

INDIA BUDGET SYNOPSIS 2018

Recent Policy Changes and Proposals for Direct and Indirect Taxes, Impact and Economic Indicators



For use by clients and firm personnel only

We have taken all steps to ensure that the information contained herein has been obtained from reliable sources and that this publication is accurate. However, this publication is not intended to give legal, tax, accounting or other professional advice. We recommend appropriate advice be taken prior to initiating action on specific issues.



CONTENTS

- Foreword 2
- Rupee Movement 4
- In Brief 6
- Proposals 8
 - > Direct Taxes 9
 - > Indirect Taxes 14
- Commerce & Trade Focus 18
- Impact 22
- Recent Policy Changes 24
- Economic Indicators 30

FOREWORD



"LET NEW INDIA ARISE..."

One thing is clear – elections are in sight! Besides projecting numbers, the Finance Minister's opening speech flags key achievements too. He emphasizes on honesty and good governance, and then elucidates how. Digitalization riding on demonetization, ease of doing business an outcome of focused changes in policies and archaic procedures and inclusive growth through likes of direct benefit transfer. There is deserved chest thumping on disinvestment, which exceeded the planned target by more than 20 per cent! Then he moves to his crystal ball for 2018, with a sight on GDP growth of 7.5-8 per cent.

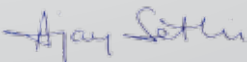
The Minister has emphasized on rural upliftment, healthcare, education and infrastructure. There is a fair wind of sops viz. gas connections, affordable housing, medical payout for each poor family of upto half a million rupee, teach-the-teacher programme to lift quality of education imparted through government schools and various efforts to get farmers better price for produce. Capital outlays on infrastructure are interesting read. The will to control costs remains. There is a marginal increase in allocation, except Ministries for Development of North Eastern Region, Petroleum & Natural Gas and Electronics & IT. Higher Education has an allocation increase of nearly 10 times! The link to his plan is visible. Clean India remains in focus with 20 million additional toilets within next 2 years. I am particularly delighted that controlling open defecation is not the only clean thought – epic pollution of Delhi and around has got the attention of powers that be. An allocation has been made. It is a starting point.

Corporate tax rate comes to the promised 25 per cent level. Tax on long term gains on share sale is back. Companies finding innovative ways to distribute income rather than as dividend (to circumvent the dividend distribution tax of 18 per cent) will cough out that at 30 per cent if caught! Companies failing to file a tax return will face prosecution. “Loss carry forward” benefit to buyers of insolvent companies has been clarified in their favour.

Customs duty changes push “Make in India” prerogative. Footwear, electronics, hardware, food processing, automotive, furniture see a rise, even doubling, of import duty. The perfumery and toiletry also faces the “axe effect”.

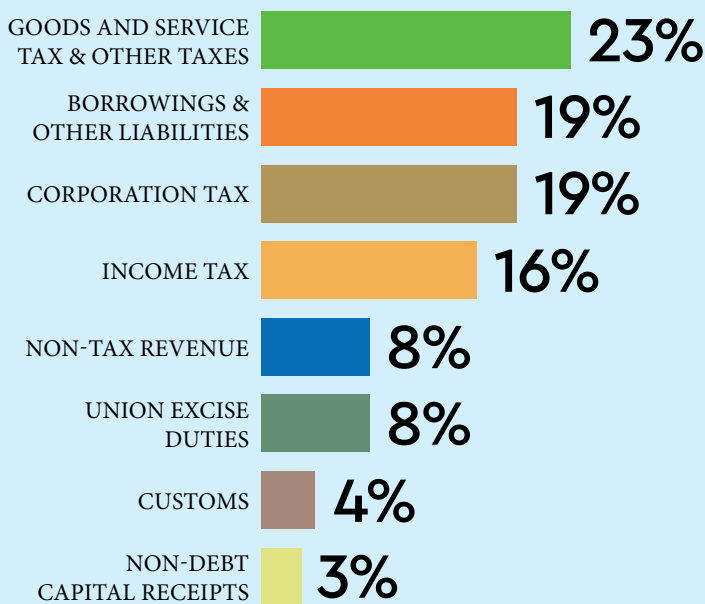
A fair budget and no reckless adventure here. Change what is required, don't tinkle with the unnecessary. Make the law clear and send a sharp message to the clever planners. Bring digitalization in key focus by banking on technologies like blockchain to control risks.

