



Union Budget 2018

Suresh & Co., Chartered Accountants

Annveshan Business Solutions Pvt Ltd


SURESH & CO
50 Years
1968 CA 2018


ADVISORY & OUTSOURCING SOLUTIONS
BUSINESS STRUCTURING & RESTRUCTURING SERVICES
BUSINESS & IP VALUATION SERVICES
SOLUTION
DUE DILIGENCE SERVICES
REVENUE & PROFIT MAXIMISATION REVIEWS
REGULATORY REVIEWS & SOLUTIONS
ACCOUNTING ADVISORY & REPORTING SOLUTIONS
TRUST, ESTATES & SUCCESSION PLANNING


analysis
empowering clients
process
Legal Stand
experiences
accurate decisions
going
client requirements & client satisfaction
beyond
RECONCILIATION
responsibility & ownership
MOVING OUT OF COMFORT ZONE
client relationships
proactive support
ABILITY TO RETRIEVE DATA
LEADERSHIP
VALUE MAXIMIZATION
authentic approach
value recognition
end-to-end solutions
honesty &
visualise & plan
loyalty
Innovative solutions
AUTOMATION

Contents

ECONOMIC SURVEY 2017-18

The Economic Survey projects the official version of the state of the economy and acts as a precursor to the budget. Economic Survey discusses the outlook, prospects and challenges of the economy while recommending reform measures that are essential to propel the economy.

HIGHLIGHTS

- The real GDP growth projections for 2017-18 is expected to be around 6.75 per cent, which is further expected to reach to 7 to 7.5 per cent in 2018-19 driven by major reforms initiated by the government.
- The survey points out that India can be rated as among the best performing economies in the world as the average growth during last three years is around 4 percentage points higher than global growth and nearly 3 percentage points higher than that of Emerging Market and Developing Economies. It points out that the GDP growth has averaged 7.3 per cent for the period from 2014-15 to 2017-18, which is the highest among the major economies of the world.
- Even after remaining in negative territory for a couple of years, growth of exports rebounded into positive one during 2016-17 and expected to grow faster in 2017-18 to 12.1%. However, due to higher expected increase in imports, net exports of goods and services are slated to decline in 2017-18.
- The growth rate of Gross Value of Added (GVA) at constant basic prices is estimated at 6.1 per cent in 2017-18, as compared to 6.6 per cent in 2016-17.
- Fiscal deficit as percentage to GDP to remain stable at 3.2 per cent, indicating that government's priority still lies in fiscal consolidation.
- The survey has indicated towards a lower CPI inflation average to 3.33% but higher WPI Inflation average to 2.9% for the year 2017-18.
- As per the quarterly estimates; there was a reversal of the declining trend of GDP growth in the second quarter of 2017-18, led by the industry sector. Agriculture, industry and services sectors are expected to grow at the rate of 2.1 per cent, 4.4 per cent, and 8.3 per cent respectively in 2017-18.
- GST data shows 50% rise in number of indirect taxpayers.
- Demonetisation has encouraged financial savings.
- Rs. 20,339 crore has been approved by the Government in 2017-18 to meet various obligations arising from interest subvention being provided to the farmers on short term crop loans, as also loans on post-harvest storages meets an important input requirement of the farmers in the country, especially small and marginal farmers who are the major borrowers.
- Retail inflation averaged 3.3% in 2017-18, lowest in last 6 fiscals.
- FDI equity inflows to the services sector grew by 15.0 percent during 2017-18 (April- October).
- Swachh Bharat initiative improved sanitation coverage in rural areas from 39% in 2014 to 76% in January 2018.

GOODS AND SERVICE TAX

The Economic Survey 2017-18 points out that there were 9.8 million unique GST registrants slightly more than the total Indirect Tax registrants under the old system (where many taxpayers were registered under several taxes). Therefore, adjusting the base for double and triple counting, the GST has increased the number of unique indirect taxpayers by more than 50 percent –a substantial 3.4 million.

- Maharashtra, UP, Tamil Nadu and Gujarat are the States with the greatest number of GST registrants. It also underlines that the distribution of the GST base among the States is closely linked to the size of their economies, allaying fears of major producing States that the shift to the new system would undermine their tax collections.
- Dwelling on the subject of International Trade, Inter-State Trade and Economic Prosperity, the Survey points-out for the first time in India's history that five States- Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana account for 70% of India's exports.
- Last year Survey had estimated that India's Inter- State trade in goods was between 30 and 50 percent of GDP. But the GST data suggests that India's internal trade in goods and services (excludes non-GST goods and services) is actually even higher and is about 60 percent of GDP.
- India's largest firms account for a much smaller share of exports than in other comparable countries.
- India's formal sector is substantially greater than currently believed.

MEASURES TO CONTROL INFLATION

- The Government imposed 20% duty on export of sugar for promoting availability and moderating price rise.
- Permitted import of 5 lakh tonnes of raw sugar at zero duty; subsequently, import of additional 3 lakh tones was allowed at 25% duty.
- The Government approved enhancement in buffer stock of pulses from 1.5 lakh MT to 20 Lakh MT to enable effective market intervention for moderation of retail prices. Accordingly, a dynamic buffer stock of pulses of upto 20 lakh tones has been built.
- A scheme titled Price Stabilization Fund(PSF) is being implemented to control price volatility of agricultural commodities like pulses, onions etc.
- Higher MSP has been announced so as to incentivize production and thereby enhance availability of food items which may help moderate prices.
- Advisories are being issued, as and when required, to State Governments to take strict action against hoarding & black marketing and effectively enforce the Essential Commodities Act, 1955 & the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980 for commodities in short supply.

LONG-TERM EFFECTS OF DEMONITISATION

The demonetisation decision announced by Prime Minister Narendra Modi on November 8, 2016 had four declared objectives: a) curb corruption, b) stop counterfeiting c) stop use of high-value notes for terror activities, d) end accumulation of "black money".

Long-term effects of demonetisation

- Loan rates could fall further, if much of the deposit increases proves durable increase, to the extent that the cash deposit ratio falls permanently.
- RBI's balance sheet will shrink, after the deadline for redeeming outstanding notes.
- **Real estate:** Prices could fall further as investing undeclared income in real estate becomes more difficult; but tax component could rise, especially if GST imposed on real estate.
- **Private wealth:** It may fall further if real estate prices continue to decline
- **Private wealth:** It may fall further if real estate prices continue to decline.
- **Public sector wealth:** Government/RBI's wealth will increase when unreturned cash is extinguished, reducing liabilities.
- **GDP:** Note ban could be beneficial overall if formalization increases and corruption falls.
- **Tax Collection:** Indirect and corporate taxes could decline, to the extent growth slows. In the long run, taxes should increase as formalization expands.

INTERNATIONAL DEVELOPMENTS

The global economy is gathering pace and is expected to accelerate from 3.2 percent in 2016 to 3.6 percent in 2017 and 3.7 percent in 2018 which reflects an upward revision of the earlier projections by the International Monetary Fund (IMF).

