalized with an abatement of 30%, without input tax credit, with effect from 01.04.2016.	14% of amount	9.8% of amount
8.	Cenvat credit rules being amended so as to allow credit of service tax paid on upfront charges for assignment of natural resources by Government to a business entity, over such period of time as the period for which the rights have been assigned. This comes into effect from 01.04.2016.		
9.	Exemption limit on services provided by a performing artist in certain folk or classical art forms of music, dance or theatre, being enhanced to Rs.1.5 lakh per event, with effect from 01.04.2016.	14%	Nil
X	**Additional Resource Mobilization**	**Existing**	**Proposed**
1.	BCD on Cashew nuts in shell being increased.	Nil	5%
2.	Excise duty on waters including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored being increased.	18%	21%
3.	Excise duty on Aviation Turbine Fuel [ATF], other than for supply to Scheduled Commuter Airlines (SCA) from the Regional Connectivity Scheme Airports, being increased. ATF for supply to aircraft under the Regional Connectivity Scheme will continue to attract 8% excise duty.	8%	14%
4.	Infrastructure Cess being levied on motor vehicles, of heading 8703, as under: a) Petrol/LPG/CNG driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1200cc; b) Diesel driven motor vehicles of length not exceeding 4m and engine capacity not exceeding 1500cc;	 - -	 1% 2.5%

	c) Other higher engine capacity and SUVs and bigger sedans. Three wheeled vehicles, Electrically operated vehicles, Hybrid vehicles, Hydrogen vehicles based on fuel cell technology, Motor vehicles which after clearance have been registered for use solely as taxi, Cars for physically handicapped persons and Motor vehicles cleared as ambulances or registered for use solely as ambulance will be exempt from this Cess. No credit of this cess will be allowed, and credit of no other duty can be allowed to pay this Cess.	-	4%
XI	**Miscellaneous**	**Existing**	**Proposed**
	Tobacco and Tobacco Products		
1.	Excise duty on Cigar and cheroots being increased	12.5% or ₹3375 per thousand, whichever is higher	12.5% or ₹3755 per thousand, whichever is higher
2.	Excise duty on Cigarillos being increased	12.5% or ₹3375 per thousand, whichever is higher	12.5% or ₹3755 per thousand, whichever is higher
3.	Excise duty on Cigarettes of tobacco substitutes being increased	₹3375 per thousand	₹3755 per thousand
4.	Excise duty on Cigarillos of tobacco substitutes being increased	12.5% or ₹3375 per thousand, whichever is higher	12.5% or ₹3755 per thousand, whichever is higher
5.	Excise duty on other forms of tobacco substitutes being increased	12.5% or ₹3375 per thousand, whichever is higher	12.5% or ₹3755 per thousand, whichever is higher

6.	Excise duty on Gutkha, chewing tobacco (including filter khaini) and jarda scented tobacco being increased	70%	81%
7.	Excise duty on Unmanufactured tobacco being increased	55%	64%
8.	Tariff rate of excise duty on paper rolled biris [whether handmade or machine made] and other biris [other than handmade biris] being increased. The effective rates, will, however, remain unchanged.	Tariff rate ₹30 per thousand. Effective rate ₹21 per thousand	Tariff rate ₹80 per thousand Effective rate ₹21 per thousand
9.	Additional Duty of Excise on cigarettes being increased	₹ Per thousand	₹ Per thousand
(i)	Non filter not exceeding 65 mm.	70	215
(ii)	Non-filter exceeding 65 mm but not exceeding 70 mm.	110	370
(iii)	Filter not exceeding 65 mm.	70	215
(iv)	Filter exceeding 65 mm but not exceeding 70 mm.	70	260
(v)	Filter exceeding 70 mm but not exceeding 75 mm.	110	370
(vi)	Other	180	560
10.	**Other products**		
(i)	A number of assistive devices, rehabilitation aids and other goods for disabled persons attract Nil BCD. This exemption being extended to Braille paper.	BCD - 10%	BCD - Nil
(ii)	Disposable sterilized dialyzer and micro barrier of artificial kidney being exempted from Basic Customs Duty, excise duty / CVD and SAD	Applicable BCD, excise / CVD, SAD	Nil BCD Nil excise/ CVD Nil SAD
XII	**OTHER LEGISLATIVE AMENDMENTS**		
	THE CUSTOMS ACT, 1962		
	Warehousing provisions are being simplified so as to move from physical control to record based control in most of cases. Several other consequential changes are also being made.		

	Section 25 of the Customs Act, 1962 being amended 80 also omit the requirement of publishing and offering for sale on the date of its issue, by the Directorate of Publicity and Public Relations of CBEC, of notification issued for publication in the official gazette.
	Sections 28, 47, 51 and 156 of the Customs Act, 1962 being amended so as provide for deferred payment of customs duties to certain class of importers and exporters and to increase the limitation period from one year to two year in cases not involving fraud, suppression of facts, wilful mis-statement, etc.
	New section 58A being inserted to provide for a new class of warehouses which require continued physical control and will be licensed for storing revenue sensitive goods. New section 58B being inserted so as to regulate the process of cancellation of licences which is a necessary concomitant of licencing.
	Section 65 being amended to delete the payment of fees to Customs for supervision of manufacturing facilities under Bond; and empower Principal Commissioner or Commissioner of Customs to licence such facilities.
	THE CUSTOMS TARIFF ACT, 1975
	The First Schedule to the Customs Tariff Act, 1975 being amended so as to include editorial changes in the Harmonized System of Nomenclature (HSN) in certain chapters to be effective from 01.01.2017.
	The First Schedule to the Customs Tariff Act, 1975 being amended so as to: a) prescribe separate tariff lines for laboratory created or laboratory grown or manmade or cultured or synthetic diamonds; b) substitute Tariff line 5801 39 10 with description “Warp pile fabrics, uncut” in place of tariff line 5801 37 11 [with description Warp pile fabrics ‘epingle’ uncut velvet] and 5801 37 19 [with description Warp pile fabrics ‘epingle’ uncut other]; c) delete Tariff line 8525 50 50, relating to Wireless microphone; d) to amend supplementary notes (e) and (f) of Chapter 27 so as to change the reference: from IS:1460:2000 to IS:1460:2005 for high speed diesel (HSD) and from IS:1460 to IS: 15770:2008 for light diesel oil (LDO)