Keeping the fiscal deficit target at a reasonable 3.3 per cent and not going for 3.1 per cent is prudent. That, captured with serious outlays on rural, infrastructure and healthcare, should put money in the hands of the common man, thus pushing purchasing and consequently the economy. These steps, combined with the fact that a government willing to listen and act, we look to be in a fair direction. India rising is not a statement, it is happening.

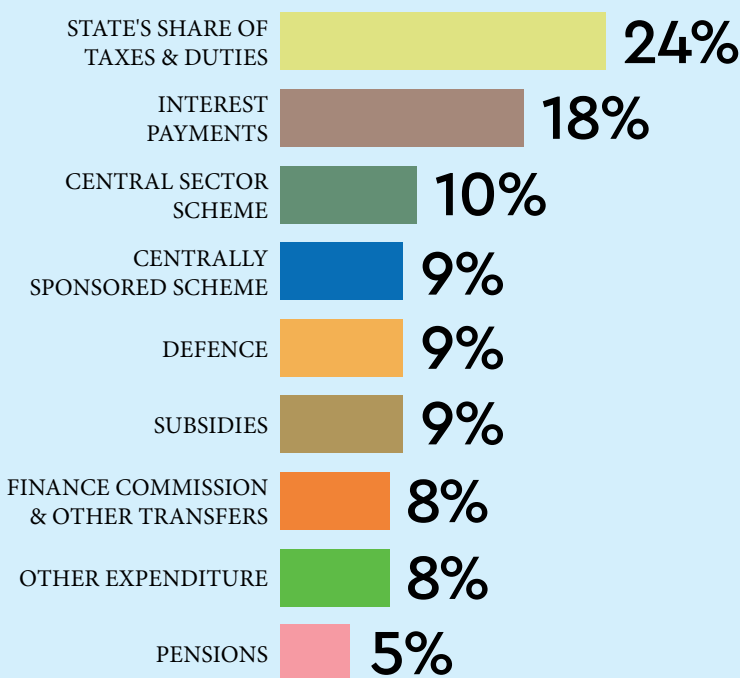


Ajay Sethi

RUPEE COMES FROM



RUPEE GOES TO



IN BRIEF

Budget Statement



DIRECT TAXES

- New Health and Education cess of 4 per cent introduced and tax rates remain unchanged
- Marginal relief to the salaried class with introduction of standard deduction of ₹40,000
- Long term capital gains tax of 10 per cent on sale of listed securities
- Concept of Business Connection enhanced
- ICDS aligned with the provisions of the Act

INDIRECT TAXES

- Central Board of Excise and Customs rechristened to Central Board of Indirect Taxes and Customs
- Education Cess and Secondary & Higher Education Cess abolished
- Road and Infrastructure Cess introduced
- Social Welfare Surcharge introduced
- Provisions for reciprocal arrangement for exchange of information with other countries introduced

COMMERCE & TRADE FOCUS

- In focus – agriculture, rural development, infrastructure and finance
- Fillip to investment in food processing, animal husbandry and social protection
- Provision created for disbursement of free and essential drugs
- 99 Smart Cities selected for implementation of projects
- Railways capacity and network enhanced

SOCIAL FOCUS

- Allocation for Rural Development Programs boosted
- Acceleration towards digital economy

ECONOMIC INDICATORS

- GDP growth estimated at 6.5 per cent in 2017-18. Expected to be in the range of 7 to 7.5 per cent in 2018-19
- WPI based inflation at 2.9 per cent
- Foreign exchange reserves at US\$414.8 billion
- Growth in Steel, Power and Natural Gas

BUDGET PROPOSALS

Direct Taxes

Indirect Taxes



This section summarises the significant proposals on Direct and Indirect taxes made by the Finance Minister on February 1, 2018. The direct tax provisions in the Finance Bill, 2018 would ordinarily apply to the Financial Year commencing on April 1, 2018 (Assessment Year 2019-20) whereas the indirect tax provisions would apply with immediate effect, unless otherwise specified. Finance Minister is likely to propose further amendments through separate Bills.

The proposals contained in the Finance Bill are subject to ratification by the Parliament.

DIRECT TAXES

INCOME TAX

- The basic tax slabs for individual & HUF remains unchanged i.e.

INCOME RANGE (₹)	RATE (%)
Upto 250,000 ¹	Nil
250,001 – 500,000	5
500,001 – 1,000,000	20
1,000,001 and above ²	30

¹Exemption limit for individuals reaching 60 and 80 years remains at ₹300,000 and ₹500,000 respectively

²Surcharge remains at 10 per cent on income exceeding ₹5 million; remains at 15 per cent on income exceeding ₹10 million

- Tax rates on partnership firms and co-operative societies remain unchanged. Surcharge at 12 per cent where income exceeds ₹10 million.
- Corporate tax rate remains unchanged i.e.