India's balance of payments situation, which has been benign and comfortable since 2013-14, continued to be so in the first half of 2017-18, despite some rise in the Current Account Deficit (CAD) in the first quarter, with a relatively lower CAD in the second quarter. India's CAD stood at US$7.2 billion (1.2 percent of GDP) in Q2 of 2017-18, narrowing sharply from US$ 15.0 billion (2.5 percent of GDP) in the preceding quarter.

TRADE DEFICIT

India's trade deficit (on custom basis) which had registered continuous decline since 2014-15, widened to US$ 74.5 billion in HI of 2017-18 from US$ 43.4 billion in HI of 2016-17. India's trade deficit was US$ 108.5 billion in 2016-17, with reduction in both POL deficit and non- POL deficit. In 2017-18 (April-December) trade deficit (on custom basis) shot up by 46.4 percent to US$ 114.9 billion with POL deficit growing by 27.4 percent and non-POL deficit by 65.0 per cent.

FOREIGN EXCHANGE RESERVES

India's foreign exchange reserves reached US$ 409.4 billion on end-December 2017. Foreign exchange reserves grew by 14.1 percent on a y-o-y basis from end December 2016 (US$ 358.9 billion) to end December 2017 (US$ 409.4 billion) and it grew by 10.7 percent from end- March, 2017 (US$370.0 billion) to end December 2017. Foreign exchange reserves increased further to US$ 413.8 billion on January 12, 2018. The import cover of India's foreign exchange reserves was 11.1 months at end- September 2017 as compared with 11.3 months at end -March 2017. Within the major economies running current account deficit, India is among the largest foreign exchange reserve holders and sixth largest among all countries of the world.

DIRECT TAXES

SLAB RATES FOR INDIVIDUALS/HUF

There are no changes in tax slabs including the Basic exemption limits. The previous year tax slabs to be continued for FY 2018-19

RATES FOR COMPANIES

Beneficial tax rates of 25% for companies having turnover of less than Rs. 250 crores in the financial year 2016-17.

Further, for all assessees, 4% cess replaces the earlier cess of 3%.

SALARY RELATED AMENDEMENTS

- STANDARD DEDUCTION U/S 16 – (INSERTION)
  It is proposed to allow a standard deduction up to Rs 40,000/- or the amount of salary received, whichever is less. This deduction will replace Transport Allowance of Rs. 19,200/-and Medical Reimbursement of Rs. 15,000/- (aggregating to Rs34,200). This also reduces administrative efforts in managing and processing Medical Bills for employers.

CAPITAL GAINS

- NEW REGIME FOR TAXATION OF LONG TERM CAPITAL GAINS ON SALE OF LISTED EQUITY SHARES ETC

(Omission of sec 10(38) and Insertion of sec 112A)

Old Provision: Any income arising from the 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, where such transaction is chargeable to securities transaction tax, is exempt from tax u/s 10(38).

Insertion: Capital gain arising from the 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, where such transaction is chargeable to securities transaction tax, shall be taxed at the rate of 10% of such capital gain exceeding 1 Lakh rupees.

This concessional rate of 10 per cent. will be applicable to such long-term capital gains (LTCG), 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.

It also provides:

i) No benefit of Indexation

ii) No benefit of computation of capital gains in foreign currency, in case of a non-resident.

iii) 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

**Fair market value (FMV) – the highest price of a capital asset quoted on recognized stock exchange as on 31st day of January 2018 and in case of unlisted units the NAV as on 31st January 2018.*

By Grandfathering the FMV to that of 31 Jan 2018, effectively the LTCG gain till such date remains exempt.

EXEMPTIONS

- EXTENDING THE BENEFIT OF TAX-FREE WITHDRAWAL FROM NPS TO NON-EMPLOYEE SUBSCRIBERS [Sec.10(12A)] – (MODIFICATION)

  Under Sec 10(12A), 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. However, this option is not available to non-employee subscribers. To provide a level playing field, it is proposed to amend Sec 10(12A) to extend the said benefit to all subscribers w.e.f. AY 2019-20.

OTHER INCOME TAX PROVISIONS

- RATIONALISATION OF SECTION 43CA, 50C AND 56 – (MODIFICATION)
  To support 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 5% of the sale consideration i.e., This would be beneficial in case of sale by property developers as well as other investors and the persons receiving such properties.

- PRESUMPTIVE INCOME UNDER SECTION 44AE IN CASE OF GOODS CARRIAGE – (MODIFICATION)
  Old Provision: In the case of an assessee, who owns not more than 10 goods carriages at any time during the previous year and who is engaged in the business of plying, hiring or leasing such goods carriages, the income of such business shall be deemed to be an amount equal to Rs.7,500 for every month or part of a month irrespective of the type of vehicle.

  New provision: As the income potential of those owning heavy goods vehicle and other vehicles would be different, it is proposed the deemed income to be:
  (i) Rs. 1,000/- per ton of gross vehicle weight or unladen weight, per month or a part of a month (in case of heavy goods vehicle*).
  (ii) Rs. 7,500/- per month or a part of a month (in case of other than heavy goods vehicle).

  **Heavy goods vehicle means any carrier with a gross weight which exceeds 12,000 Kg.*

- RATIONALISATION OF THE PROVISIONS OF SECTION 54EC – (MODIFICATION)
  Sec 54EC allowed exemption from gains arising on sale of any long-term capital asset and the same being invested in bonds issued by National Highways Authority of India or by the Rural Electrification Corporation Limited with a 3-year lock in. It is now proposed that this exemption will be available ONLY for sale of land and building or both and the lock in period is increased to 5 years for investments made after 01 April 2018.

TRUST/HOSPITALS/ EDUCATIONAL INSTITUTIONS

ENHANCED GOVERNANCE REQUIREMENT FOR TRUSTS: (MODIFICATION OF SECTION 11 & 10(23C)

The Income of Charitable Trusts covered u/s 11 and Educational Institution, Universities and Hospitals covered u/s. 10(23C) are not liable for tax if such income is applied for the objects (spent). It is now proposed, that if any such income is applied for any expenditure incurred in cash in excess of Rs. 10,000/- or an expenditure on which the required tax are not deducted, then 100% or 30% of such respective expenditure will not be eligible for the tax exemption (Applicable from Asst. Year 2019-2020)

BUSINESS RELATED TAXES

TAXABILITY OF COMPENSATION IN CONNECTION TO TERMS OF BUSINESS OR TERMINATION (INSERTION OF SUB CLAUSE (E) U/S 28(II))

Any compensation received, either revenue or capital in nature or receivable on termination or the modification of terms and conditions of any contract relating to its business shall be taxable under the head 'Profits and Gains of Business and Profession' and also deemed as Income (Applicable from Asst. Year 2019-2020)

TAXABILITY OF CONVERSION OF STOCK-IN-TRADE INTO CAPITAL ASSET (MODIFICATION OF SECTION 28, 49, 2(24), 2(42A))

In case of conversion of Stock in trade into capital asset, fair market value (FMV) of the stock as on date of conversion will be considered in order to compute business income. The method for calculating FMV will be prescribed. Further, the FMV on date of conversion will be deemed to be the cost of acquisition for computing capital gains when such asset is sold in the future.

