FINANCE BILL, 2018

PROVISIONS RELATING TO DIRECT TAXES

Introduction

The provisions of Finance Bill, 2018 relating to direct taxes seek to amend the Income-tax Act, 1961 (hereafter referred to as 'the Act') to continue to provide momentum to the buoyancy in direct taxes through deepening and widening of the tax base, reducing the corporate tax rate for micro, small and medium enterprises, promoting horizontal equity in personal income-tax and enhancing the effectiveness, transparency and accountability of the tax administration.

With a view to achieving the above, the various proposals for amendments are organised under the following heads:—

(A) Rates of income-tax

(B) Widening and deepening of tax base

(C) Measures for promoting equity

(D) Tax incentives

(E) Facilitating insolvency resolution

(F) Improving effectiveness of tax administration

(G) Rationalisation Measures

(H) Miscellaneous

DIRECT TAXES
A. RATES OF INCOME-TAX

I. Rates of income-tax in respect of income liable to tax for the assessment year 2018-19.

In respect of income of all categories of assessees liable to tax for the assessment year 2018-19, the rates of income-tax have been specified in Part I of the First Schedule to the Bill. These are the same as those laid down in Part III of the First Schedule to the Finance Act, 2017 for the purposes of computation of “advance tax”, deduction of tax at source from “Salaries” and charging of tax payable in certain cases.

(1) Surcharge on income-tax

The amount of income-tax shall be increased by a surcharge for the purposes of the Union,—

(a) in the case of every individual or Hindu undivided family or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act,—

  (i) at the rate of ten per cent. of such tax, where the income or the aggregate of income paid or likely to be paid and subject to deduction exceeds fifty lakh rupees but does not exceed one crore rupees, and

  (ii) at the rate of fifteen per cent. of such tax, where the income or the aggregate of income paid or likely to be paid and subject to deduction exceeds one crore rupees;

  (iii) surcharge will also be levied at the appropriate rates in cases where these persons are liable to tax under section 115JC of the Act.

(b) in the case of cooperative societies, firms or local authorities having total income exceeding one crore rupees, surcharge will be levied at the rate of twelve per cent. of income-tax payable on total income. In the case of such persons having total income chargeable to tax under section 115JC of the Act and such income exceeds one crore rupees, surcharge at the rate of twelve per cent. shall be levied.

(c) in the case of a domestic company,—

(i) having total income exceeding one crore rupees but not exceeding ten crore rupees, the amount of income-tax computed shall be increased by a surcharge for the purposes of the Union calculated at the rate of seven per cent. of such income tax;

(ii) having total income exceeding ten crore rupees, the amount of income-tax computed shall be increased by a surcharge for the purposes of the Union calculated at the rate of twelve per cent. of such income-tax; and

(iii) surcharge will also be levied at the appropriate rates in cases where the company is liable to tax under section 115JB of the Act.

(d) in the case of a company, other than a domestic company,—

(i) having total income exceeding one crore rupees but not exceeding ten crore rupees, the amount of income-tax computed shall be increased by a surcharge for the purposes of the Union calculated at the rate of two per cent. of such income tax;

(ii) having total income exceeding ten crore rupees, the amount of income-tax computed shall be increased by a surcharge for the purposes of the Union calculated at the rate of five per cent. of such income tax; and

(iii) surcharge will also be levied at the appropriate rates in cases where the company is liable to tax under section 115JB of the Act.

(e) In other cases (including sections 115-O, 115QA, 115R, 115TA or 115TD), the surcharge shall be levied at the rate of twelve per cent..

(2) Marginal Relief—

Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

(3) Education Cess—

For assessment year 2018-19, additional surcharge by way of “Education Cess on income-tax” and “Secondary and Higher Education Cess on income-tax” shall continue to be levied at the rate of two per cent. and one per cent., respectively, on the amount of tax computed, inclusive of surcharge, in all cases. No marginal relief shall be available in respect of such cesses.

II. Rates for deduction of income-tax at source during the financial year 2018-19 from certain incomes other than “Salaries”.

The rates for deduction of income-tax at source during the financial year 2018-19 from certain incomes other than “Salaries” have been specified in Part II of the First Schedule to the Bill. The rates for all the categories of persons will remain the same as those specified in Part II of the First Schedule to the Finance Act, 2017, for the purposes of deduction of income-tax at source during the financial year 2017-18. However, in case of long-term capital gain referred to in section 112A of the Act, tax shall now be deducted at source at the rate of 10 per cent..

(1) Surcharge—

The amount of tax so deducted, in the case of a non-resident person (other than a company), shall be increased by a surcharge,—

(a) in case of an individual, Hindu undivided family, association of person, body of individual or artificial juridical person;

(i) at the rate of ten per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds fifty lakh rupees but does not exceed one crore rupees;

(ii) at the rate of fifteen per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees; and

(b) in case of a firm or cooperative society, at the rate of twelve per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees.

The amount of tax so deducted, in the case of a company other than a domestic company, shall be increased by a surcharge,—

(a) at the rate of two per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees but does not exceed ten crore rupees;

(b) at the rate of five per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds ten crore rupees.

No surcharge will be levied on deductions in other cases.

(2) Education Cess—

"Education Cess on income-tax" and "Secondary and Higher Education Cess on income-tax" shall be discontinued. However, a new cess, by the name of "Health and Education Cess" shall be levied at the rate of four per cent. of income tax including surcharge wherever applicable, in the cases of persons not resident in India including company other than a domestic company.

III. Rates for deduction of income-tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 2018-19.

The rates for deduction of income-tax at source from "Salaries" during the financial year 2018-19 and also for computation of "advance tax" payable during the said year in the case of all categories of assessees have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for charging income-tax during the financial year 2018-19 on current incomes in cases where accelerated assessments have to be made, for instance, provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year, assessment of persons who are likely to transfer property to avoid tax, assessment of bodies formed for a short duration, etc. The salient features of the rates specified in the said Part III are indicated in the following paragraphs-

A. Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person.

Paragraph A of Part-III of First Schedule to the Bill provides following rates of income-tax:—

(i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or Hindu undivided family or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act (not being a case to which any other Paragraph of Part III applies) are as under:—

Upto Rs. 2,50,000	Nil.
Rs. 2,50,001 to Rs. 5,00,000	5 per cent..
Rs. 5,00,001 to Rs. 10,00,000	20 per cent..
Above Rs. 10,00,000	30 per cent..

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,—

Upto Rs.3,00,000	Nil.
Rs. 3,00,001 to Rs. 5,00,000	5 per cent..
Rs. 5,00,001 to Rs. 10,00,000	20 per cent..
Above Rs. 10,00,000	30 per cent..

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

Upto Rs. 5,00,000	Nil.
Rs. 5,00,001 to Rs. 10,00,000	20 per cent..
Above Rs. 10,00,000	30 per cent..

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge at the rate of,—

(i) ten per cent. of such income-tax in case of a person having a total income exceeding fifty lakh rupees but not exceeding one crore rupees; and

(ii) fifteen per cent. of such income-tax in case of a person having a total income exceeding one crore rupees.

However, in case of (i) above, the total amount payable as income-tax and surcharge on total income exceeding fifty lakh rupees but not exceeding one crore rupees, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a total income of fifty lakh rupees by more than the amount of income that exceeds fifty lakh rupees.

Further, in case of (ii) above, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax and surcharge on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part III of the First Schedule to the Bill. These rates will continue to be the same as those specified for financial year 2017-18. The amount of income-tax shall be increased by a surcharge at the rate of twelve per cent. of such income-tax in case of a co-operative society having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for financial year 2017-18. The amount of income-tax shall be increased by a surcharge at the rate of twelve per cent. of such income-tax in case of a firm having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

D. Local authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for the financial year 2017-18. The amount of income-tax shall be increased by a surcharge at the rate of twelve per cent. of such income-tax in case of a local authority having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

E. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part III of the First Schedule to the Bill. In case of domestic company, the rate of income-tax shall be twenty five per cent. of the total income if the total turnover or gross receipts of the previous year 2016-17 does not exceed two hundred and fifty crore rupees and in all other cases the rate of Income-tax shall be thirty per cent. of the total income. In the case of company other than domestic company, the rates of tax are the same as those specified for the financial year 2017-18. Surcharge at the rate of seven per cent. shall continue to be levied in case of a domestic company if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of twelve per cent. shall continue to be levied if the total income of the domestic company exceeds ten crore rupees. In case of companies other than domestic companies, the existing surcharge of two per cent. shall continue to be levied if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of five per cent. shall continue to be levied if the total income of the company other than domestic company exceeds ten crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees but not exceeding ten crore rupees, shall not exceed the total amount payable as income-tax on a total income of one crore rupees, by more than the amount of income that exceeds one crore rupees. The total amount payable as income-tax and surcharge on total income exceeding ten crore rupees, shall not exceed the total amount payable as income-tax and surcharge on a total income of ten crore rupees, by more than the amount of income that exceeds ten crore rupees.

In other cases (including sections 115-O, 115QA, 115R, 115TA or 115TD), the surcharge shall be levied at the rate of twelve per cent..

For financial year 2018-19, additional surcharge called the “Health and Education Cess on income-tax” shall be levied at the rate of four per cent. on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such cess.

[Clause 2 & First Schedule]

B. WIDENING AND DEEPENING OF TAX BASE

Entities to apply for Permanent Account Number in certain cases

Section 139A *inter-alia* provides that every person specified therein and who has not been allotted a permanent account number shall apply to the Assessing Officer for allotment of a Permanent Account Number (PAN).

In order to use PAN as Unique Entity Number (UEN) for non-individual entities, it is proposed that every person, not being an individual, which enters into a financial transaction of an amount aggregating to two lakh and fifty thousand rupees or more in a financial year shall be required to apply to the Assessing Officer for allotment of PAN.

In order to link the financial transactions with the natural persons, it is also proposed that the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer or any person competent to act on behalf of such entities shall also apply to the Assessing Officer for allotment of PAN.

This amendment will take effect from Ist April, 2018.

[Clause 42]

Widening of scope of Accumulated profits for the purposes of Dividend

Section 2 of the Act defines various terms used in the Act. Clause (22) of the said section defines "dividend" to include distribution of accumulated profits (whether capitalized or not) to its shareholders by a company, whether it is in the nature of,—

(a) release of all or any of its assets,

(b) issue of debentures in any form (with or without interest) or distribution of bonus to its preference shareholders,

(c) distribution of proceeds on liquidation,

(d) on the reduction of capital, or

(e) in the case of an unlisted company, any loan or advance given to a shareholder having shareholding of 10% or above, or to a concern in which such shareholder holds substantial interest (exceeding 20% of shareholding or interest) or any payment by such company on behalf of or for the individual benefit of such shareholder.

Explanation 2 to the said clause provides the definition of the term 'accumulated profits' for the purposes of the said clause, as all profits of the company up to the date of distribution or payment or liquidation, subject to certain conditions.

Instances have come to light whereby companies are resorting to abusive arrangements in order to escape liability of paying tax on distributed profits. Under such arrangements, companies with large accumulated profits adopt the amalgamation route to reduce capital and circumvent the provisions of sub-clause (d) of clause (22) of section 2 of the Act. With a view to preventing such abusive arrangements and similar other abusive arrangements, it is proposed to insert a new Explanation 2A in clause (22) of section 2 of the Act to widen the scope of the term 'accumulated profits' so as to provide that in the case of an amalgamated company, accumulated profits, whether capitalised or not, or losses as the case may be, shall be increased by the accumulated profits of the amalgamating company, whether capitalized or not, on the date of amalgamation.