COMPANY	RATE (%)
Domestic ¹	
▷ MSME / New enterprise	25 ²
▷ Others	30
Foreign	40 ³

¹Surcharge remains at 7 per cent and 12 per cent where income exceeds ₹10 million and ₹100 million respectively

²The benefit of lower rate of tax now applicable to companies with turnover up to ₹2.5 billion during financial year 2016-17

³Surcharge remains at 2 per cent and 5 per cent where income exceeds ₹10 million and ₹100 million respectively

- Education cess and Secondary and Higher Education cess at 3 per cent replaced by Health and Education cess at 4 per cent.

SALARY

- A standard deduction introduced at ₹40,000 in lieu of transport allowance and medical expense reimbursement.

INCOME FROM BUSINESS AND PROFESSION

- Trading in agriculture commodity derivatives on a recognised stock exchange or registered associations will be treated as non-speculative transaction.
- The fair market value of the inventory, when converted into a capital asset, is taxable as business income in the year of conversion.
- Commodities Transaction Tax to apply on “Options in Commodity Futures” at 0.05 per cent and 0.0001 per cent for seller and buyer respectively.
- Income tax provisions aligned with Income Computation and Disclosure Standards (‘ICDS’) including
 - ▷ Marked to market loss computed as per ICDS is now allowed under section 36.
 - ▷ Gain or loss on account of foreign exchange fluctuation as per ICDS be allowed.
 - ▷ Income from construction contract or contract for providing services to be computed on basis of “Percentage of Completion Method”.

MINIMUM ALTERNATE TAX (‘MAT’)

- Rate reduced from 18.5 to 9 per cent for non-corporate units located in the International Financial Services Center (‘IFSC’) and earning income in convertible foreign exchange.
- Where a corporate insolvency application has been admitted by the adjudicating authority, the aggregate of brought forward losses and depreciation to be reduced in computing book profits.
- MAT regime not to be applicable to foreign companies engaged solely in specified businesses involving shipping, mineral oils exploration, aircraft operation and turnkey power projects where income is offered on special rates of tax.

CAPITAL GAINS

- Transfer of certain assets by non-residents through recognised stock exchanges located in an IFSC, not subjected to capital gains, if the consideration is in foreign currency.
- Long term Capital Gains ('LTCG'), arising only from transfer of land or building or both, are eligible for capital gains tax exemption, upon reinvestment for five years into specified infra bonds.
- LTCG on transfer of listed securities, exceeding ₹100,000 without allowing indexation and foreign currency fluctuation, taxable at 10 per cent. Grandfathering, based on valuations as at January 31, 2018, available in respect of transfers made after March 31, 2018.

INCOME FROM OTHER SOURCES

- Transfer of capital assets between a company and its wholly owned Indian subsidiary does not result in taxable income.

REBATES AND DEDUCTIONS

INTRODUCED

- 100 per cent deduction of profits of eligible business undertaken by Farm Producer Companies with total turnover up to ₹1 billion.
- Deduction under section 80TTB of ₹50,000 on interest income from deposits from banks/co-operative society/post office held by senior citizens.

ENHANCED

- Deduction under section 80D from ₹30,000 to 50,000 on health insurance premium/preventive health checkup/medical expenditure of a senior citizen.
- Deduction under section 80DDB from its existing ₹60,000/₹80,000 to 100,000 for medical treatment of specified diseases for senior citizens.

RESTRICTED

- To avail specific area and sector-based tax holidays, it is mandatory to submit tax return by the due date.

TAX WITHHOLDING

- Threshold for tax withholding on interest income from banks/ co-operative society/post office enhanced from ₹10,000 to 50,000 for senior citizens.

DIVIDEND DISTRIBUTION TAX

- Loans & Advances in the nature of 'deemed dividend' to substantial shareholders, by a closely held company shall be taxed in the hands of the company as dividend distribution tax at the rate of 30 per cent.

INTERNATIONAL TAXATION

- Based on recommendations of the Organization for Economic Co-operation and Development under the Base Erosion and Profit Shifting project, the term 'Business Connection'
 - has been amended in line with the modified Dependent Agent Permanent Establishment rule under the Multilateral Instrument signed by the Indian Government
 - to include significant economic presence of a non-resident, based on a prescribed threshold of 'revenue' and 'number of users' in India, within its ambit.