The period of holding for computing capital gains shall be from date of conversion of the stock in trade into capital asset to the date of sale of such asset.

TAX TREATMENT ON AGRICULTURAL COMMODITY DERIVATIVES. (MODIFICATION OF SECTION 43(5))

Taxation of Trading in Agricultural Commodity is treated as normal business transaction and not as speculative business though Commodity Transaction Tax is not applicable on these transactions (Applicable from Asst. Year 2019-20)

DEDUCTION NOT TO BE ALLOWED UNLESS RETURN FURNISHED (EXTENSION OF SCOPE OF 80AC)

No Deduction shall be allowed to entire class of deductions under the heading "C.-Deductions in respect of certain incomes" in chapter VI A unless the return of income is filed within the due date prescribed and not if the same is filed belatedly. Few such deductions are 80IAC, 80JJA etc (Applicable from Asst. Year 2018-19)

MEASURES TO PROMOTE START-UPS (MODIFICATION OF SECTION 80-IAC)

Deduction of section 80-IAC for start-ups is now extended to business that is involved in improvement of products or processes or services, or a scalable business model with a ***high potential of employment generation or wealth creation***. It is now available for entities incorporated till 1st April 2021 for the entities whose turnover does not exceeds 25 crores in **Seven** previous years commencing from the date of incorporation (Applicable from Asst. Year 2018-19).

DEDUCTION IN RESPECT OF INCOME OF FARM PRODUCER COMPANIES (INSERTION OF NEW SECTION – 80PA)

New section 80PA is introduced to provide 100% deduction for Farm Producer Companies having turnover less than or equal to 100 crores and it is available for a period of five years from the financial year 2018-19.

BENEFITS TO SENIOR CITIZENS

Particulars	Old Provisions	New Provisions
80D Deductions available to **Senior Citizens** in respect of health insurance premium and/or medical treatment	Rs. 30,000/-	Rs. 50,000/-
80DDB Deduction to senior citizens for medical treatment of specified diseases	Rs. 60,000/- for Senior Citizens Rs. 80,000/- for very Senior Citizen	Rs. 1,00,000/- for both Senior and Very Senior Citizens
80TTA Interest income of **Senior Citizens** from savings account	Rs. 10,000/-	This section is not applicable for assessee’ s above 60 years (Senior Citizen)
80TTB **(Insertion of new section)** Interest income of **Senior Citizens** from deposits	NIL	Rs. 50,000/- Accordingly, TDS deduction threshold limit u/s 194A increased from Rs. 10,000/- to Rs. 50,000/-.

INCENTIVE FOR EMPLOYMENT GENERATION (80JJAA)

30% additional deduction over and the above the salary of the new employees working for a minimum of 240 days in the year of joining is allowed u/s 80JJAA. This benefit has now been extended, even if such employees in the year of joining has worked less than 240 days, but in the subsequent year has worked for the minimum 240 days. Further this 240 days has been reduced to 150 days in case of footwear and leather industry from AY 2018-19 along with the earlier relaxation that was provided to apparel industry.

RELIEF FROM LIABILITY OF MINIMUM ALTERNATE TAX (MODIFICATION OF SECTION 115JB)

In cases where, Corporate insolvency resolution has been admitted by Adjudication authority (NCLT), rehabilitating companies can claim both brought forward losses and unabsorbed depreciation from their book profit. Further, it has now been clarified MAT is not applicable for Foreign company having income referred from section 44B to 44BBB. (Applicable from Asst. Year 2018-19)

DEEMED DIVIDEND BROUGHT UNDER AMBIT OF 115-O (Modification of Section 115-O & Omission of explanation after section 115Q)

With omission of explanation in section 115Q, deemed dividend u/s. 2(22)(e) also now brought under the scope of dividend distribution tax u/s. 115-O and taxable at 30% (without grossing up). This now fastens the liability on the company rather than the specified shareholder from whom there were legal hassles in recovery

DIVIDEND DISTRIBUTION TAX ON DIVIDEND PAYOUTS TO UNIT HOLDERS IN AN EQUITY ORIENTED FUND (MODIFICATION OF SECTION 115R)

With the amendment to section 115R, the Unit Trust now need to remit 10% of Dividend declared on Equity Oriented Mutual Fund. (Applicable from Asst. Year 2018-19)

AMENDMENT TO GIVE EFFECT TO ICDS.

In order to regularise the compliance with the notified ICDS and based on judicial pronouncement, the following amendments is made applicable retrospectively from Assessment year 2017-18 and subsequent assessment years:

1. Marked to market loss or other expected loss as computed in the manner in ICDS shall be allowed as deduction u/s 36 (It has to be examined if expected losses not covered under ICDS continue to get deduction on account of amendment in Sec 40A)
2. Any gain/ loss arising on effects of changes in foreign exchange rates is respect of specified foreign currency transaction shall be treated as income/ loss subject to Sec 43A
3. With insertion of new section 43CB, that profits arising from construction contract or a contract for providing services shall be determined on the basis of percentage of completion method except for certain contracts, and that the contract revenue shall include retention money, and contract cost shall not be reduced by incidental interest, dividend and capital gains.
4. With amendment of section 145A: valuation of inventory shall be at lower of actual cost or net realizable value (NRV) as provided in ICDS
5. In case of Inventories in securities not listed on a recognised stock exchange shall be valued at actual cost initially recognised as provided in ICDS.
6. In case of inventories being Listed Securities, shall be valued at lower of actual cost or NRV as provided in ICDS.
7. With insertion of new section 145B:
   a) Interest 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 incentive shall be deemed to be the income of the previous year in which reasonable certainty of its realisation is achieved.

It is to be examined if these changes would be applicable even for those who follow cash basis of accounting.

INTERNATIONAL TAXATION

'BUSINESS CONNECTION' TO INCLUDE 'SIGNIFICANT ECONOMIC PRESENCE' {NEW PROVISION}

It is proposed that the significant economic presence of a non-resident shall also constitute business connection (based on which their income can be made liable to tax in India) in India and term 'significant economic presence' shall mean:

(i) any transaction in respect of any goods/ services / property carried out by a non-resident in India including provision of download of data or software in India where the aggregate of payments exceeds the prescribed amount; or

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

It is further proposed to provide that only the income that 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. this is in line with the BEPS Action Plan 1. (Effective from 1.4.2018 onwards).

However, it may be noted, if such income is liable for The Equalisation Levy, then such income continues to be exempt under Sec 10(50). Thus, advertisement revenue of companies like Google, Facebook which are currently covered under Equalisation levy may not be affected by this. Further, this change is only as per the Domestic Tax provisions and until there is change in the Tax Treaty provisions, this test of significant economic presence cannot bring such income to tax in India.

WIDENING OF THE EXPLNATION OF 'BUSINESS CONNECTION {NEW PROVISION}

In line with the BEPS Action Plan 7, the term business connection is proposed to 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 and where such contracts are:

(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.

(Effective from 1.4.2018 onwards)

However, the Tax Treaty benefit may continue to be availed till the Multilateral Instrument (MLI) becomes applicable for some countries, as MLI also has similar provision which may become effective around 2019. Foreign Companies carrying on their marketing and sales operations in India though their agents, branches or subsidiaries may have to closely re look at their business model and assess the tax liability.