This amendment will take effect from 1st April, 2018 and will accordingly apply in relation to assessment year 2018-19 and subsequent assessment years.

[Clause 3]

Application of Dividend Distribution Tax to Deemed Dividend

At present dividend distributed by a domestic company is subject to dividend distribution tax payable by such company. However, deemed dividend under sub-clause (e) of clause (22) of section of 2 the Act is taxed in the hands of the recipient at the applicable marginal rate. The taxability of deemed dividend in the hands of recipient has posed serious problem of the collection of the tax liability and has also been the subject matter of extensive litigation.

With a view to bringing clarity and certainty in the taxation of deemed dividends, it is proposed to delete the Explanation to Chapter XII-D occurring after section 115Q of the Act so as to bring deemed dividends also under the scope of dividend distribution tax under section 115-O. Further, such deemed dividend is proposed to be taxed at the rate of 30 per cent. (without grossing up) in order to prevent camouflaging dividend in various ways such as loans and advances.

This amendment relating to imposition of dividend distribution tax on deemed dividend will apply to transactions referred to in sub-clause (e) of clause (22) of section 2 of the Act undertaken on or after 1st April, 2018.

[Clause 38 & 39]

New regime for taxation of long-term capital gains on sale of equity shares etc.

Under the existing regime, long term capital gains arising from transfer of long term capital assets, being equity shares of a company or an unit of equity oriented fund or an unit of business trusts , is exempt from income-tax under clause (38) of section 10 of the Act. However, transactions in such long term capital assets carried out on a recognized stock exchange are liable to securities transaction tax (STT). Consequently, this regime is inherently biased against manufacturing and has encouraged diversion of investment in financial assets. It has also led to significant erosion in the tax base resulting in revenue loss. The problem has been further compounded by abusive use of tax arbitrage opportunities created by these exemptions.

In order to minimize economic distortions and curb erosion of tax base, it is proposed to withdraw the exemption under clause (38) of section 10 and to introduce a new section 112A in the Act to provide that long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10 per cent. of such capital gains exceeding one lakh rupees .

This concessional rate of 10 per cent. will be applicable to such long term capital gains, if—

i) in a case where long term capital asset is in the nature of an equity share in a company , securities transaction tax has been paid on both acquisition and transfer of such capital asset; and

ii) in a case where long term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust, securities transaction tax has been paid on transfer of such capital asset.

Further, sub-section (4) of the new section 112A empowers the Central Government to specify by notification the nature of acquisitions in respect of which the requirement of payment of securities transaction tax shall not apply in the case of equity share in a company. Similarly, the requirement of payment of STT at the time of transfer of long term capital asset, being a unit of equity oriented fund or a unit of business trust, shall not apply if the transfer is undertaken on recognized stock exchange located in any International Financial Services Centre(IFSC) and the consideration of such transfer is received or receivable in foreign currency.

Further, the new provision of section 112A also proposes to provide the following:—

i) The long term capital gains will be computed without giving effect to the first and second provisos to section 48, i.e. inflation indexation in respect of cost of acquisitions and cost of improvement, if any, and the benefit of computation of capital gains in foreign currency in the case of a non-resident, will not be allowed.

ii) The cost of acquisitions in respect of the long term capital asset acquired by the assessee before the 1st day of February, 2018 , shall be deemed to be the higher of –

   a) the actual cost of acquisition of such asset; and

   b) the lower of –

      (I) the fair market value of such asset; and

      (II) the full value of consideration received or accruing as a result of the transfer of the capital asset.

iii) "equity oriented fund" has been defined to mean a fund set up under a scheme of a mutual fund specified under clause (23D) of section 10 and,—

   a) In a case where the fund invests in the units of another fund which is traded on a recognized stock exchange,-

      (I) A minimum of 90 per cent. of the total proceeds of such funds is invested in the units of such other fund ; and

      (II) such other fund also invests a minimum of 90 per cent. of its total proceeds in the equity shares of domestic companies listed on recognized stock exchange; and

   b) in any other case, a minimum of 65 per cent. of the total proceeds of such fund is invested in the equity shares of domestic companies listed on recognized stock exchange.

iv) Fair market value has been defined to mean –

   a) in a case where the capital asset is listed on any recognized stock exchange, the highest price of the capital asset quoted on such exchange on the 31st day of January, 2018. However, where there is no trading in such asset on such exchange on the 31st day of January, 2018 , the highest price of such asset on such exchange on a date immediately preceding the 31st day of January, 2018 when such asset was traded on such exchange shall be the fair market value; and

   b) in a case where the capital asset is a unit and is not listed on recognized stock exchange, the net asset value of such asset as on the the 31st day of January, 2018.

v) The benefit of deduction under chapter VIA shall be allowed from the gross total income as reduced by such capital gains. Similarly, the rebate under section 87A shall be allowed from the income tax on the total income as reduced by tax payable on such capital gains.

These amendments will take effect from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 5 & 31]

Dividend distribution tax on dividend payouts to unit holders in an equity oriented fund

The existing provisions of section 115R, *inter alia*, provide any amount of income distributed by the specified company or a Mutual Fund to its unit holders shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income at the rate specified in the section. However, in respect of any income distributed to a unit holder of equity oriented funds is not chargeable to tax under the said section.

With a view to providing a level playing field between growth oriented funds and dividend paying funds, in the wake of new capital gains tax regime for unit holders of equity oriented funds, it is proposed to amend the said section to provide that where any income is distributed by a Mutual Fund being, an equity oriented fund, the mutual fund shall be liable to pay additional income-tax at the rate of ten per cent on income so distributed. For this purpose, equity oriented fund will have the same meaning assigned to it in the new section 112A of the Act.

This amendment will take effect from 1st April, 2018.

[Clause 40, 41 & 214]

Taxation of long-term capital gains in the case of Foreign Institutional Investor

The existing provisions of section 115AD of the Act *inter alia*, provide that where the total income of a Foreign Institutional Investor (FII) includes income by way of long-term capital gains arising from the transfer of certain securities, such capital gains shall be chargeable to tax at the rate of ten per cent. However, long term capital gains arising from transfer of long term capital asset being being equity shares of a company or a unit of equity oriented fund or a unit of business trusts, is exempt from income-tax under clause (38) of section 10 of the Act.

Consequent to the proposal for withdrawal of exemption under clause (38) of section 10 of the Act, such long term capital gain will become taxable in the hands of FIIs also. As in the case of domestic investors, the FIIs will also be liable to tax on such long term capital gains only in respect of amount of such gains exceeding one lakh rupees. The provisions of section 115AD are proposed to be amended accordingly.

This amendment will take effect from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 32]

Tax deduction at source and manner of payment in respect of certain exempt entities

The third proviso to clause (23C) of section 10 of the Act provides for exemption in respect of income of the entities referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of said clause in a case where such income is applied or accumulated during the previous year for certain purposes in accordance with the relevant provisions. Section 11 of the Act also contains provisions relating to income from property held for charitable or religious purposes.

At present, there are no restrictions on payments made in cash by charitable or religious trusts or institutions. There are also no checks on whether such trusts or institutions follow the provisions of deduction of tax at source under Chapter XVII-B of the Act. This has led to lack of an audit trail for verification of application of income.

In order to encourage a less cash economy and to reduce the generation and circulation of black money, it is proposed to insert a new Explanation to the section 11 to provide that for the purposes of determining the application of income under the provisions of sub-section (1) of the said section, the provisions of sub-clause (ia) of clause (a) of section 40, and of sub-sections (3) and (3A) of section 40A, shall, *mutatis mutandis*, apply as they apply in computing the income chargeable under the head “Profits and gains of business or profession”.

It is also proposed to insert a similar proviso in clause (23C) of section 10 so as to provide similar restriction as above on the entities exempt under sub-clauses (iv), (v), (vi) or (via) of said clause in respect of application of income.

These amendments will take effect from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent years.

[Clause 5 & 6]

Aligning the scope of “business connection” with modified PE Rule as per Multilateral Instrument (MLI).

Under the existing provisions of Explanation 2 to clause (i) of sub-section (1) of section 9, "business connection" includes business activities carried on by non-resident through dependent agents. The scope of "business connection" under the Act is similar to the provisions relating to Dependent Agent Permanent Establishment (DAPE) in India’s Double Taxation Avoidance Agreements (DTAAs). In terms of the DAPE rules in tax treaties, if any person acting on behalf of the non-resident, is habitually authorised to conclude contracts for the non-resident, then such agent would constitute a PE in the source country. However, in many cases, with a view to avoid establishing a permanent establishment (hereafter referred to as 'PE') under Article 5(5) of the DTAA, the person acting on the behalf of the non-resident, negotiates the contract but does not conclude the contract. Further, under paragraph 4 of Article 5 of the DTAAs, a PE is deemed not to exist when a place of business is engaged solely in certain activities such as maintenance of stocks of goods for storage, display, delivery or processing, purchasing of goods or merchandise, collection of information. This exclusion applies only when these activities are preparatory or auxiliary in relation to the business as a whole.

The OECD under BEPS Action Plan 7 reviewed the definition of 'PE' with a view to preventing avoidance of payment of tax by circumventing the existing PE definition by way of commissionaire arrangements or fragmentation of business activities. In order to tackle such tax avoidance scheme, the BEPS Action plan 7 recommended modifications to paragraph (5) of Article 5 to provide that an agent would include not only a person who habitually concludes contracts on behalf of the non-resident, but also a person who habitually plays a principal role leading to the conclusion of contracts. Similarly Action Plan 7 also recommends the introduction of an anti fragmentation rule as per paragraph 4.1 of Article 5 of OECD Model tax conventions, 2017 so as to prevent the tax payer from resorting to fragmentation of functions which are otherwise a whole activity in order to avail the benefit of exemption under paragraph 4 of Article 5 of DTAAs.

Further, with a view to preventing base erosion and profit shifting, the recommendations under BEPS Action Plan 7 have now been included in Article 12 of Multilateral Convention to Implement Tax Treaty Related Measures (herein referred to as 'MLI'), to which India is also a signatory. Consequently, these provisions will automatically modify India's bilateral tax treaties covered by MLI, where treaty partner has also opted for Article 12. As a result , the DAPE provisions in Article 5(5) of India's tax treaties, as modified by MLI, shall become wider in scope than the current provisions in Explanation 2 to section 9(1)(i). Similarly, the anti-fragmentation rule introduced as per paragraph 4.1 of Article 5 of the OECD Model Tax Conventions, 2017 has narrowed the scope of the exception under Article 5(4), thereby expanding the scope of PE in DTAA vis-a-vis domestic provisions contained in Explanation 2 to section 9(1)(i). In effect, the relevant provisions in the DTAAs are wider in scope than the domestic law. However, sub-section (2) of section 90 of the Act provides that the provisions of the domestic law would prevail over corresponding provisions in the DTAAs, to the extent they are beneficial. Since, in the instant situations, the provisions of the domestic law being narrower in scope are more beneficial than the provisions in the DTAAs, as modified by MLI, such wider provisions in the DTAAs are ineffective.