	THE CENTRAL EXCISE ACT, 1944
	Section 5A being amended, so as to omit the requirement of publishing and offering for sale on the date of issue, by the Directorate of Publicity and Public Relations of CBEC, of notifications issued for publication in the Official Gazette.
	Section 11A of the Central Excise Act, 1944 being amended so as to increase the limitation period from one to two years in cases not involving fraud, suppression, etc.
	Section 37B of the Central Excise Act, 1944 being amended so as to empower the Board for implementation of any other provision of the said Act in addition to the power to issue orders, instructions and directions.
	The Third Schedule to the Central Excise Act, 1944 being amended so as to include therein: 1) All goods falling under heading 3401 and 3402; 2) Aluminium foils of a thickness not exceeding 0.2 mm; 3) Wrist wearable devices (commonly known as ‘smart watches’); and 4) Accessories of motor vehicle and certain other specified goods.
	THE CENTRAL EXCISE TARIFF ACT, 1985
	The First and Second Schedules to the Central Excise Tariff Act, 1985 being amended so as to include editorial changes in the Harmonized System of Nomenclature (HSN) in certain chapters to be effective from 01.01.2017.
	the First Schedule to the Central Excise Tariff Act, 1985 being amended so as: a) to prescribe separate tariff lines for laboratory created or laboratory grown or manmade or cultured or synthetic diamonds; b) to substitute Tariff line 5801 39 10 with description “Warp pile fabrics, uncut” in place of tariff line 5801 37 11 [with description Warp pile fabrics ‘epingle’ uncut velvet] and 5801 37 19 [with description Warp pile fabrics ‘epingle’ uncut other]; c) to delete Tariff line 8525 50 50, relating to Wireless microphone; d) to amend supplementary notes (e) and (f) of Chapter 27 so as to change the reference from IS:1460:2000 to IS:1460:2005 for high speed diesel (HSD) and from IS:1460 to IS: 15770:2008 for light diesel oil (LDO).

	THE FINANCE ACT, 1994 [SERVICE TAX]
	Section 73, being amended so as to increase the limitation period from 18 months to 30 months for short levy/non levy/short payment/non-payment/erroneous refund of service tax, with effect from date of enforcement of Finance Bill, 2016.
	THE CENTRAL SALES ACT, 1956
	Section 3 of the Central Sales Tax Act, 1956 being amended so as to insert an explanation: *Explanation*.- Where the gas sold or purchased and transported through a common carrier pipeline or any other common transport distribution systems becomes co-mingled and fungible with other gas in the pipeline or system and such gas is introduced into the pipeline or system in one State and is taken out from the pipeline in another State, such sale or purchase of gas shall be deemed to be a movement of goods from one state to another.
	THE CENTRAL ROAD FUND ACT, 2000
	Section 10 of the Central Road Fund Act, 2000, being amended so as to substitute clause (viii) of subsection (1) to provide a formula for redistribution of the cess for different purposes.
	THE PREVENTION OF MONEY LAUNDERING ACT, 2002, THE SMUGGLERS AND FOREIGN EXCHANGE MANIPULATORS (FORFEITURE OF PROPERTY ACT, 1976 and NARCOTICS DRUGS AND PSYCHOTROPIC SUBSTANCES ACT, 1985
	The three Tribunals established under these Acts being merged and being provided that Appellate Tribunal established under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 shall be the appellate Tribunal for hearing the appeals against the orders made under all these three Acts.
	THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999
	Section 14A in the Foreign Exchange Management Act [FEMA], 1999 being inserted to incorporate provisions contained under the Second Schedule appended to the Income-tax Act, 1961, so as to empower an officer not below the rank of Assistant Director to recover arrears of penalty under the FEMA 1999 by exercising the powers conferred under the Income-tax Act, 1961.
	MISCELLANEOUS
	Various notifications pertaining to Advance Licence and Duty Free Import Authorization Schemes being amended to retrospectively correct the reference to “section 8” of the Customs Tariff Act, 1975 in such notifications to “section 8B” so as to

	clearly provide that exemption from safeguard duty under section 8B is available under these notifications on imports under Advance Licence and Duty Free Import Authorization Schemes.
	RULES & NOTIFICATIONS UNDER THE CUSTOMS ACT, 1962
	Existing Baggage Rules, 1998 being substituted with Baggage Rules, 2016 so as to simplify and rationalize multiple slabs of duty free allowance available to various categories of passengers.
	Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996 being simplified.
	REGULATIONS MADE UNDER THE CUSTOMS ACT, 1962
	The Customs Baggage Declaration Regulations, 2013 being amended to provide that baggage declaration will have to be filed only by passengers who carry dutiable or prohibited goods.