TRANSFER PRICING

SECTION 286 - FURNISHING OF REPORT IN RESPECT OF INTERNATIONAL GROUP {AMENDMENT}

(i) The due date for furnishing the Country by Country Reporting (CbCr) was on or before due date for filing of return of income for the relevant accounting year. It is now proposed that the said report is to be furnished within a period of twelve months from the end of the said reporting accounting year, which is the previous year in respect of a resident Indian entity or the relevant annual accounting year adopted by the foreign company.

(ii) It is now proposed that a 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 CbCr in the latter's country or territory;

(iii) It is now proposed that the due date for furnishing of CbCr by the alternate reporting entity 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 its country or territory.

(iv) The definition of the word "agreement" to include an agreement for exchange of the CbCr and notified by the Central Government;

These amendments will take effect retrospectively from 1 April 2017 and will accordingly, apply in relation to the AY 2017-18 and subsequent years, that would mean even those who had missed the earlier due date of 31st Jan 18 for filing such report can now file it by 31 March 2018 and still be compliant.

ASSESSMENT PROCEDURES

MANDATORY PAN REQUIREMENT (MODIFICATION OF SEC.139A)

All entities, including HUF, Firm etc other than Individual, whose financial transaction in a year exceeding Rs.2,50,000/- is required to mandatorily obtain PAN irrespective of the fact, they have income or not. All those who are Managing Directors, Director, Partner, Trustee, Author, Kartha, CEO etc. of such above entities also should mandatorily obtain PAN.

ASSESSMENT PROCEDURE (MODIFICATION OF CLAUSE A(VI) OF 143(1))

No adjustment in relation to addition of income appearing in Form 26AS or Form 16A or Form 16 shall be made in respect of any return furnished on or after the assessment year commencing on the first day of April 2018 while processing the tax returns by CPC. If any additions must be made, the same should now only be through a scrutiny process.

PROPOSAL OF NEW SCHEME OF E- SCRUTINY ASSESSMENT (INSERTION OF SECT 143(3A), (3B), (3C))

It is proposed for enabling new scheme for e- scrutiny assessments, which will be notified in due course. This is to bring great efficiency, transparency and eliminating / reducing the physical interface between the assessing officers and the assessee to the extent it is technologically feasible.

The above scheme can be notified only after such amendments are laid before each House of Parliament.

PENALTY FOR FAILURE TO FURNISH STATEMENT OF FINANCIAL TRANSACTION OR REPORTABLE ACCOUNT (MODIFICATION OF SEC 271 FA)

This is proposed to increase the penalty leviable for failure to furnish statement of financial transaction or reportable account with in the specified due date from Rs. 100 to Rs. 500 and Rs. 500 to Rs. 1,000 respectively.

FAILURE TO FURNISH RETURN OF INCOME (MODIFICATION OF SEC 276CC)

Fine and Imprisonment is proposed to be leviable to Companies who has not filed return of Income with in due date even if the tax payable by Company does not exceed Rs. 3,000/-.

APPEALS TO THE APPELLATE TRIBUNAL (MODIFICATION OF SEC 253)

Aggrieved Assessee is given an opportunity to appeal before Tribunal when the penalty is levied U/s 271J by the Commissioner (Appeals) for furnishing incorrect information by the Accountant or Merchant Banker or Registered Valuer in any report or certificate furnished.

OTHERS:

CARRY FORWARD LOSS BENEFITS TO RESTRUCTURING AND REHABILIATION COMPANIES (MODIFICATION OF SEC. 79)

This is proposed to provide benefits to Companies going through restructuring and rehabilitation. In case of closely held companies, carry forward and set off of losses is allowed only if there is a continuity in beneficial ownership of the shares carrying not less than 51% of the voting power as held on the last day of the year in which loss is/was incurred. This provision is proposed to be relaxed, where resolution plan has been approved under the Insolvency and Bankruptcy Code, 2016 and a reasonable opportunity of being heard is given to the Jurisdictional Principal Commissioner or Commissioner. This boost arriving at resolutions for Companies in distress.

TAX ON INCOME REFERRED TO IN SECTION 68, 69 TO 69D (MODIFICATION OF SEC.115BBE)

No deduction or allowance or set off of any loss shall be allowed for unexplained income/ expenses as declared/ derived by the Assessing Officer U/s. 68, 69 to 69D.

This amendment will take effect retrospectively from 01 April 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years

CUSTOMS ACT

- 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)
- **Amendments affecting rates of BCD [to be effective from 02.02.2018]* [Clause101(a) of the Finance Bill, 2018]**

SL.No	Heading,sub-heading tariff	Commodity	Rate of Duty	
			From	To
1	2009 21 00 to 2009 90 00	Fruit juices and vegetable juices including cranberry juice	30%	50%
2	7117	Imitation Jewellery	15%	20%
3	8517 12	Cellular mobile phones	15%	20%
4	3919 90 90, … 42 8544 49 (refer III entry 13)	Specified parts and accessories including lithium ion battery of cellular mobile phones	7.5%/10%	15%
5	8517 62 90	Smart watches / wearable devices	10%	20%
6	8529 10 99 8529 90 90	LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	7.5%/10%	15%
7	9101, 9102	Wrist watches, pocket watches and other watches, including stop watches	10%	20%
8	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%
9	71	Cut and polished colored gemstones	2.50%	5%

Sl. No	Heading,sub-heading tariff item	Commodity	From	To
10	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
11	2710	Motor spirit commonly known as petrol	--	3% of aggregate duties of customs
12	Any Chapter	Specified goods hitherto exempt from Education Cess and Secondary and Higher Education Cess on imported goods	--	NIL

COMPANY LAW

COMPANIES AMENDMENT ACT 2017 UPDATES

AMENDMENTS IN SECTION 1 AND 4, AS PER THE RECENT NOTIFICATION, SECTIONS 1 AND 4 OF THE COMPANIES AMENDMENT ACT 2017 SHALL BE EFFECTIVE FROM 26 JANUARY 2018.

Section 1 – Short Title and Commencement

The amendments cover following relating to corporate Law compliances:

1. This Act may be called the Companies (Amendment) Act, 2017.
2. It shall come into force on such date as the Central Government may, by notification in the Official Gazette.

Section 4 – Memorandum

1. Name approval for new companies will be valid only for 20 days. (Earlier 60 days).
2. Name approval for change of name of existing Company is valid for 60 days.