In view of the above, it is proposed to amend the provision of section 9 of the Act so as to align them with the provisions in the DTAA as modified by MLI so as to make the provisions in the treaty effective. Accordingly, clause (i) of sub-section (1) of section 9 is being proposed to be amended to provide that " business connection" shall also include any business activities carried through a person who, acting on behalf of the non-resident, habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by the non-resident . It is further proposed that the contracts should be-

(i) in the name of the non-resident; or

(ii) for the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that the non-resident has the right to use; or

(iii) for the provision of services by that non-resident.

This amendment will take effect from 1st April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent assessment years.

[Clause 4]

"Business connection" to include "Significant Economic presence"

"The oranges upon the trees in California are not acquired wealth until they are picked, not even at that stage until they are packed, and not even at that stage until they are transported to the place where demand exists and until they are put where the consumer can use them. These stages, upto the point where wealth reached fruition, may be shared in by different territorial authorities." (excerpts from a report on double taxation submitted to League of Nations in early 1920s)

Accordingly, both the residence and source countries claim the right to taxation.

Taxation of business profits on the basis of economic allegiance has always been the underlying basis of existing international taxation rules. Economists gave primacy to the economic allegiance rather than physical location and made it clear that physical presence was important only to the extent it represented the economic location.

Ordinarily, as per the allocation of taxing rules under Article 7 of DTAAs, business profit of an enterprise is taxable in the country in which the taxpayer is a resident. If an enterprise carries on its business in another country through a 'Permanent Establishment' situated therin, such other country may also tax the business profits attributable to the 'Permant Establishment'. For this purpose, 'Permanent Establishment' means a 'fixed place of business' through which the business of an enterprise is wholly or partly carried out provided that the business activities are not of preparatory or auxiliary in nature and such business activities are not carried out by a dependent agent.

For a long time, nexus based on physical presence was used as a proxy to regular economic allegiance of a non-resident. However, with the advancement in information and communication technology in the last few decades, new business models operating remotely through digital medium have emerged. Under these new business models, the non-resident enterprises interact with customers in another country without having any physical presence in that country resulting in avoidance of taxation in the source country. Therefore, the existing nexus rule based on physical presence do not hold good anymore for taxation of business profits in source country. As a result, the rights of the source country to tax business profits that are derived from its economy is unfairly and unreasonably eroded.

OECD under its BEPS Action Plan 1 addressed the tax challenges in a digital economy wherein it has discussed several options to tackle the direct tax challenges arising in digital businesses. One such option is a new nexus rule based on "significant economic presence". As per the Action Plan 1 Report, a non-resident enterprise would create a taxable presence in a country if it has a significance economic presence in that country on the basis of factors that have a purposeful and sustained interaction

with the economy by the aid of technology and other automated tools. It further recommended that revenue factor may be used in combination with the aforesaid factors to determine 'significance economic presence'.

The scope of existing provisions of clause (i) of sub-section (1) of section 9 is restrictive as it essentially provides for physical presence based nexus rule for taxation of business income of the non-resident in India. Explanation 2 to the said section which defines 'business connection' is also narrow in its scope since it limits the taxability of certain activities or transactions of non-resident to those carried out through a dependent agent. Therefore, emerging business models such as digitized businesses, which do not require physical presence of itself or any agent in India, is not covered within the scope of clause (i) of sub-section (1) of section 9 of the Act.

In view of the above, it is proposed to amend clause (i) of sub-section (1) of section 9 of the Act to provide that'significant economic presence' in India shall also constitute 'business connection'. Further, "significant economic presence" for this purpose ,shall mean-

(i) any transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India if the aggregate of payments arising from such transaction or transactions during the previous year exceeds the amount as may be prescribed; or

(ii) systematic and continuous soliciting of its business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means.

It is further proposed to provide that only so much of income as is attributable to such transactions or activities shall be deemed to accrue or arise in India. It is further proposed to provide that the transactions or activities shall constitute significant economic presence in India, whether or not the non-resident has a residence or place of business in India or renders services in India.

The proposed amendment in the domestic law will enable India to negotiate for inclusion of the new nexus rule in the form of 'significant economic presence' in the Double Taxation Avoidance Agreements. It may be clarified that the aforesaid conditions stated above are mutually exclusive. The threshold of "revenue" and the "users" in India will be decided after consultation with the stakeholders. Further, it is also clarified that unless corresponding modifications to PE rules are made in the DTAAs, the cross border business profits will continue to be taxed as per the existing treaty rules.

This amendment will take effect from 1st April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent assessment years.

[Clause 4]

Taxability of compensation in connection to business or employment

Under the existing provisions of the Act, certain types of compensation receipts are taxable as business income under section 28. However, the existing provisions of clause (ii) of section 28 is restrictive in its scope as far as taxation of compensation is concerned; a large segment of compensation receipts in connection with business and employment is out of the purview of taxation leading to base erosion and revenue loss.

Therefore, it is proposed to amend section 28 of the Act to provide that any compensation received or receivable, whether revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its business shall be taxable as business income. It is further proposed that any compensation received or receivable, whether in the nature of revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its employment shall be taxable under section 56 of the Act.

These amendments will take effect from 1st April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent assessment years.

[Clause 3, 9 & 21]

Presumptive income under section 44AE in case of goods carriage

Section 44AE, *inter alia* provides that, the profits and gains shall be deemed to be an amount equal to seven thousand five hundred rupees per month or part of a month for each goods carriage or the amount claimed to be actually earned by the assessee, whichever is higher. The current presumptive income scheme is applicable uniformly to all classes of goods carriages irrespective of their tonnage capacity. The only condition which needs to be fulfilled is that the assessee should not have owned more than 10 goods carriages at any time during the previous year. Accordingly, the transporters who owns (less than 10) large capacity/ size goods carriages are also availing the benefit of section 44AE. It is necessary to mention here that the legislative intent of introducing this provision was to give benefit to small transporters in order to reduce their compliance burden. Even though the profit margins of large capacity goods carriages are higher than small capacity goods carriages, the tax consequences are similar which is against the principle of tax equity.

In view of the above, it is proposed to amend the section 44AE of the Act to provide that, in the case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would deemed to be an amount equal to one thousand rupees per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of a month for each goods vehicle or the amount claimed to be actually earned by the assessee, whichever is higher. The vehicles other than heavy goods vehicle will continue to be taxed as per the existing rates.

These amendments will take effect 1st April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent assessment years.

[Clause 16]

C. MEASURES FOR PROMOTING EQUITY

Several changes have also been introduced to improve the horizontal equity of the tax system by providing relief to certain section of the society, in particular, senior citizens and the salaried tax payers, keeping in view their personal circumstances like health, fixed source of income and higher cost of incidental expenses relating to employment. These changes are discussed in the following paragraphs.

Deductions available to senior citizens in respect of health insurance premium and medical treatment

Section 80D, *inter-alia*, provides that a deduction upto Rs 30,000/- shall be allowed to an assessee, being an individual or a Hindu undivided family, in respect of payments towards annual premium on health insurance policy, or preventive health check-up, of a senior citizen, or medical expenditure in respect of very senior citzen. It is proposed to amend section 80D so as to raise this monetary limit of deduction from Rs 30,000/- to Rs 50,000/-.

In case of single premium health insurance policies having cover of more than one year, it is proposed that the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specified monetary limit. .

These amendments will take effect, from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 24]

Enhanced deduction to senior citizens for medical treatment of specified diseases

Section 80DDB of the Act, *inter-alia*, provide that a deduction is available to an individual and Hindu undivided family with regard to amount paid for medical treatment of specified diseases in respect of very senior citizen upto Rs 80,000/- and in case of senior citizens upto Rs 60,000/- subject to specified conditions. It is proposed to amend the provisions of section 80DDB of the Act so as to raise this monetary limit of deduction to Rs 1,00,000/- for both senior citizens and very senior citizens.

This amendment will take effect, from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 25]

Deduction in respect of interest income to senior citizen

At present, a deduction upto Rs 10,000/- is allowed under section 80TTA to an assessee in respect of interest income from savings account. It is proposed to insert a new section 80TTB so as to allow a deduction upto Rs 50,000/- in respect of interest income from deposits held by senior citizens. However, no deduction under section 80TTA shall be allowed in these cases.

This amendment will take effect from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

It is also proposed to amend section 194A so as to raise the threshold for deduction of tax at source on interest income for senior citizens from Rs 10,000/- to Rs 50,000/-.

This amendment will take effect, from 1st April, 2018.

[Clause 29, 30 & 47]

Standard deduction on salary income

Section 16, inter-alia, provides for certain deduction in computing income chargeable under the head “Salaries”. it is proposed to allow a standard deduction upto Rs 40,000/- or the amount of salary received, whichever is less. Consequently the present

exemption in respect of Transport Allowance (except in case of differently abled persons) and reimbursement of medical expenses is proposed to be withdrawn.

These amendments will take effect from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 7 & 8]

D. TAX INCENTIVES

Deduction in respect of income of Farm Producer Companies

Section 80P provides for 100 percent deduction in respect of profit of cooperative society which provide assistance to its members engaged in primary agricultural activities.

It is proposed to extend similar benefit to Farm Producer Companies (FPC), having a total turnover upto Rs 100 Crore, whose gross total income includes any income from-

(i) the marketing of agricultural produce grown by its members, or

(ii) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or

(iii) the processing of the agricultural produce of its members

The benefit shall be available for a period of five years from the financial year 2018-19.

This amendment will take effect from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 28]

Meassures to promote start-ups

Section 80-IAC of the Act, *inter alia*, provides that deduction under this section shall be available to an eligible start-up for three consecutive assessment years out of seven years at the option of the assessee, if-

(i) it is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2019;

(ii) the total turnover of its business does not exceed twenty-five crore rupees in any of the previous years beginning on or after the 1st day of April, 2016 and ending on the 31st day of March, 2021; and

(iii) it is engaged in the eligible business which involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

In order to improve the effectiveness of the scheme for promoting start ups in India, it is proposed to make following changes in the taxation regime for the start ups:—

(i) The benefit would also be available to start ups incorporated on or after the 1st day of April 2019 but before the 1st day of April, 2021;

(ii) The requirement of the turnover not exceeding Rs 25 Crore would apply to seven previous years commencing from the date of incorporation;

(iii) The definition of eligible business has been expanded to provide that the benefit would be available if it is engaged in innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation.

The amendment will take effect, from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent assessment years.

[Clause 26]

Meassures to promote International Financial Services Centre (IFSC)

Section 47 of the Act provides for tax neutrality relating to certain transfer.

In order to promote the development of world class financial infrastructure in India, it is proposed to amend the section 47 of the Act so as to provide that transactions in the following assets, by a non-resident on a recognized stock exchange located in any International Financial Services Centre shall not be regarded as transfer, if the consideration is paid or payable in foreign currency:—

(i) bond or Global Depository Receipt, as referred to in sub-section (1) of section 115AC; or

(ii) rupee denominated bond of an Indian company; or

(iii) derivative.

This amendment will take effect, from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

Section 115JC of the Act provides for alternate minimum tax at the rate of 18.50 percent. of adjusted total income in the case of a non-corporate person.

In order to promote the development of world class financial infrastructure in India, it is further proposed to amend the section 115JC so as to provide that in case of a unit located in an International Financial Service Center, the alternate minimum tax under section 115JC shall be charged at the rate of 9 percent.