TRANSFER PRICING

- Due date for submitting Country-by-Country Report by India headquartered groups and designated entities of foreign groups, extended to twelve months from the end of relevant reporting accounting year.

START-UP TAX REGIME

Eligibility criteria to avail tax holiday amended

- Start-ups incorporated up to March 31, 2021 are now eligible.
- The turnover threshold of ₹250 million, is to be met for seven years from incorporation.
- Scope of eligible start-ups expanded to include businesses engaged in innovation, improvement of processes or services and those scalable business models, with high potential for employment or wealth creation whether driven by technology or not.

OTHERS

- Benefit of carry forward business losses can be availed despite the change in shareholding, where a corporate insolvency plan has been approved after affording a reasonable opportunity to the jurisdictional Principal Commissioner or Commissioner.
- No adjustment to sales consideration for transfer of immovable property, if stamp duty valuation is within 5 per cent adian.
- Willful omission by companies in submitting tax return within specified timelines, would invite prosecution.
- Non-individual entities and any persons competent to act on their behalf are required to obtain PAN, in the event of them entering into financial transactions aggregating ₹250,000 or more in a financial year.
- Compensation in respect of termination or modification of business contract or employment contract, now taxable.



INDIRECT TAXES

CUSTOMS DUTY

Basic Customs Duty ('BCD') maintained at 10 per cent.

HIGHLIGHTS

▪ Amendments

- ▶ Education Cess and Secondary & Higher Education Cess on imported goods abolished.
- ▶ Social Welfare Surcharge of 10 per cent introduced on imported goods.
- ▶ Central Board of Excise and Customs rechristened to Central Board of Indirect Taxes and Customs.
- ▶ Scope of Customs Act, 1962 enhanced to include any offence or contravention committed outside India by any person.
- ▶ Indian Custom waters have been extended from 24 to 200 nautical miles up to Exclusive Economic Zone of India.
- ▶ Central Government empowered to exempt Customs Duty on exported goods imported, or goods re-imported after export, for repair, processing or manufacture, subject to conditions.
- ▶ Time limit for pronouncement of Advance Ruling reduced from 6 to 3 months.
- ▶ Electronic clearance of goods also permitted through Customs Automated System.
- ▶ Provisions introduced for reciprocal arrangement for exchange of information with other countries for:
 - Trade enhancement and facilitation
 - Combating and investigation of offences.
- ▶ Provisions for audit of assessment of imported or exported goods introduced.
- ▶ Additional Duty of Customs (Road Cess) on petrol and high speed diesel oil abolished.

▪ Change in BCD rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To
FOOD PROCESSING			
‣ Raw cashew	5	↓	2.5
‣ Orange fruit juice	30	↑	35
‣ Cranberry juice	10	↑	50
‣ Miscellaneous food preparations	30	↑	50
PERFUMES AND TOILETRIES			
‣ Perfumes and toilet waters	10	↑	20
‣ Preparations for: <ul style="list-style-type: none"> • Beauty/make-up/manicure/pedicure sunscreen or suntan • Hair use • Oral or dental hygiene in individual retail packages • Shaving, other perfumery, cosmetic or toilet 	10	↑	20
AUTOMOBILE			
‣ Truck and bus radial tyres	10	↑	15
‣ Specified parts/accessories of motor vehicles, motor cars, motor cycles	7.5/10	↑	15
‣ CKD imports of motor vehicles, motor cars, motor cycles	10	↑	15
‣ CBU imports of motor vehicles	20	↑	25
FOOTWEAR			
‣ Footwear	10	↑	20
‣ Parts of footwear	10	↑	15
JEWELLERY			
‣ Imitation jewellery	15	↑	20

INDUSTRY	RATE (%)		
	From	↑↓	To
TEXTILES			
‣ Silk fabrics	10	↑	20
DIAMONDS AND PRECIOUS STONES			
‣ Cut and polished colored gemstones	2.5	↑	5
‣ Specified types of diamonds	2.5	↑	5
MEDICAL DEVICES			
‣ Raw materials, parts or accessories for manufacture of cochlear implants	2.5	↑	0
EDIBLE OILS OF VEGETABLE ORIGIN			
‣ Crude edible vegetable oils	12.5	↑	30
‣ Refined edible vegetable oils	20	↑	35
WATCHES AND CLOCKS			
‣ Wrist and other watches including clocks	10	↑	20
CAPITAL GOODS AND ELECTRONICS			
‣ Printed Circuit Board Assembly and moulded plastics for charger/adaptor of cellular mobile phones	0	↑	10
‣ CNC systems for CNC machine tools	7.5	↓	2.5
‣ Solar tempered glass for manufacture of solar cells/panels/modules	5	↓	0
‣ Preform of silica for manufacture of telecommunication grade optical fibre	0	↑	5
ELECTRONIC/HARDWARE			
‣ Cellular mobile phones	15	↑	20
‣ Specified parts and accessories including lithium ion battery of cellular mobile phones	7.5/10	↑	15
‣ Smart watches/wearable devices	10	↑	20
‣ LCD/LED/OLED panels and their parts	7.5/10	↑	15