AMENDED DEFINITIONS UNDER SECTION 2 - *YET TO BE NOTIFIED*

Amended Sections	**Amendments**	**Old Provision/ Newly inserted**
Section 2(6)	While determining the Associate Company of another Company, definition of significant influence we are required to consider 'Control of at least twenty percent of total voting power	earlier at least twenty per cent share capital
Section 2(6)	Expression Joint Venture is defined: "Joint Venture means a joint arrangement whereby the parties that have joint control of the management have rights to the net assets of the arrangement	New Addition
Section 2 (28)	Cost Accountant definition is changed by adding the criteria for a Cost Accountant to hold a valid certificate of practice.	New Addition, earlier only membership was enough.
Section 2(30)	Debenture Definition: Instruments referred in Chapter III – D of the Reserve Bank of India Act, 1934; and such other instruments as may be prescribed	New Addition

Amended Sections	Amendments	Old Provision/ Newly inserted
	by Central Government will not classify as Debentures.	
Section 2(41)	Financial Year: In addition to holding and Subsidiary companies, Associates Companies can make an application for change in the financial year from April to March.	Earlier only to holding and Subsidiary companies.
Section 2(46)	For determining Holding companies – "Companies include Body Corporate"	New Addition
Section 2(49)	Definition Omitted	Interested Director
Section 2(51)	For determining Key Managerial Personnel – Following criteria added – "such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board;" is added.	New Addition

Amended Sections	Amendments	Old Provision/ Newly inserted
Section 2(57)	For determining Net Worth – securities premium account and debit or credit of profit and loss account is to be considered.	Earlier only securities premium account.
Section 2(71)	And Inserted between (a) and (b)	"public Company" means a Company which— (a) is not a private Company; (b) has a minimum paid-up share capital as may be prescribed.
Section 2(76)	While determining the Related party of the Company, in clause (viii) instead of a Company, a	Earlier applicability was not for

Amended Sections	Amendments	Old Provision/ Newly inserted
	Body Corporate is to be considered and "an investing Company or the venture of the Company" wordings are added.	body corporate.
Section 2(76)	Investing Company means a body corporate whose investment would make the Company to be an associate Company.	New Addition
Section 2(85)	Small Company – Maximum cap on paid up capital 10 Crore and turnover of 100 Crore can be considered as small companies.	Earlier limit was 5 Crore for capital and 20 Crore for turnover.
Section 2(87)	Subsidiary – To determine the subsidiary Company, control of one-half of the voting power is to be considered	Earlier one-half of the share capital
Section 2(91)	Turnover clause substituted – "Turnover" means the gross amount of revenue recognized in the Profit and Loss Account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a Company during a financial year."	"turnover" to mean the aggregate value of the realization of amount made from the sale, supply, or distribution of goods or on account of services rendered, or both, by the Company during a financial year.

MAJOR AMENDMENTS UNDER OTHER SECTIONS - *YET TO BE NOTIFIED*

Section	Particulars	Amendments
Section 3A	Formation of Company	if the minimum number of members in a Company fall below for a period of 6 months and the Company carries out the business activities, remaining members carrying out the business being aware of the fact that the minimum number of members is fallen than the stipulated limit, shall be severally liable for the

Section	Particulars	Amendments
		whole debt of Company arising in this period."
Section 42	**Offer or Invitation for Subscription of Securities on Private Placement**	Change in definition of private placement is proposed to cover all securities offer and invitations other than right. There is condensed format of private placement offer letter and application form likely to be introduced. The Companies would be allowed to make offer of multiple security instruments simultaneously. Restriction on utilization of subscription money before making actual allotment and additionally before filing the allotment return to the registrar. Since contract is concluding on allotment and return filing is just a post conclusion compliance, there may be difficulty in compliance. The penalty provisions for raising of capital are proposed to be rationalized by linking it to the amount involved in the issue (twice the amount involved or 2 crores whichever is lower).

Section	Particulars	Amendments
		Period for filing return of return of allotment is proposed to be reduced to 15 days.
Section 92	**Annual Return**	Indebtedness omitted A mandatory requirement for Chief Executive Officer to sign the Financial Statement even if he is not director in the Company. The requirement to file extract of Annual Return is omitted. Section 92(3) mandated the filing of an extract of the annual return as a part of the Board's report The wholly owned subsidiary of a Company incorporated outside India is now allowed to hold its extra ordinary general meeting outside India. Proposal to allow the unlisted Company to hold its AGM anywhere in India if consented by all members in writing or in electronic mode. For holding of EGM, a proviso is proposed to be added to restrict the companies to hold EGM at any place in India.

Section	Particulars	Amendments
		WOS of companies incorporated outside India can hold EGM at any place in the world
Section 185	**Loan to Directors, etc.**	To address the difficulties being faced in genuine transactions due to the complete embargo on providing loans to subsidiaries with common directors, the companies are permitted to give loans to entities in which directors are interested after passing special resolution and adhering to disclosure requirements. This would give big relief to the companies. The prohibition is proposed to be made applicable for assistance to director or his partner or relative or a firm in which such director or relative is a partner or to holding Company of the Company. The conditional assistance is possible to any person in whom the director is interested (other than prohibited categories). Company must pass a special resolution & explanatory statement to the notice should disclose all the facts & particulars.

Section	Particulars	Amendments
		If the borrower is a Company, then loan should be utilized for its principal business activity. In the list of offenses under this section specific offence of contravention in utilization of loan is proposed to be added.
Section 160	**Right of Persons Other than Retiring Directors to Stand for Directorship**	The requirement of deposit of rupees one lakh with respect to nomination of directors shall not be applicable in case of appointment of independent directors or directors nominated by nomination and remuneration committee. The exemptions/modifications have already been notified for wholly owned Government companies, Section 8 companies and Nidhis.

Section	Particulars	Amendments
		The requirements under Section 160 need to be complied with for reappointment of Independent Directors, which is unreasonable as such appointments will be recommended by the Board. Similar is the case for other persons recommended by the Nomination and Remuneration Committee, as also by the Board, to be considered for appointment. Accordingly, in case of appointment of Independent Directors and Directors recommended by the Nomination and Remuneration Committee, the requirements of Section 160 have been dispensed with.

FOREIGN EXCHANGE MANAGEMENT (TRANSFER OR ISSUE OF SECURITY BY A PERSON RESIDENT OUTSIDE INDIA) REGULATIONS, 2017

The Reserve Bank makes the following regulations to regulate investment in India by a Person Resident Outside India, namely: -

1. Restriction on investment by a person resident outside India
2. Restriction on receiving investment
3. Permission for making investment by a person resident outside India
4. Acquisition through a rights issue or a bonus issue
5. Issue of shares under Employees Stock Options Scheme to persons resident outside India
6. Issue of Convertible Notes by an Indian start-up company
7. Merger or demerger or amalgamation of Indian companies
8. Transfer of capital instruments of an Indian company by or to a person resident outside India
9. Pricing Guidelines
10. Taxes and Remittance of sale proceeds
11. Reporting requirements
12. Downstream Investment
13. Prohibited activities for investment by a person resident outside India
14. Permitted sectors, entry routes and sectoral caps for total foreign investment

Further RBI provides caps for total foreign investment in various sectors in the said notification.

FOREIGN EXCHANGE MANAGEMENT (EXPORT OF GOODS AND SERVICES) (AMENDMENT) REGULATIONS, 2017

Amendment to Regulation 6

In sub-regulation (C), after the words, "viz. EDF and SOFTEX", the words "and Exchange Control copies of the shipping bills" shall be deleted.