Consequential amendment in section 115JF is also proposed to be made.

This amendment will take effect, from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 17, 36 & 37]

Incentive for employment generation

At present, under section 80-JJAA of the Act, a deduction of 30% is allowed in addition to normal deduction of 100% in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year. However, the minimum period of employment is relaxed to 150 days in the case of apparel industry. In order to encourage creation of new employment, it is proposed to extend this relaxation to footwear and leather industry.

Further, it is also proposed to rationalize this deduction of 30% by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.

This amendment will take effect, from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 27]

Tax treatment of transactions in respect of trading in agricultural commodity derivatives

Clause (5) of section 43 defines speculative transaction. The proviso to the said clause, however, stipulates certain transactions to be non-speculative nature even though the contracts are settled otherwise than by the actual delivery or transfer of the commodity or scraps. The clause (e) to the said proviso provides that trading in commodity derivatives carried out in a recognised stock exchange, which is chargeable to commodity transaction tax is a non-speculative transaction.

Commodity transaction tax (CTT) was introduced vide Finance Act'2013 to bring transactions relating to non-agricultural commodity derivatives under the tax net while keeping the agricultural commodity derivatives exempt from CTT. Since no CTT is paid, the benefit of clause (e) of the proviso to clause (5) of the section 43 is not available to transaction in respect of trading of agricultural commodity derivatives and accordingly, such transactions are held to be speculative transactions.

In order to encourage participation in trading of agricultural commodity derivatives, it is proposed to amend the provisions of clause (5) of section 43 to provide that a transaction in respect of trading of agricultural commodity derivatives, which is not chargeable to CTT, in a registered stock exchange or registered association, will be treated as non-speculative transaction.

These amendments will take effect from 1st April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent assessment years.

[Clause 12]

Exemption of income of Foreign Company from sale of leftover stock of crude oil on termination of agreement or arrangement

Clause (48A) of section 10 provides that any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall be exempt, if-

(i) storage and sale is pursuant to an agreement or an arrangement entered into or approved, by the Central Government; and

(ii) having regard to the national interest, the foreign company and the agreement or arrangement are notified by the Central Government.

Further clause (48B) of section 10 provides that any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil after the expiry of the agreement or arrangement shall be exempt subject to such conditions as may be notified by the Central Government.

The benefit of exemption is presently not available on sale out of the leftover stock of crude in case of termination of the said agreement or the arrangement.

Given the strategic nature of the project benefitting India to augment its strategic petroleum reserves, it is proposed to amend clause (48B) of section 10 to provide that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.

This amendment will take effect from 1st of April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent years.

[Clause 5]

Royalty and FTS payment by NTRO to a non-resident to be tax-exempt

Section 195 requires a person to deduct tax at the time of payment or credit to a non-resident.

Given the business exigencies of the National Technical Research Organisation (NTRO), it is proposed to amend section 10 so as to provide that the income arising to non-resident, not being a company, or a foreign company, by way of royalty from, or fees for technical services rendered in or outside India to, the NTRO will be exempt from income tax.

Consequently, NTRO will not be required to deduct tax at source on such payments.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to assessment year 2018-19 and subsequent assessment years.

[Clause 5]

E. FACILITATING INSOLVENCY RESOLUTION

Relief from liability of Minimum Alternate Tax (MAT)

Section 115JB of the Act, provides for levy of a minimum alternate tax (MAT) on the “book profits” of a company. In computing the book profit , it provides, inter alia, for a deduction in respect of the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account. Consequently, where the loss brought forward or unabsorbed depreciation is Nil, no deduction is allowed. This non-deduction is a barrier to rehabilitating companies seeking insolvency resolution.

In view of the above, it is proposed to amend section 115JB to provide that the aggregate amount of unabsorbed depreciation and loss brought forward (excluding unabsorbed depreciation) shall be allowed to be reduced from the book profit, if a company’s application for corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 has been admitted by the Adjudicating Authority.

Consequently, a company whose application has been admitted would henceforth be entitled to reduce the loss brought forward (excluding unabsorbed depreciation) and unabsorbed depreciation for the purposes of computing book profit under section 115JB.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent assessment years.

A clarificatory amendment is also proposed in section 115JB of the Act to provide that the provisions of section 115JB of the Act shall not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, if- its total income comprises solely of profits and gains from business referred to in section 44B or section 44BB or section 44BBA or section 44BBB and such income has been offered to tax at the rates specified in the said sections.

This amendment will take effect, retrospectively from 1st April, 2001 and will, accordingly, apply in relation to the assessment year 2001-02 and subsequent assessment years.

[Clause 35]

Benefit of carry forward and set off of losses

Section 79 of Act provides that carry forward and set off of losses in a closely held company shall be allowed only if there is a continuity in the beneficial owner of the shares carrying not less than 51 percent. of the voting power, on the last day of the year or years in which the loss was incurred.

In general, the case of a company seeking insolvency resolution under Insolvency and Bankruptcy Code, 2016, involves change in the beneficial owners of shares beyond the permissible limit under section 79. This acts as a hurdle for restructuring and rehabilitation of such companies.

In order to address this problem, it is proposed to relax the rigors of section 79 in case of such companies, whose resolution plan has been approved under the Insolvency and Bankruptcy Code, 2016, after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to assessment year 2018-19 and subsequent assessment years.

It is also proposed to amend section 140 of the Act so as to provide that during the resolution process under the Insolvency and Bankruptcy Code, 2016, the return shall be verified by an insolvency professional appointed by the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016.

This amendment will take effect from 1st April, 2018 and will, accordingly apply to return filed on or after the said date.

[Clause 22 & 43]

F. IMPROVING EFFECTIVENESS OF TAX ADMINISTRATION

New scheme for scrutiny assessment

Section 143 of the Act provides for the procedure for assessment. Sub-section (3) of the said section empowers the Assessing Officer to make, by an order in writing, an assessment of total income or loss of the assessee, and determine the sum payable by him or refund of any amount due to him on the basis of such assessment.

It is proposed to prescribe a new scheme for the purpose of making assessments so as to impart greater transparency and accountability, by eliminating the interface between the Assessing Officer and the assessee, optimal utilization of the resources, and introduction of team-based assessment.

Therefore, it is proposed to amend the section 143, by inserting a new sub-section (3A), after sub-section (3), enabling the Central Government to prescribe the aforementioned new scheme for scrutiny assessments, by way of notification in the Official Gazette.

It is further proposed to insert sub-section (3B) in the said section, enabling the Central Government to direct, by notification in the Official Gazette, that any of the provisions of this Act relating to assessment shall not apply, or shall apply with such exceptions, modifications and adaptations as may be specified therein. However, no such direction shall be issued after the 31st March 2020.

It is also proposed to insert sub-section (3C) in the said section, to provide that every notification issued under the sub-section (3A) and sub-section (3B), shall be laid before each House of Parliament, as soon as may be.

These amendments will take effect from 1st April, 2018.

[Clause 44]

G. RATIONALISATION MEASURES

Rationalisation of the provisions relating to Commodity Transaction Tax

The existing clause (7) of section 116 of the Finance Act, 2013 provides the definition of “taxable commodities transaction” to mean a transaction of sale of commodity derivatives in respect of commodities, other than agricultural commodities, traded in recognised association.

In order to align the definition of “taxable commodities transaction” with instruments allowed for transaction in commodity derivatives, it is proposed to amend the clause (7) of section 116 so as to include “options in commodity futures” in the definition of “taxable commodities transactions”.

The existing section 117 of the Finance Act, 2013 provides the rate at which a commodities transaction tax in respect of every commodities transaction, being sale of commodity derivative shall be chargeable and such tax shall be payable by the seller.

In order to propose rates for option on commodity derivative, it is proposed to amend the provisions of section 117 so as to prescribe the rate at which sale of an option on commodity derivative shall be chargeable and such tax shall be payable by the seller.

It is further proposed to amend the provisions of section 117 so as to prescribe the rate at which sale of an option on commodity derivative, where option is exercised, shall be chargeable and such tax shall be payable by the purchaser.

The existing section 118 of the Finance Act, 2013 provides the value of taxable commodities transactions, being commodity derivative and chargeable under section 117 of the Finance Act, 2013.

It is proposed to amend the provisions of section 118 so as to include the value of taxable commodities transaction, being option on commodities, chargeable under section 117 of the Finance Act, 2013, in the said section.

These amendments will take effect from Ist April, 2018, and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

[Clause 215]

Rationalisation of section 276CC relating to prosecution for failure to furnish return

Section 276CC of the Act provides that if a person willfully fails to furnish in due time the return of income which he is required to furnish, he shall be punishable with imprisonment for a term, as specified therein, with fine.

The sub-clause (b) of clause (ii) of proviso to the section 276CC further provides that a person shall not be proceeded against under the said section for failure to furnish return for any assessment year commencing on or after the 1st day of April, 1975, if the tax payable by him on the total income determined on regular assessment as reduced by the advance tax, if any, paid and any tax deducted at source, does not exceed three thousand rupees.

In order to prevent abuse of the said proviso by shell companies or by companies holding Benami properties, it is proposed to amend the provisions of the said sub-clause so as to provide that the said sub-clause shall not apply in respect of a company.

This amendment will take effect from 1st April, 2018.

[Clause 52]

Rationalisation of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015

Section 46 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 provides for the procedure for imposing penalty.

Sub-section (4) of the said section provides that an order imposing a penalty shall be made with the approval of the Joint Commissioner, in the circumstances specified therein.

The Assistant Director or the Deputy Director, investigating a case of undisclosed foreign income or asset, can also be assigned the concurrent jurisdiction of the Assessing Officer and, therefore, can also initiate penalty. However, the said authorities shall require approval of the superior officers of the rank of Joint Director or Additional Director for imposition of penalty.

Accordingly, it is proposed to amend the said sub-section so as to provide that the Joint Director shall also be vested with the power to approve an order imposing a penalty. It is also proposed to amend clause (b) of the said sub-section so as to include reference to the Assistant Director and Deputy Director therein.

Section 55 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 provides for institution of proceedings for an offence under that Act.

Sub-section (1) of the said section provides that a person shall not be proceeded against for an offence under section 49 to section 53 except with the sanction of the Principal Commissioner or Commissioner or the Commissioner (Appeals).

Sub-section (2) of the said section provides that the Principal Chief Commissioner or the Chief Commissioner may issue such instructions, or directions, to the tax authorities referred to in sub-section (1), as he may think fit for the institution of proceedings.

It is proposed to amend the said sub-section so as to empower the Principal Director General or the Director General also to issue instructions or directions to the tax authorities under the said sub-section.

It is also proposed to amend the marginal heading of the said section accordingly so as to include the reference of Principal Director General or Director General.

These amendments will take effect from Ist April, 2018.

[Clause 216]

Rationalisation of prima-facie adjustments during processing of return of income

Sub-section (1) of the section 143 provides for processing of return of income made under section 139, or in response to a notice under sub-section (1) of section 142.

Clause (a) of the said sub-section provides that at the time of processing of return, the total income or loss shall be computed after making the adjustments specified in sub-clauses (i) to (vi) thereof.

Sub-clause (vi) of the said clause provides for adjustment in respect of addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return.

With a view to restrict the scope of adjustments, it is proposed to insert a new proviso to the said clause to provide that no adjustment under sub-clause (vi) of the said clause shall be made in respect of any return furnished on or after the assessment year commencing on the first day of April, 2018.