FDI

The Government of India has reviewed FDI Policy on various sectors and made the amendment in the Consolidated FDI Policy Circular of 2017 in the following areas –

PROHIBITION OF RESTRICTIVE CONDITIONS REGARDING AUDIT FIRMS

Wherever the foreign investor wishes to specify an auditor/audit firm having international network for the Indian investee Company, then audit of such investee companies should be carried out as joint audit wherein one of the auditors should not be part of the same network.

FOREIGN INVESTMENT INTO AN INDIAN COMPANY ENGAGED ONLY IN THE ACTIVITY OF INVESTING IN THE CAPITAL OF OTHER INDIAN COMPANY/IES

Foreign Investment in Investing Companies registered as Non-Banking Financial Companies (NBFC) with the Reserve Bank of India, being overall regulated, would be under 100% automatic route.

Foreign Investment in Core Investment Companies (CICs) and other investing companies, engaged in the activity of investing in the capital of other Indian Company/ies/LLP, is permitted under Government approval route.

CONSTRUCTION DEVELOMENT: TOWNSHIPS, HOUSING, BUILT-UP, INFRASTRUCTURE AND REAL ESTATE BROKING:

Following new clause (vi) is added after Note (v) at Para 5.2.10.2 of FDI Policy, it is clarified that real-estate broking service does not amount to real estate business and 100% foreign investment is allowed in the activity under automatic route.

SINGLE BRAND PRODUCT RETAIL TRADING

The existing FDI policy on Single Brand Retail Trading (SBRT) allows 49 per cent FDI under automatic route, and FDI beyond 49 per cent and up to 100 per cent through Government approval route. However, it has now been decided to permit 100 per cent FDI under automatic route.

REFINANCING OF EXTERNAL COMMERCIAL BORROWINGS (ECB)

It has been decided, in consultation with the Government of India, to permit the overseas branches/subsidiaries of Indian banks to refinance ECBs of highly rated (AAA) corporates as well as Navratna and Maharatna PSUs, provided the outstanding maturity of the original borrowing is not reduced and all-in-cost of fresh ECB is lower than the existing ECB. Partial refinance of existing ECBs will also be permitted subject to same conditions.

TRANFER OF CAPITAL INSTRUMENTS

The following transfers have now been permitted under the automatic route:

i) Transfer by non – resident of India (NRI) or OCI to person resident outside India by way of sale or gift subject to prescribed conditions;
ii) Transfer from person resident outside India to another person outside India pursuant to liquidation, merger, demerger, amalgamation of foreign companies.

OTHERS:

Foreign investment in Commodities Spot Exchange has been permitted up to 49% under the automatic route.

The definition of "Downstream Investment" has been amended to include investment by Limited Liability Partnership (LLP) / Investment Vehicles in downstream Indian company or LLP.

ACCOUNTING AND AUDITING UPDATES

AMENDMENTS IN IND AS 7- "STATEMENT OF CASH FLOWS" ISSUED BY MCA DATED 17 MARCH 2017

Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

To enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes the entity shall disclose the following changes in liabilities arising from financing activities:

(a) changes from financing cash flows
(b) changes arising from obtaining or losing control of subsidiaries or other businesses
(c) the effect of changes in foreign exchange rates
(d) changes in fair values and
(e) other changes.

The above disclosure also applies to changes in financial assets (for example assets that hedge liabilities arising from financing activities).

Effective date: When the entity first applies these amendments, it is not required to provide comparative information for preceding periods. An entity shall apply those amendments for annual periods beginning on or after 01 April 2017.

AMENDMENTS IN IND AS 102 "SHARE-BASED PAYMENT" ISSUED BY MCA DATED 17 MARCH 2017

The amendments cover following accounting areas:

1. **Measurement of cash-settled share-based payments**

Under Ind AS 102, the measurement basis for an equity-settled share-based payment should not be 'fair value' in accordance with Ind AS 113, 'Fair value measurement'. The amendment clarifies that the fair value of a cash-settled award is determined on a basis consistent with that used for equity-settled awards.

2. **Classification of share-based payments settled net of tax withholdings**

Tax laws or regulations may require the employer to withhold some of the shares to which an employee is entitled under a share-based payment, and to remit the tax payable on it to the tax authority.

Ind AS 102 would require such share-based payment to be split into a cash settled component for the tax payment and an equity settled component for the net shares issued to the employee. The amendment now adds an exception that requires the share-based payment to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement. The exception would not apply to any equity instruments that the entity withholds more than the employee's tax obligation associated with the share-based payment.

3. **Accounting for a modification of a share-based payment from cash settled to equity-settled**

As per the amendment, if the terms and conditions of a cash-settled share-based payment transactions are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification.

Effective date: The amendments can be applied retrospectively, provided that this is possible without hindsight and that the retrospective treatment is applied to all of the amendments. The amendment rules shall be applicable from annual periods beginning on or after 1 April 2017.

NEW STANDARD- IND AS 115- REVENUE FROM CONTRACTS

Revenue is a key performance metric for many entities and Ind AS 115, Revenue from Contracts with Customers introduces a new framework – five step model–for the analysis of revenue transactions. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled.

The new revenue standard (Ind AS 115) is expected to be applicable to Indian companies following Ind AS road map from 1 April 2018. Internationally, IFRS 15 (equivalent standard to Ind AS 115) would be applicable from 1 January 2018. This standard would replace the current standards on Ind AS 18, Revenue and Ind AS 11, Construction Contracts. The new revenue model is expected to apply to all industries and all types of revenue generating transactions. The new requirements are expected to affect different entities in different ways.

Given here are some of the areas in which key changes that Indian companies can expect on application of Ind AS 115:

1. Bundled contracts
2. Non-refundable upfront fees
3. Variable Consideration
4. Significant financing component
5. Cost to obtain a contract
6. Licensing
7. Contract modification

IND AS TRANSITION FACILITATION GROUP (ITFG)'S CLARIFICATIONS ON VARIOUS ISSUES

The ITFG in its meeting considered certain issues received from the members of the Institute of Chartered Accountants of India (ICAI) and issued its clarifications on following 11 issues in relation to the application of Ind AS on 23 October 2017:

1. Application of the revaluation model for Property, Plant and Equipment (PPE)
2. Adjustment to carrying amount of PPE on account of government grant received prior to transition
3. Accounting treatment of financial guarantees
4. Accounting for loan and processing fees paid in refinancing arrangement
5. Treatment of intra group profit in the consolidated financial statements

6. Application of Ind AS to an Indian branch office of a foreign Company
7. Accounting treatment of government loans at a below market rate of interest
8. Business Combinations • Determination of acquisition date in a scheme approved by National Company Law Tribunal • Retrospective application of Ind AS 109, Financial Instruments to financial instruments acquired in past business combinations
9. Adjustment to deemed cost being the previous GAAP carrying amount of assets and liabilities

EXPOSURE DRAFTS ISSUED BY ACCOUNTING STANDARDS BOARD

1. Exposure Draft of Appendix C, Uncertainty over Income Tax Treatments to Ind AS 12, Income Taxes (Comments to be received by 19 February 2018)
2. Exposure Draft of the Accounting Standard (AS) 16, Property, Plant and Equipment (Comments to be received by 24 February 2018)

APPLICABILITY OF NEW/REVISED STANDARDS ON AUDITING

In line with the international requirements, the Institute of Chartered Accountants of India (ICAI) revised its Standards on Auditing relating to auditor reporting on 17 May 2016 with an aim of enhancing the informational value of the auditor's report. Initially the below mentioned new/revised SA's was applicable for those audits of financial statements for periods beginning on or after 1 April 2017. However, ICAI deferred the applicability by one year hence applicable for audits of financial statements for periods beginning on or after 1 April 2018.