This amendment will take effect from Ist April, 2018 and will, accordingly, apply in relation to the assessment years 2018-2019 and subsequent years.

[Clause 44]

Rationalisation of provisions relating to Country-by-Country Report

Section 286 of the Act contains provisions relating to specific reporting regime in the form of Country-by-Country Report (CbCR) in respect of an international group. Based on model legislation of Action Plan 13 of Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Co-operation and Development (OECD) and others, following amendments are proposed to be made so as to improve the effectiveness and reduce the compliance burden of such reporting:—

(i) the time allowed for furnishing the Country-by-Country Report (CbCR), in the case of parent entity or Alternative Reporting Entity (ARE), resident in India, is proposed to be extended to twelve months from the end of reporting accounting year;

(ii) constituent entity resident in India, having a non-resident parent, shall also furnish CbCR in case its parent entity outside India has no obligation to file the report of the nature referred to in sub-section (2) in the latter's country or territory;

(iii) the time allowed for furnishing the CbCR, in the case of constituent entity resident in India, having a non-resident parent, shall be twelve months from the end of reporting accounting year;

(iv) the due date for furnishing of CbCR by the the ARE of an international group, the parent entity of which is outside India, with the tax authority of the country or territory of which it is resident, will be the due date specified by that country or territory;

(v) Agreement would mean an agreement referred to in sub-section (1) of section 90 or sub-section (1) of section 90A, and also an agreement for exchange of the report referred to in sub-section (2) and sub-section (4) as may be notified by the Central Government;

(vi) "reporting accounting year" has been defined to mean the accounting year in respect of which the financial and operational results are required to be reflected in the report referred to in sub-section (2) and sub-section (4).

These amendments are clarificatory in nature.

These amendments will take effect retrospectively from the 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-18 and subsequent years.

[Clause 53]

Rationalisation of provision of section 115BA relating to certain domestic companies

Section 115BA of the Act provides that the total income of a newly set up domestic company engaged in business of manufacture or production of any article or thing and research in relation thereto, or distribution of such article or thing manufactured or produced by it, shall, at its option, be taxed at the rate of 25 per cent. subject to conditions specified therein. This benefit is available from assessment year 2017-18.

However, there are certain incomes which are subject to a scheduler tax at a rate which is lower or higher than 25 per cent. Consequently tax payers have been subjected to unintended hardship or unwarranted relief. Accordingly it is proposed to amend section 115BA so as to clarify that the provisions of section 115BA is restricted to the income from the business of manufacturing, production, research or distribution referred to therein; and income which are at present taxed at a scheduler rate will continue to be so taxed.

The amendment will take effect retrospectively from the 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-18 and subsequent years.

[Clause 33]

Extending the benefit of tax-free withdrawal from NPS to non-employee subscribers

Under the existing provisions of the clause (12A) of section 10 of the Act, an employee contributing to the NPS is allowed an exemption in respect of 40% of the total amount payable to him on closure of his account or on his opting out. This exemption is

not available to non-employee subscribers. In order to provide a level playing field, it is proposed to amend clause (12A) of section 10 of the Act to extend the said benefit to all subscribers.

This amendment will take effect, from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 5]

Deductions in respect of certain incomes not to be allowed unless return is filed by the due date

The existing provisions contained in the section 80AC of the Act provide that no deduction would be admissible under section 80-IA or section 80-IAB or section 80-IB or section 80-IC or section 80-ID or section 80-IE, unless the return of income by the assessee is furnished on or before the due date specified under sub-section (1) of section 139 of the Act. This burden is not cast upon assesses claiming deductions under several other similar provisions.

In view of the above, it is proposed to extend the scope of section 80AC to provide that the benefit of deduction under the entire class of deductions under the heading "C.—Deductions in respect of certain incomes" in Chapter VIA shall not be allowed unless the return of income is filed by the due date.

This amendment will take effect, from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent assessment years.

[Clause 23]

Rationalization of section 43CA, section 50C and section 56.

At present, while taxing income from capital gains (section 50C), business profits (section 43CA) and other sources (section 56) arising out of transactions in immovable property, the sale consideration or stamp duty value, whichever is higher is adopted. The difference is taxed as income both in the hands of the purchaser and the seller.

It has been pointed out that this variation can occur in respect of similar properties in the same area because of a variety of factors, including shape of the plot or location. In order to minimize hardship in case of genuine transactions in the real estate sector, it is proposed to provide that no adjustments shall be made in a case where the variation between stamp duty value and the sale consideration is not more than five percent of the sale consideration.

These amendments will take effect from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 14, 19 & 21]

Rationalisation of provision relating to conversion of stock-in-trade into Capital Asset

Section 45 of the Act, *inter alia,* provides that capital gains arising from a conversion of capital asset into stock-in-trade shall be chargeable to tax. However, in cases where the stock in trade is converted into, or treated as, capital asset, the existing law does not provide for its taxability.

In order to provide symmetrical treatment and discourage the practice of deferring the tax payment by converting the inventory into capital asset, it is proposed to amend the provisions of —

(i) section 28 so as to provide that any profit or gains arising from conversion of inventory into capital asset or its treatment as capital asset shall be charged to tax as business income. It is also proposed to provide that the fair market value of the inventory on the date of conversion or treatment determined in the prescribed manner, shall be deemed to be the full value of the consideration received or accruing as a result of such conversion or treatment;

(ii) clause (24) of section 2 so as to include such fair market value in the definition of income;

(iii) section 49 so as to provide that for the purposes of computation of capital gains arising on transfer of such capital assets, the fair market value on the date of conversion shall be the cost of acquisition;

(iv) clause (42A) of section 2 so as to provide that the period of holding of such capital asset shall be reckoned from the date of conversion or treatment.

These amendments will take effect, from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 3, 9 & 18]

Tax neutral transfers

Section 47 provides for certain tax neutral transfers. Section 56 also excludes income arising out of certain tax neutral transfers from its ambit. However, the transfers referred to in clause (iv) and clause (v) of section 47 have not been excluded from the scope of section 56.

In order to further facilitate the transaction of money or property between a wholly owned subsidiary company and its holding company, it is proposed to amend the section 56 so as to exclude such transfer from its scope.

This amendment will take effect, from 1st April, 2018 and shall accordingly, apply in relation to the transaction made on or after 1st April, 2018.

[Clause 21]

Rationalization of the provisions of section 54EC

Section 54EC of the Act provides that capital gain, arising from the transfer of a long-term capital asset, invested in the long-term specified asset at any time within a period of six months after the date of such transfer, shall not be charged to tax subject to certain conditions specified in the said section.

The section also provides that "long-term specified asset" for making any investment under the section on or after the 1st day of April, 2007 means any bond, redeemable after three years and issued on or after the 1st day of April, 2007 by the National Highways Authority of India or by the Rural Electrification Corporation Limited; or any other bond notified by the Central Government in this behalf.

In order to rationalise the provisions of section 54EC of the Act and to restrict the scope of the section only to capital gains arising from long-term capital assets, being land or building or both and to make available funds at the disposal of eligible bond issuing company for more than three years, it is proposed to amend the section 54EC so as to provide that capital gain arising from the transfer of a long-term capital asset, being land or building or both, invested in the long-term specified asset at any time within a period of six months after the date of such transfer, the capital gain shall not be charged to tax subject to certain conditions specified in this section.

It is also proposed to provide that long-term specified asset, for making any investment under the section on or after the 1st day of April, 2018, shall mean any bond, redeemable after five years and issued on or after 1st day of April, 2018 by the National Highways Authority of India or by the Rural Electrification Corporation Limited or any other bond notified by the Central Government in this behalf.

This amendment will take effect, from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

[Clause 20]

Rationalisation of the provisions of section 115BBE

Section 115BBE provides for tax on income referred to in section 68 or section 69 or section 69A or section 69B or section 69C or section 69D at a higher rate of sixty percent.

Sub-section (2) of said section provides that no deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed to the assessee under any provision of the Act in computing his income referred to in clause (a) of sub-section (1).

In order to rationalize the provisions of section 115BBE, it is proposed to amend the said sub-section (2) so as to also include income referred to in clause (b) of sub-section (1).

This amendment will take effect retrospectively from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

[Clause 34]

Amendments in relation to notified Income Computation and Disclosure Standards.

At present , section 145 of the Act empowers the Central government to notify Income Computation and Disclosure Standards (ICDS). In pursuance the central government has notified ten such standards effective from 1st April 2017 relating to Assessment year 2017-18.These are applicable to all assesses (other than an individual or a Hindu undivided family who are not subject to tax audit under section 44AB of the said Act) for the purposes of computation of income chargeable to income-tax under the head "Profits and gains of business or profession" or "Income from other sources".

In order to bring certainty in the wake of recent judicial pronouncements on the issue of applicability of ICDS, it is proposed to —

(i) amend section 36 of the Act to provide that marked to market loss or other expected loss as computed in the manner provided in income computation and disclosure standards notified under sub-section (2) of section 145, shall be allowed deduction.

(ii) amend 40A of the Act to provide that no deduction or allowance in respect of marked to market loss or other expected loss shall be allowed except as allowable under newly inserted clause (xviii) of sub-section(1) of section 36.

(iii) insert a new section 43AA in the Act to provide that, subject to the provisions of section 43A, any gain or loss arising on account of effects of changes in foreign exchange rates in respect of specified foreign currency transactions shall be treated as income or loss, which shall be computed in the manner provided in ICDS as notified under sub-section (2) of section 145.

(iv) insert a new section 43CB in the Act to provide that profits arising from a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method except for certain service contracts, and that the contract revenue shall include retention money, and contract cost shall not be reduced by incidental interest, dividend and capital gains.

(v) amend section 145A of the Act to provide that, for the purpose of determining the income chargeable under the head "Profits and gains of business or profession,—

(a) the valuation of inventory shall be made at lower of actual cost or net realizable value computed in the manner provided in income computation and disclosure standards notified under (2) of section 145.

(b) the valuation of purchase and sale of goods or services and of inventory shall be adjusted to include the amount of any tax, duty, cess or fee actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation.

(c) inventory being securities not listed, or listed but not quoted, on a recognised stock exchange, shall be valued at actual cost initially recognised in the manner provided in income computation and disclosure standards notified under (2) of section 145.

(d) inventory being listed securities, shall be valued at lower of actual cost or net realisable value in the manner provided in income computation and disclosure standards notified under (2) of section 145 and for this purpose the comparison of actual cost and net realisable value shall be done category-wise.

(vi) insert a new section 145B in the Act to provide that-

a. interest received by an assessee on compensation or on enhanced compensation, shall be deemed to be the income of the year in which it is received.

b. the claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realisation is achieved.

c. income referred to in sub-clause (xviii) of clause (24) of section 2 shall be deemed to be the income of the previous year in which it is received, if not charged to income tax for any earlier previous year.

Recent judicial pronouncements have raised doubts on the legitimacy of the notified ICDS. However, a large number of taxpayers have already complied with the provisions of ICDS for computing income for assessment year 2017-18. In order to regularise the compliance with the notified ICDS by a large number taxpayers so as to prevent any further inconvenience to them, it is proposed to bring the amendments retrospectively with effect from 1st April, 2017 i,e the date on which the ICDS was made effective and will, accordingly, apply in relation to assessment year 2017-18 and subsequent assessment years

[Clause 10, 11, 13, 15 & 45]

Tax deduction at source on 7.75% GOI Savings (Taxable) Bonds, 2018

Government of India introduced 8% Savings (Taxable) Bonds, 2003 in 2003. Under the existing law, the interest received by the investor is taxable. Further the payer is liable to deduct tax at source under section 193 of the Act at the time of payment or credit of such interest in excess of rupees ten thousand to a resident.

Government has now decided to discontinue the existing 8% Savings (Taxable) Bonds, 2003 with a new 7.75% GOI Savings (Taxable) Bonds, 2018. The interest received under the new bonds will continue to be taxed as in the case of the earlier once. The provisions of section 193 are proposed to be amended to allow for deduction of tax at source at the time of making payment of interest on such bonds to residents. However, no TDS will be deducted if the amount of interest is less than or equal to ten thousand rupees during the financial year.

This amendment will take effect from 1st April, 2018.

[Clause 46]

H. MISCELLANEOUS

Several amendments to the Act have been proposed with a view to rationalising the provisions. These amendments have been explained in the following paragraphs.

Exemption to specified income of class of body, authority, Board, Trust or Commission in certain cases

Clause 46 of section 10 of the Act empowers the Central Government to exempt, by notification, specified income arising to a body or authority or Board or Trust or Commission, if-

(a) they are not engaged in any commercial activity;

(b) they are established or constituted by or under a Central, State or Provincial Act or constituted by the Central Government or a State Government, with the object of regulating or administering any activity for the benefit of the general public.

Under the existing provisions, the Central Government is required to notify each case separately even if they belong to the same class of cases. Consequently, the whole process of approval is considerably delayed. Accordingly, it is proposed to amend the said clause so as to enable the Central Government to also exempt, by notification, a class of such body or authority or Board or Trust or Commission (by whatever name called).

This amendment will take effect from 1st April, 2018.

[Clause 5]

Penalty for failure to furnish statement of financial transaction or reportable account

Section 271FA of the Act provides that if a person who is required to furnish the statement of financial transaction or reportable account under sub-section (1) of section 285BA, fails to furnish such statement within the prescribed time, he shall be liable to pay penalty of one hundred rupees for every day of default.

The proviso to the said section further provides that in case such person fails to furnish the statement of financial transaction or reportable account within the period specified in the notice issued under sub-section (5) of section 285BA, he shall be liable to pay penalty of five hundred rupees for every day of default.

In order to ensure compliance of the reporting obligations under section 285BA, it is proposed to amend the section 271FA so as to increase the penalty leviable from one hundred rupees to five hundred rupees and from five hundred rupees to one thousand rupees, for each day of continuing default.

These amendments will take effect from 1st April, 2018.

[Clause 51]

Amendments to the structure of Authority for Advance Rulings

Section 245-O provides for the constitution of an Authority for Advance Rulings, and constitution of its benches, for giving advance rulings under Chapter XIX-B of the Act or under Chapter V of the Customs Act, 1962 or under Chapter IIIA of the Central Excise Act, 1944 or under Chapter VA of the Finance Act, 1994.

In view of the proposed constitution of new Customs Authority for Advance Ruling under section 28EA of the Customs Act, it is proposed to amend the provisions of section 245-O so as to provide that such Authority shall cease to act as an Authority for Advance Rulings, and shall act as an Appellate Authority for the purpose of Chapter V of the Customs Act, 1962 from the date of appointment of Customs Authority for Advance Rulings under section 28EA of the Customs Act, 1962.

It is further proposed that such Authority shall not admit any appeal against any ruling or order passed earlier by it in the capacity of Authority for Advance ruling after the date of appointment of Customs Authority for Advance Rulings under section 28EA of the Customs Act, 1962.

In order to avoid overlapping, it is also proposed that where the Authority is dealing with an application seeking advance ruling in the matters of the Act, the Revenue Member shall be the Member referred to in sub-clause (i) of clause (c) of sub-section (3).

These amendments will take effect from 1st April, 2018.

[Clause 48 & 49]

Appeal against penalty imposed by Commissioner (Appeals) under section 271J

Section 253 of the Act inter-alia provides that any assessee aggrieved by any of the orders mentioned in sub-section (1) of the said section may appeal to the Appellate Tribunal against such order.

It is proposed to amend clause (a) of the said sub-section so as to also make an order passed by a Commissioner (Appeals) under section 271J appealable before the Appellate Tribunal.

This amendment will take effect from Ist April, 2018.

[Clause 50]

CUSTOMS

Note: (a) "Basic Customs Duty" means the customs duty levied under the Customs Act, 1962.

(b) "Export duty" means duty of Customs leviable on goods specified in the Second Schedule to the Customs Tariff Act, 1975.

(c) Clause nos. in square brackets [ ] indicate the relevant clause of the Finance Bill, 2018.

Amendments carried out through the Finance Bill, 2018 come into effect on the date of its enactment, unless otherwise specified.

I. AMENDMENTS IN THE CUSTOMS ACT, 1962:

S. No.	Amendment	Clause of the Finance Bill, 2018
1.	Reference to import manifest and export manifest, wherever they occur in the Customs Act, to include Arrival Manifest and Departure Manifest respectively.	[54]
2.	Section 1 is being amended so as to expand the scope of the Customs Act to any offence or contravention committed thereunder outside India by any person.	[55]
3.	Section 2 is being amended so as to: (a) substitute the definition of assessment in sub-section (2); (b) to extend the limit of 'Indian Customs Waters' into the sea from the existing 'Contiguous zone of India' to the 'Exclusive Economic Zone (EEZ)' of India in sub-section (28); (c) provide that 'notification' would mean a 'notification published in the Official Gazette' and the word 'notify' would be construed accordingly (new sub-section 30AA refers).	[56]
4.	Section 11 is being amended so as to- (a) insert sub-section (3) providing that prohibition or restriction or obligation relating to import or export of any goods or class of goods or clearance thereof provided in any other law for the time being in force, or any rule or regulation made or any order or notification thereunder shall be executed only if such prohibition or restriction or obligation is notified under the provisions of Customs Act subject to such exceptions, modifications or adaptations as the Central Government may deem fit. This change would come into force from a date to be notified.	[57]
5.	Section 17 is being amended so as to: (a) expand the scope of verification beyond self-assessment to all the entries made under section 46 or section 50 by amending sub-section (2) along with consequential changes in sub-section (3); (b) insert a new sub-section (2A) to provide legal backing for the risk-based selection of self-assessed Bill of Entry or Shipping Bill through appropriate selection criteria; (c) extend the scope of re-assessment by omitting specific reference to valuation, classification and exemption or concessions of duty availed consequent to any notification issued therefor under this Act from sub-section (5); (d) omit sub-section (6), in view of the new dedicated Chapter for Audit;	[58]

6.	Section 18 is being amended so as to: (a) cover export consignments under provisional assessment of duty by amending sub-section (1); (b) insert a new sub-section (1A) to empower the Board to issue regulation for providing time-limit for the importer or exporter to submit the documents and information, if required, for finalization of provisional assessments and for the proper officer to finalize the provisional assessment; (c) substitute the reference to section 28AB [which does not exist] with the reference to section 28AA retrospectively;	[59]
7.	A new section 25A is being inserted, so as to empower the Central Government to exempt goods imported for repair, further processing or manufacture ['Inward Processing of Goods'] from payment of whole or any part of duty of customs, leviable thereon subject to certain conditions.	[60]
8.	A new section 25B is being inserted so as to empower Central Government to exempt goods re-imported after export for repair, further processing or manufacture ['Outward Processing of Goods'] from payment of whole or any part of duty of customs, leviable thereon subject to certain conditions.	[60]
9.	Section 28 is being amended so as to: (a) insert a proviso in clause (a) of sub-section (1) to provide pre-notice consultation in cases not involving collusion, willful mis-statement, suppression before issue of demand notice. The manner of pre-notice consultation shall be provided in the regulations; (b) insert a new sub-section (7A) to provide for issuance of supplementary show cause notice in circumstances and in such manner as may be prescribed through regulations within the existing time period; (c) amend the existing sub-section (9) to: a. provide a definite time frame of six months and one year for adjudication of demand notices depending upon whether charges of collusion, willful mis-statement, suppression have been invoked. These time periods shall be extendable by the officer senior to adjudicating authority for a further period of six months and one year respectively. b. provide that if the demand notice is not adjudicated even within the extended period, it would be deemed as if no demand had been issued. (d) insert a new sub-section (9A) to provide certain grounds on account of which the time limit of six months or one year shall remain suspended and that the proper officer shall inform the person concerned the reasons for non-determination of duty or interest under sub-section (8) and in such cases the time specified in sub-section (9) shall apply not from the date of notice, but from the date when such reasons cease to exist. (e) insert a new sub-section (10A) to provide that where an order for refund is modified in appeal and the amount of refund so determined is less than the amount refunded, the excess amount so refunded shall be recovered along with interest thereon at the applicable rate, from the date of refund up to the date of recovery, as a sum due to the Government. (f) insert a new sub-section (10B) to provide a safeguard whereby if a demand notice issued under sub-section (4) is held not sustainable in any proceeding, including at	[61]

	any stage of appeal for the reason that the charges of collusion, willful mis-statement etc. have not been established against the person to whom the demand notice has been issued, then the said notice shall be deemed to have been issued under sub-section (1). (g) insert an explanation that a notice issued for non-levy, non-payment, short-levy or short payment of duty or erroneous refund after 14th May, 2015 but before the date on which the Finance Bill, 2018 receives the assent of the President, shall continue to be governed by the provisions of section 28 as it stood immediately before the date on which such assent is received.;	
10.	Section 28E is being amended so as to, - (a) omit clause (a) defining 'activity' as it is no longer relevant; (b) substitute the existing definition of advance ruling so as to cover subjects beyond mere determination of duty; (c) include a definition of 'appellate authority'; (d) substitute the definition of 'applicant' in order to make it broad based; (e) define 'authority' as Customs Authority for Advance Ruling as referred to in section 28EA; (f) substitute "Appellate Authority" in place of "authority" in clause (f) and (g).	[62]
11.	A new section 28EA relating to 'Customs Authority for Advance Rulings' is being inserted, which empowers the Board to appoint officers of the rank of Principal Commissioner of Customs or Commissioner of Customs as Customs Authority for Advance Rulings by way of notification. Till such appointment by the Board, existing Authority shall continue to pronounce Advance Rulings.	[63]
12.	Section 28F is being amended so as to substitute the word "Authority" with the words "Appellate Authority" and to provide that on appointment of Customs Authority for Advance Rulings, the applications and proceedings pending before the erstwhile Authority shall stand transferred to Customs Authority for Advance Rulings.	[64]
13.	Section 28H is being amended so as to, - (a) amend clause (d) of sub-section (2) to include the word "tax" in addition to "duty" mentioned therein; (b) insert clause (f) in sub-section (2) to enable Central Government to notify any other matter on which advance ruling can be sought by an applicant; (c) insert sub-section (5) to provide that an applicant may be represented by a duly authorized person who is a resident in India; (d) add an explanation stating that the definition of resident shall be same as provided in clause (42) of section 2 of Income Tax Act, 1961.	[65]
14.	Sub-section (6) of section 28-I is being amended to reduce the time from six months to three months within which the authority shall pronounce its advance ruling.	[66]
15.	Section 28K is being amended so as to, - (a) omit the expression 'after excluding the period beginning with the date of such advance ruling and ending with the date of order under this sub-section' in sub-section (1); (b) insert a proviso to sub-section (1) so as to add a corresponding proviso to sub-section (7) of section 28 stating that the period beginning with the date of such advance ruling and ending with the date of order under this sub-section shall be excluded from the time period of two years and five years respectively specified in section 28.	[67]