SA 700, (Revised), Forming an Opinion and Reporting on Financial Statements	Revisions to establish new required reporting elements, and to illustrate these new elements through an example in the auditor's report.
SA 701, Communicating Key Audit Matters in the Independent Auditor's Report	New standard to establish requirements and guidance for the auditor's determination and communication of Key Audit Matters (KAMs). The KAMs which are selected from matters communicated to those charged with governance, are required to be communicated in the auditor's reports for audits of financial statements of listed entities.
SA 705, (Revised), Modifications to the Opinion in the Independent Auditor's Report	Clarification of how the new reporting elements are affected when expressing a modified opinion.

SA 706, (Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	Clarification of the relationship between the emphasis of matter and other matter paragraphs and KAM section of the auditor's report.

CIRCULARS

OBLIGATION TO COMPLY WITH THE IND AS AND RULE 4 OF COMPANIES (INDIAN ACCOUNTING STANDARDS) AMENDMENT RULES 2015- PAYMENT BANKS, SMALL FINANCE BANKS WHICH ARE SUBSIDIARIES OF CORPORATES

The holding Company if it is covered by the corporate sector road-map for implementation of Ind AS, shall follow the corporate sector road map and if the Company has got payment bank or small finance banks as its subsidiary, then subsidiary Company shall follow the banking sector roadmap prescribed vide RBI circular DBR.BP.BC.No76/21.07.001/2015-16 dated 11 February 2016 on Implementation of Ind AS read with "Operating Guidelines for Payments Banks" circular. However, the Payment Banks or Small Finance Banks shall provide the Ind AS financial data to its holding Company for consolidation.

SECTORAL IMPACT

Agriculture and Rural Economy

- Minimum support price (MSP) declared for the majority of rabi crops at least at one and a half times the cost involved and to keep MSP for all the unannounced crops of kharif at least at one and half times of their production cost.
- To develop and upgrade existing 22,000 rural hats into Gramin Agricultural Markets (GrAMs) in which physical infrastructure will be strengthened using MGNREGA and other Government Schemes. GrAMs to be electronically linked to e-NAM and exempted from regulations of APMCs, to provide farmers facility to make direct sale to consumers and bulk purchasers.
- Agri-Market Infrastructure Fund with a corpus of Rs. 2000 crore for developing and upgrading agricultural marketing infrastructure in the 22000 Grameen Agricultural Markets (GrAMs) and 585 APMCs.
- Prime Minister Gram Sadak Yojana Phase III to include linkages which connect habitations to agricultural and rural markets (GrAMs), higher secondary schools and hospitals.
- The Ministry of Agriculture & Farmers' Welfare to promote cluster-based development of agri-commodities and regions in

partnership with the Ministries of Food Processing, Commerce, and other allied Ministries

- Organic farming by Farmer Producer Organizations (FPOs) and Village Producers' Organizations (VPOs) in large clusters, preferably of 1000 hectares each, will be encouraged.
- Women Self Help Groups (SHGs) will also be encouraged to take up organic agriculture in clusters under National Rural Livelihood Programme.
- To allocate a sum of Rs. 200 crore for support organized cultivation and associated industry.
- To allocate a sum of Rs. 500 crore to launch an "Operation Greens" on the lines of "Operation Flood" to promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management
- Export of agri-commodities liberalized and to set up state-of the-art testing facilities in all the forty-two Mega Food Parks
- Facility of Kisan Credit Cards to fisheries and animal husbandry farmers to help them meet their working capital needs
- To launch a Re-Structured National Bamboo Mission with an outlay of Rs. 1290 crore to promote bamboo (Green Gold) sector.
- To put in place a mechanism that their surplus solar power is purchased by the distribution companies or licencees at reasonably remunerative rates.
- To set up a Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) for fisheries sector and an Animal Husbandry Infrastructure Development Fund (AHIDF) for financing infrastructure requirement of animal husbandry sector with a corpus of Rs. 10,000 crore/-
- To raise institutional credit for agriculture sector to Rs. 11 lakh crore for the year 2018-19.
- NITI Aayog, in consultation with State Governments, will evolve a suitable mechanism to enable access of lessee cultivators to credit without compromising the rights of the land owners.
- A special Scheme will be implemented to support the efforts of the governments of Haryana, Punjab, Uttar Pradesh and the NCT of Delhi to address air pollution and to subsidize machinery required for insitu management of crop residue.
- To provide **free LPG connection to 8 crore poor women** to implement Ujjwala scheme to make poor women free from the smoke of wood
- Four crores poor households are being provided with electricity connection free of charge spending Rs. 16000 crore Prime Minister Saubhagya Yojana scheme
- 2 crore toilets proposed to be constructed under Swachh Bharat Mission
- Under Prime Minister Awas Scheme Rural, 51 lakhs houses in year 2017-18 and 51 lakh houses during 2018-19 will be constructed exclusively in rural areas. In urban areas the assistance has been sanctioned to construct 37 lakh houses.

Health, Education, and Social Protection

- Allocation of Rs. 9,975 crore on National Social Assistance Programme
- To initiate an integrated **B.Ed. programme for teachers**; Right to Education Act amended to enable more than 13 lakh untrained teachers to get trained
- To substantially increase allocation of National Rural Livelihood Mission to Rs. 5750 crore in 2018-19
- Allocated Rs. 2600 crore for Ground water irrigation scheme under Prime Minister Krishi Sinchai Yojna- Har Khet ko Pani in 96 deprived irrigation districts
- Apart from employment due to farming activities and self-employment, expenditure for creation of livelihood and infrastructure in rural areas to create employment of 321 crore person days, 3.17 lakh kilometers of rural roads, 51 lakh new rural houses, 1.88 crore toilets, and provide 1.75 crore new household electric connections besides boosting agricultural growth.
- To increase the digital intensity in education and move gradually from "black board" to "digital board"; Technology to upgrade the skills of teachers through the recently launched **digital portal "DIKSHA"**.
- more than 50% ST population and at least 20,000 tribal persons, will have an Ekalavya Model Residential School by 2022. Ekalavya schools will be on par with Navodaya Vidyalayas and will have special facilities for preserving local art and culture besides providing training in sports and skill development.
- To launch a major initiative named "Revitalising Infrastructure and Systems in Education (RISE) by 2022" with a total investment of Rs. 1,00,000 crore in next four years to step up investments in research and related infrastructure in premier educational institutions
- 18 new SPAs would be established in the IITs and NITs as autonomous Schools,
- To identify 1,000 best B.Tech students each year from premier institutions under the "Prime Minister's Research Fellows (PMRF)" Scheme and provide them facilities to do Ph.D in IITs and IISc, with a handsome fellowship
- Rs. 1200 crore for flagship programme of 1.5 lac Health and Wellness Centres to provide comprehensive health care, including for noncommunicable diseases and maternal and child health services, free essential drugs and diagnostic services.
- World's largest government funded health care programme by launching a flagship National Health Protection Scheme to cover over **10 crore** poor and vulnerable families (approximately 50 crore beneficiaries) providing **coverage upto 5 lakh rupees per family** per year for secondary and tertiary care hospitalization.