16.	A new section 28KA [relating to Appeal provisions in respect of Advance Ruling] is being inserted so as to- (a) provide for appeal by an officer duly authorized by Board by notification, or by an applicant against the ruling or an order passed by Customs Authority for Advance Rulings to the Appellate Authority constituted under Section 245-O of the Income Tax Act; (b) provide that the sections 28I and 28J shall apply mutatis mutandis to appeal proceedings. (c) provide that this section shall come into force only when customs authority for advance ruling is appointed under section 28EA.	[68]
17.	Section 28L is being amended so as to substitute the word "Authority" with the words "Authority or Appellate Authority"	[69]
18.	Section 28M is being substituted so as to, - (a) provide that the procedure to be followed by the Authority shall be as prescribed. (b) provide that Appellate Authority shall, subject to provisions of this chapter, have power to regulate its own procedure in all matters arising out of the exercise of its powers under this act.	[70]
19.	Section 30 is being amended so as to: (a) include export goods in addition to imported goods as part of the information provided in the manifest; (b) provide for prescribing the manner of delivery of manifest through regulations.	[71]
20.	Section 41 is being amended so as to: (a) include imported goods in addition to export goods as part of the information provided in the manifest; (b) provide penalty provisions for late filing of manifest; (c) provide for prescribing the manner of delivery of manifest through regulations.	[72]
21.	Section 45 is being amended so as to provide for clearance of goods by other ways as may be prescribed in addition to existing system of clearance by the proper officer.	[73]
22.	Section 46 is being amended so as to: (a) amend sub-section (1) to insert a reference to Customs Automated System and the manner of presentation of bill of entry; (b) amend the proviso to sub-section (1) to insert a reference to Customs Automated System; and (c) clarify the time limit for the prior presentation of bill of entry, by substituting the words, 'within thirty days of' with the words, 'at any time not exceeding thirty days prior to' in first proviso to sub-section (3); (d) provide for such other documents, as may be prescribed in addition to invoice, by necessary insertion to that effect in sub-section (4); (e) insert a new sub-section (4A) so as to provide for observance of the accuracy, authenticity, validity of the declarations made by the importer under this section and compliance to the prohibitions or restrictions under this act or any other law for the time being in force.	[74]

23.	Section 47 is being amended so as to have a provision for clearance of goods by Customs Automated System in addition to existing clearance by the proper officer.	[75]
24.	Section 50 is being amended so as to: (a) amend sub-section (1) to insert a reference to Customs Automated System and the manner of presentation of shipping bill or bill of export; (b) amend the proviso to sub-section (1) to insert a reference to Customs Automated System; and (c) insert a new sub-section (2A) so as to provide for observance of the accuracy, authenticity, validity of the declarations made by the exporter under this section and compliance to the prohibitions or restrictions under this act or any other law for the time being in force.	[76]
25.	Section 51 is being amended so as to have a provision for clearance of goods by Customs Automated System in addition to existing clearance by the proper officer.	[77]
26.	To insert Chapter VIIA on payments through electronic cash ledger with governing provisions in Section 51A to have a provision for advance deposit which would enable payment of duties, taxes, fee, interest, and penalty through electronic cash ledger. It is also proposed to issue regulations in this regard.	[78]
27.	Section 54 is being amended so as to empower the Board to make regulations providing manner of presenting a bill of transshipment and declaration for transshipment.	[79]
28.	Section 60 is being amended so as to have a provision for clearance of goods by Customs Automated System in addition to existing clearance by the proper officer.	[80]
29.	Section 68 is being amended so as to have a provision for clearance of goods by Customs Automated System in addition to existing clearance by the proper officer.	[81]
30.	Section 69 is being amended so as to have a provision for clearance of goods by Customs Automated System in addition to existing clearance by the proper officer.	[82]
31.	Clause (iii) of sub-section (1) of Section 74 is being amended so as to substitute the reference to section 82 with the reference to clause (a) of section 84, as section 82 stands omitted vide section 104 of Finance Act, 2017;	[83]
32.	Sub-section (1) of Section 75 is being amended so as to substitute the reference to section 82 with the reference to clause (a) of section 84, as section 82 stands omitted vide section 104 of Finance Act, 2017;	[84]
33.	Nomenclature of Chapter XI is being amended so as to include reference to courier.	[85]
34.	Section 83 is being amended so as to include reference to goods imported or exported by courier through the authorized courier. The extant provisions in the section relate to goods imported or exported by post only.	[86]
35.	Section 84 is being amended so as to include a reference to goods imported or exported by courier and to empower the Board to make regulations in this regard. The extant provisions in the section relate to goods imported or exported by post only.	[87]
36.	A new Chapter XIIA and section 99A thereunder, is being inserted relating to Audit. The manner of conducting audit shall be provided in regulations.	[88]
37.	A new section 109A relating to 'Controlled Delivery' is being inserted, which seeks to authorize the proper officer or any other officer authorized by him to undertake Controlled Delivery of any consignment of goods to any destination in India or a foreign country. The section also provides, through an explanation, definition of controlled delivery. It also seeks to provide that controlled delivery shall be applicable on such consignment of goods and in such manner as may be prescribed in the regulations.	[89]

38.	Section 110 of the Customs Act, 1962 is being amended so as to: (a) substitute the existing proviso to sub-section (2) to provide that the Principal Commissioner of Customs or Commissioner of Customs may, for reasons to be recorded in writing, extend the six months period by a period not exceeding six months and inform the person from whom such goods have been seized before the expiry of the time mentioned in the said sub-section; (b) insert second proviso to sub-section (2) providing that where any order for provisional release of the seized goods has been passed under Section 110A, the aforesaid period of six months, mentioned in sub-section (2), shall not apply.	[90]
39.	Section 122 is being amended so as to substitute the existing clauses (b) and (c) to empower the Board to fix monetary limits for adjudication of cases by officers below the rank of Joint Commissioner by way of notification.	[91]
40.	Section 124 is being amended so as to insert a second proviso to provide for issuance of supplementary show cause notice under such circumstances and in such manner as may be prescribed through regulations.;	[92]
41.	Section 125 of the Customs Act is being amended so as to: (a) insert a proviso to sub-section (1) to provide that where the demand proceedings against a noticee / co-noticees have been closed on grounds of having paid the dues mentioned in section 28, then the provisions of this section shall not be applicable if the goods are not prohibited or restricted; (b) insert sub-section (3) to provide that where redemption fine has not been paid within a period of one hundred and twenty days from the date of option given under sub-section (1), then such option shall become void, except in cases where any appeal against such order is pending.; (c) insert an explanation that for an order passed under sub-section (1) before the date on which the Finance Bill, 2018 receives the assent of the President, and no appeal against such order is pending, such option may be exercised within one hundred and twenty days from the date on which such assent is received.;	[93]
42.	Section 128A is being amended to allow Commissioner (Appeals) to remand back the matters to original adjudicating authority in specified categories of cases, namely: i. where an order or decision has been passed without following the principles of natural justice; or ii. where no order or decision has been passed after re-assessment under section 17; or iii. where an order of refund under section 27 has been issued crediting the amount to the Fund without recording any finding on the evidence produced by the applicant.;	[94]
43.	A new section 143AA is being inserted to empower the Board to prescribe through regulations trade facilitation measures or separate procedure or documentation for a class of importers or exporters or for categories of goods or on the basis of the modes of transport of goods for: (a) maintenance of transparency in import and export documentation and procedure; or (b) expeditious clearance or release of goods entered for import or export; or (c) reduction in the transaction cost of clearance of importing or exporting goods; or (d) maintenance of balance between customs control and facilitation of legitimate trade.;	[95]
44.	A new section 151B on reciprocal arrangement for exchange of information is being inserted so as to: (a) authorize the Central Government to enter into an agreement or any other arrangement with the Government of any country or with such competent authorities of that country, as it deems fit, for facilitation of trade, enforcing the provisions of Customs Act and exchange of information for trade facilitation, effective risk analysis, verification of compliance and prevention, combating and investigation of offences	[96]

	under the provisions of this Act or under the corresponding laws in force in that country; (b) authorize the Central Government to provide by a notification that the application of this section in relation to a contracting state with which reciprocal agreement or arrangements have been made, shall be subject to such conditions, exceptions or qualifications as are specified in the said notification.; (c) utilize the information received under sub-section (1) as evidence in investigations and proceedings under this Act subject to provisions of sub-section (2).; (d) where the Central Government has entered into a multilateral agreement for exchange of information or documents for purposes of verification of compliance in identified cases, the Board shall specify the procedure for such exchange, the conditions subject to which such exchange shall be made and designation of the person through whom such information shall be exchanged.; (e) insert a deeming provision that any agreement entered into or any other arrangement made by the Central Government prior to the date on which the Finance Bill, 2018 receives the assent of the President, shall be deemed to have been done or taken under the provisions of this Section.; (f) insert a definition of "contracting state" and "corresponding law" referred to in this section.;	
45.	Section 153 is being substituted so as to align it with the provisions of the section 169 of the CGST Act to include Speed Post, Courier, and registered email as valid modes of delivery and in case of non-service by such means, to also provide for affixing it at some conspicuous place at the last known place of business or residence in addition to affixing it on the notice board of the Customs House etc.	[97]
46.	Section 157 is being amended so as to empower the Board to make regulations relating to: (a) manner to deliver or present, a bill of entry, shipping bill, bill of export, import manifest, import report, export manifest, export report, bill of transshipment, declaration for transshipment, boat note and bill of coastal goods; (b) time and manner of finalization of provisional assessment; (c) manner of conducting pre-notice consultation; (d) circumstances under which, and the manner of issuing supplementary notice; (e) form and manner in which an application for advance ruling or appeal shall be made, and the procedure for the authority, under Chapter VB; (f) manner of clearance or removal of imported or export goods; (g) documents to be furnished in relation to imported goods; (h) conditions, restrictions and the manner for deposits in electronic cash ledgers, the utilization and refund therefrom and the manner of maintaining such ledger; (i) manner of conducting audit; (j) goods for controlled delivery and the manner thereof; (k) measures and the simplified or different procedures or documentation for a class of importers or exporters or categories of goods or on the basis of the modes of transport of goods.	[98]

II. AMENDMENTS IN THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment	Clause of the Finance Bill, 2018
1.	Section 3 is being amended so as to: (a) amend sub-section (7) to include reference to sub-section (8A); (b) insert a new sub-section (8A) to provide for value of goods when they are sold within the warehousing period for calculation of integrated tax;	[100]

	(c) amend the sub-section (9) to include reference to sub-section (10A); (d) insert a new sub-section (10A) to provide for value of goods when they are sold within the warehousing period for calculation of goods and services tax compensation cess.	

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

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

		Footwear		
9	6401, 6402, 6403, 6404, 6405	Footwear	10%	20%
10	6406	Parts of footwear	10%	15%
		Jewellery		
11	7117	Imitation Jewellery	15%	20%
		Electronics / Hardware		
12	8517 12	Cellular mobile phones	15%	20%
13	3919 90 90, 3920 99 99, 3926 90 91, 3926 90 99, 4016 99 90, 7318 15 00, 7326 90 99, 8504, 8506, 8507, 8517 70 90, 8518, 8538 90 00, 8544 19, 8544 42, 8544 49	Specified parts and accessories including lithium ion battery of cellular mobile phones	7.5%/10%	15%
14	8517 62 90	Smart watches / wearable devices	10%	20%
15	8529 10 99 8529 90 90	LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	7.5%/10%	15%
		Furniture		
16	9401	Seats and parts of seats [other than aircraft seats and their parts]	10%	20%
17	9403	Other furniture and parts	10%	20%
18	9404	Mattresses supports; articles of bedding and similar furnishing	10%	20%
19	9405	Lamps and lighting fitting, illuminated signs, illuminated name plates and the like [except solar lanterns or solar lamps]	10%	20%
		Watches and Clocks		
20	9101, 9102	Wrist watches, pocket watches and other watches, including stop watches	10%	20%
21	9103	Clocks with watch movements	10%	20%
22	9105	Other clocks, including alarm clocks	10%	20%
		Toys and Games		
23	9503	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; puzzles of all kinds	10%	20%

24	9504	Video game consoles and machines, articles for funfair, table or parlor games and automatic bowling alley equipment	10%	20%
25	9505	Festive, carnival or other entertainment articles	10%	20%
26	9506 [except 9506 91]	Articles and equipment for sports or outdoor games, swimming pools and paddling pools [other than articles and equipment for general physical exercise, gymnastics or athletics]	10%	20%
27	9507	Fishing rods, fishing-hooks and other line fishing tackle; fish landing nets, butter fly nets and similar nets; decoy birds and similar hunting or shooting requisites	10%	20%
28	9508	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses, traveling menageries and travelling theatres	10%	20%
		Miscellaneous items		
29	3406	Candles, tapers and the like	10%	25%
30	4823 90 90	Kites	10%	20%
31	9004 10	Sunglasses	10%	20%
32	9611	Date, sealing or numbering stamps, and the like	10%	20%
33	9613	Cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks.	10%	20%
34	9616	Scent sprays and similar toilet sprays, and mounts and heads therefor; powder-puffs and pads for the application of cosmetic or toilet preparations.	10%	20%
B.	**Amendments not affecting rates of duty [to be effective from 02.02.2018]* [Clause 101(a) of the Finance Bill, 2018]**			
1	8507 60 00	Tariff rate of BCD on Lithium-ion batteries [The effective rate of import duty on Lithium-ion batteries [except those for cellular mobile phones will, however, remain unchanged at 10%.]	10%	20%
2	9018, 9019, 9020, 9021 9022	Tariff rate of BCD on medical devices [The effective rates of BCD on such medical devices will, however, remain unchanged.]	7.5%	10%
C.	**Technical amendment not affecting rates of duty [Clause 101(b) of the Finance Bill, 2018]**			
1		Bifurcate the tariff item 0713 31 00 to create separate tariff items each for Moong Dal and Urad Dal.		
2		Omit tariff item 0904 22 12 and entries relating thereto and create new tariff item 1209 91 70, in relation to chilly seed of genus capsicum.		
3		Amend the tariff item 2917 39 20 to specify the isomers it covers.		

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

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

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

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

V. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES

S. No.	Heading, sub-heading tariff item	Commodity	From	To
		Food processing		
1	0801 31 00	Cashew nuts in shell [Raw cashew]	5%	2.5%
2	2009 11 00 2009 12 00 2009 19 00	Orange fruit juice	30%	35%
3	2009 81 00, 2009 90 00	Cranberry Juice	10%	50%
4	2106 90	Miscellaneous Food preparations (other than soya protein)	30%	50%
		Textiles		
5	5007	Silk Fabrics	10%	20%
		Capital goods and Electronics		
6	8504 90 90/ 3926 90 99	Printed Circuit Board Assembly (PCBA) of charger/adapter and moulded plastics of charger/adapter of cellular mobile phones	Nil	10%
7	Any Chapter	Inputs or parts for manufacture of: a) PCBA, or b) moulded plastics of charger/adapter of cellular mobile phones of cellular mobile phones	Applicable Rate	Nil
8	8483 40 00, 8466 93 90, 8537 10 00	Ball screws, linear motion guides, CNC systems for manufacture of all types of CNC machine tools falling under headings 8456 to 8463	7.5%	2.5%
9	70	Solar tempered glass or solar tempered [anti-reflective coated] glass for manufacture of solar cells /panels/modules	5%	Nil
10	70	Preform of silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables	Nil	5%

11	8529/4016	12 specified parts for manufacture of LCD/LED TV panels	Nil	10%
		Automobile and automobile parts		
12	8702, 8703, 8704, 8711	CKD imports of motor vehicles, motor cars, motor cycles	10%	15%
13	8702, 8704	CBU imports of motor vehicles	20%	25%
		Diamonds and Precious stones		
14	71	Cut and polished colored gemstones;	2.5%	5%
15	71	Diamonds including lab grown diamonds-semi processed, half-cut or broken; non-industrial diamonds including lab-grown diamonds (other than rough diamonds), including cut and polished diamonds	2.5%	5%
		Medical Devices		
16	Any Chapter	Raw materials, parts or accessories for the manufacture of Cochlear Implants	2.5%	Nil
		Rationalization in Customs duty rates		
		Edible oils of vegetable origin		
17	1508, 1509, 1510,1512, 1513, 1515	Crude edible vegetable oils like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils.	12.5%	30%
18	1508, 1509, 1510,1512, 1513, 1515, 1516 20, 1517 10 21, 1517 90 10, 1518 00 11, 1518 00 21, 1518 00 31	Refined edible vegetable oils, like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils, edible margarine of vegetable origin, Sal fat; specified goods of heading 1518	20%	35%
		Refractory Items		
19	6815 91 00	Other articles of stone containing magnesite, dolomite or chromite	10%	7.5%
20	6901	Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths	10%	7.5%
21	6902	Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths	5%	7.5%
22	6903	Other refractory ceramic goods	5%	7.5%

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

S. No.	Heading, sub-heading tariff item	Description	From	To
1	Any chapter	Levy of Social Welfare Surcharge on imported goods to finance education, housing and social security [clause 108 of Finance Bill, 2018]	--	10% of aggregate duties of customs
2	Any chapter	Abolition of Education Cess and Secondary and Higher Education Cess on imported goods [clause 106 of Finance Bill, 2018]	3% of aggregate duties of customs [2% + 1%]	Nil
3	2710	Motor spirit commonly known as petrol and high speed diesel oil	--	3% of aggregate duties of customs
4	7106	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of aggregate duties of customs
5	7108	Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of aggregate duties of customs
6	Any Chapter	Specified goods hitherto exempt from Education Cess and Secondary and Higher Education Cess on imported goods	--	Nil

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

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

EXCISE

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

I. PROPOSALS INVOLVING CHANGE IN EXCISE DUTY RATES:

		Commodity	Rate of Duty	
			From	To
I	Motor spirit commonly known as petrol and high speed diesel oil			
	1.	Levy of Road and Infrastructure Cess on motor spirit commonly known as petrol and high speed diesel oil [clause 110 of Finance Bill, 2018]	--	Rs. 8 per litre
	2.	Abolition of Additional Duty of Excise [Road Cess] on motor spirit commonly known as petrol and high speed diesel oil [clause 106 of Finance Bill, 2018]	Rs. 6 per litre	Nil
	3.	Basic excise duty on:		
		(i) Unbranded Petrol	Rs. 6.48 per litre	Rs. 4.48 per litre
		(ii) Branded petrol	Rs. 7.66 per litre	Rs. 5.66 per litre
		(iii) Unbranded diesel	Rs. 8.33 per litre	Rs. 6.33 per litre
		(iv) Branded diesel	Rs. 10.69 per litre	Rs. 8.69 per litre
	4.	Road and Infrastructure Cess on (i) 5% ethanol blended petrol, (ii) 10% ethanol blended petrol and (iii) bio-diesel, up to 20% by volume, subject to the condition that appropriate excise duties have been paid on petrol or diesel and appropriate GST has been paid on ethanol or bio-diesel used for making such blends	--	Nil
	5.	Road and Infrastructure Cess on petrol and diesel manufactured in and cleared from 4 specified refineries located in the North-East	--	Rs. 4 per litre

SERVICE TAX

A.	Retrospective exemptions	Clause of Finance Bill, 2018
1.	Services provided or agreed to be provided by the Naval Group Insurance Fund by way of life insurance to personnel of Coast Guard, under the Group Insurance Schemes of the Central Government, are proposed to be exempted from service tax for the period commencing from the 10th September, 2004 and ending with the 30th June, 2017	[103]
2.	Services provided or agreed to be provided by the Goods and Services Tax Network (GSTN) to the Central Government or State Governments or Union territories administration, are proposed to be exempted from service tax for the period commencing from 28th March, 2013 and ending with the 30th June, 2017.	[104]
3.	Consideration paid to the Government in the form of Government's share of profit petroleum in respect of services provided or agreed to be provided by the Government by way of grant of license or lease to explore or mine petroleum crude or natural gas or both, is proposed to be exempted from service tax for the period commencing from 1st April, 2016 and ending with the 30th June, 2017.	[105]

IV. MISCELLANEOUS

S. No.	Amendment	Clause of the Finance Bill, 2018
A.	**Amendment in notification No. 50/2017-Customs**	
1.	Notification No. 65/2017-Customs dated 8th July 2017 amending notification No. 50/2017-Customs dated 30th June 2017 is proposed to be given retrospective effect so as to exempt integrated tax leviable under section 3(7) of the Customs Tariff Act, 1975 on aircrafts, aircraft engines and other aircraft parts imported under cross-border lease during the period from the 1st July, 2017 to the 7th July, 2017 subject to the payment of Integrated tax leviable under section 5(1) of the IGST Act, 2017 on the said supply.	[99]
B.	**Renaming of Central Board of Excise and Customs as the Central Board of Indirect Taxes and Customs**	
1.	Name of Central Board of Excise and Customs is being changed to Central Board of Indirect Taxes and Customs with consequential amendments in the following Acts: - i. The Central Boards of Revenue Act, 1963 (54 of 1963) ii. The Customs Act, 1962 (52 of 1962) iii. The Central Goods and Services Tax Act, 2017 (12 of 2017)	[157 and 218]
C.	**REPEAL OF CERTAIN ENACTMENTS**	
1.	Additional duty of Customs on Motor Spirit commonly known as Petrol is being abolished by repealing section 103 of the Finance Act (No.2), 1998	[106]
2.	Additional duty of Excise on Motor Spirit commonly known as Petrol is being abolished by repealing section 111 of the Finance Act (No.2), 1998	[106]

3.	Additional duty of Customs on High Speed Diesel oil is being abolished by repealing section 116 of the Finance Act, 1999	[106]
4.	Additional duty of Excise on High Speed Diesel oil is being abolished by repealing section 133 of the Finance Act, 1999	[106]
5.	Education Cess on imported goods is being abolished by omitting Chapter VI of the Finance Act (No.2), 2004	[106]
6.	Secondary and Higher Education Cess on imported goods is being abolished by omitting Chapter VI of the Finance Act, 2007	[106]