- To allocate additional Rs. 600 crore to provide nutritional support to all **TB patients at the rate of Rs. 500 per month** for the duration of their treatment.
- To set up 24 new Government Medical Colleges and Hospitals by upgrading existing district hospitals in the country to ensure that there is at least 1 Medical College for every 3 Parliamentary Constituencies and at least 1 Government Medical College in each State of the country.
- To launch a Scheme called Galvanizing Organic Bio-Agro Resources Dhan (GOBAR-DHAN) for management and conversion of cattle dung and solid waste in farms to compost, fertilizer, bio-gas and bio-CNG.
- 13 crore 25 lakh persons have been insured under Pradhan Mantri Suraksha Bima Yojana, with personal accident cover of 2 lakh on payment of a premium of only Rs.12 per annum.
- To bring all sixty crore basic accounts within its fold and undertake measures to provide services of micro insurance and
- unorganized sector pension schemes through these accounts under Prime Minister Jan Dhan Yojana.
- 187 projects sanctioned under Namami Gange programme for infrastructure development, river surface cleaning, rural sanitation and other interventions at a cost of Rs.16,713 crore
- An allocation of Rs. 56,619 crore for SCs and Rs. 39,135 crore for STs in BE 2018-19.
- Expenditure on health, education and social protection to go up by at least 15,000 crore in 2018-19 on account of additional allocation during the year and extra budgetary expenditure, including through Higher Education Financing Agency.

Micro, Small and Medium Enterprises (MSMEs) and Employment

- To onboard public-sector banks and corporates on Trade Electronic Receivable Discounting System (TReDS) platform and link this with GSTN. Online loan sanctioning facility for MSMEs will be revamped for prompt decision making by the banks. Government will soon announce measures for effectively addressing non-performing assets and stressed accounts of MSMEs
- A number of policy measures including launching “Start-Up India” program, building very robust alternative investment regime in the country and rolling out a taxation regime designed for the special nature of the Venture Capital Funds (VCFs) and the angel investors; To strengthen the environment for their
- growth and successful operation of alternative investment funds in India.
- To set a target of Rs. 3 lakh crore for lending under MUDRA Yojana for 2018-19 after having successfully exceeded the targets in all previous years.

- To contribute 12% of the wages of the new employees in the EPF for all the sectors for next three years. Also, the facility of fixed term employment will be extended to all sectors.
- To enable higher take-home wages by women, **women employees' contribution reduced to 8%** for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution.
- 306 Pradhan Mantri Kaushal Kendra have been established for imparting skill training through setting up a model aspirational skill centre in every district of the country
- To provide an outlay of 7148 crore for the textile sector in 2018-19.

Infrastructure and Financial Sector Development

- Smart Cities Mission aims at building 100 Smart Cities with state of-the-art amenities; 99 Cities have been selected with an outlay of Rs. 2.04 lakh crore.
- National Heritage City Development and Augmentation Yojana (HRIDAY) has been taken up in a major way to preserve and revitalize soul of the heritage cities in India
- To develop ten prominent tourist sites into Iconic Tourism destinations; tourist amenities at 100 Adarsh monuments to be upgraded to enhance visitor experience.
- The AMRUT programme focuses on providing water supply to all households in 500 cities
- Ambitious Bharatmala Pariyojana has been approved for providing seamless connectivity of interior and backward areas and borders of the country to develop about 35000 kms in Phase-I at an estimated cost of Rs. 5,35,000 crore.
- NHAI to consider organizing its road assets into Special Purpose Vehicles and use innovative monetizing structures like Toll, Operate and Transfer (TOT) and Infrastructure Investment Funds (InvITs).
- 18,000 kilometers of doubling, third and fourth line works and 5000 kilometers of gauge conversion would eliminate capacity constraints and transform almost entire network into Broad Gauge; Moving fast towards optimal electrification of railway network;4000 kilometers are targeted for commissioning during 2017-18.
- A 'Safety First' policy, with allocation of funds under Rashtriya Rail Sanraksha Kosh to focus on safety including increasing use of technology like "Fog Safe" and "Train Protection and Warning System".
- International Financial Service Centre (IFSC) at Gift City, which has become operational, needs a coherent and integrated regulatory framework to fully develop and to compete with other offshore financial centres.

- NITI Aayog will initiate a national program to direct efforts in the area of artificial intelligence, including research and development of its applications.
- Doubled the allocation on Digital India programme to Rs. 3073 crore in 2018-19.
- To setup **five lakh wi-fi hotspots** which will provide **broadband access to five crore rural citizens**. To provide Rs. 10000 crore in 2018-19 for creation and augmentation of Telecom infrastructure.
- Toll system on "pay as you use" basis to be set-up.
- Extra budgetary expenditure on infrastructure for 2018-19 increased to Rs. 5.97 lakh crore

Building Institutions and Improving Public Service Delivery

- To evolve a Scheme to assign **every individual enterprise in India a unique ID**.
- Department of Commerce will be developing a National Logistics Portal as a single window online market place to link all stakeholders.
- Initiated the process of strategic disinvestment in 24 CPSEs including strategic privatization of Air India.
- **National Insurance Company Ltd., United India Assurance Company Limited and Oriental India Insurance Company Limited will be merged into a single insurance entity** and will be subsequently listed.
- Bank recapitalization program has been integrated with an ambitious reform agenda, under the rubric of an Enhanced Access and Service Excellence (EASE) programme to pave the way for the public-sector banks to lend additional credit of Rs. 5 lakh crore.
- National Housing Bank Act is being amended to transfer its equity from the Reserve Bank of India to the Government. Indian Post Offices Act, Provident Fund Act and National Saving Certificate Act are being amalgamated and certain additional people friendly measures are being introduced.
- The Government will formulate a comprehensive Gold Policy to develop gold as an asset class. The Government will also establish a system of consumer friendly and trade efficient system of regulated gold exchanges in the country. Gold Monetization Scheme will be revamped to enable people to open a hassle-free Gold Deposit Account.

Suresh & Co.,
Chartered Accountants
No. 43/61, "Srinidhi",
Surveyor's Street,
Basavanagudi,
Bengaluru – 560 004
Ph.: 080 6567 0019 – 20

Annveshan Business Solutions Pvt. Ltd.
6 / B-1, 2nd Floor, M.N.K. Rao Road
Off Govindappa Road
Basavanagudi
Bengaluru – 560 004
Ph.: 080 6567 0048 - 52

References:

- Economic Survey 2017-18
- Budget Speech
- Budget Highlights
- Finance Bill
- Other relevant statutes