EXCISE DUTY

Excise Duty has been subsumed under Goods and Services Tax ('GST') w.e.f. July 1, 2017 subject to exception of specified goods.

HIGHLIGHTS

- Road and Infrastructure Cess introduced on motor spirits including petrol and diesel oil
 - ▶ ₹4 per litre, if manufactured in and cleared from 4 specified refineries located in the North-East
 - ▶ ₹8 per litre in others.
- Amendments
 - ▶ Additional Duty of Excise (Road Cess) on petrol and high speed diesel oil abolished.
- Changes in Excise Duty

ITEMS	RATE (₹)		
	From	↑↓	To
PETROLEUM (per litre)			
▶ Unbranded petrol	6.48	↓	4.8
▶ Branded petrol	7.66	↓	5.66
▶ Unbranded diesel	8.33	↓	6.33
▶ Branded diesel	10.69	↓	8.69

SERVICE TAX

Service Tax has been subsumed under GST w.e.f. July 1, 2017.

- Retrospective Exemptions
 - ▶ Effective September 10, 2004 – Life Insurance provided by Naval Group Insurance Fund to the personnel of Coast Guard.
 - ▶ Effective March 28, 2013 – Services by Goods and Services Tax Network to Central, State and Union Territory governments.
 - ▶ Effective April 1, 2016 – Consideration for grant of license or lease provided by the Government to explore or mine petroleum crude or natural gas.

COMMERCE & TRADE FOCUS



AGRICULTURE

- Target of agricultural credit in 2018-19 fixed at ₹11 trillion (US\$172 billion).
- Coverage of National Agricultural Market ('e-NAM') network extended to 470 Agricultural Produce Market Committees ('APMC'). Remaining 115 APMCs will be connected by March, 2018. Existing rural haats (22,000 approximately) to be upgraded to Gramin Agricultural Markets ('GrAMs') which shall be linked to e-NAM.
- Agri-Market Infrastructure Fund with a corpus of ₹20 billion (US\$312.5 million) to be set up for developing and upgrading infrastructure in 22,000 GrAMs' and 585 APMCs.
- Allocation for *Prime Minister Krishi Sampada Yojana*, for boosting investment in food processing increased from ₹7.15 billion (US\$112 million) to ₹14 billion (US\$218.75 million).
- Fisheries and Aquaculture Infrastructure Development Fund and Animal Husbandry Infrastructure Development Fund created with an initial corpus of ₹100 billion (US\$1.56 billion).
- Facility of Kisan Credit Cards extended to fisheries and animal husbandry farmers.
- Re-structured *National Bamboo Mission* launched with an outlay of ₹12.9 billion (US\$201.57 million).
- *Operation Greens*, to promote Farmer Producers Organisation agri-logistics, processing facilities and professional management allocated ₹5 billion (US\$78.13 million)
- *Prime Minister Krishi Sinchai Yojna – Har Khet Ko Pani* allocated ₹26 billion (US\$406.25 million) for providing assured irrigation to 96 irrigation deprived districts.

RURAL DEVELOPMENT

- *Prime Minister Awas Yojna* to provide 5.1 million houses in rural and 3.7 million houses in urban areas in 2018-19.
- *Prime Minister Saubhagya Yojna* for providing electricity to 40 million poor households allocated ₹160 billion (US\$2.5 billion).

- *National Rural Livelihood Mission* allocation increased to ₹57.5 billion (US\$898.43 million).
- Free LPG connection under *Prime Minister's Ujjwala Scheme* to 80 million women as compared to 50 million in last fiscal year.

HEALTH, EDUCATION & SOCIAL PROTECTION

- Allocation to *National Social Assistance Programme* for comprehensive social security and protection to old, widows, orphaned children, divyaang and deprived fixed at ₹99.75 billion (US\$1.56 billion).
- The Right of Children to Free and Compulsory Education Act, 2009 amended to enable training and skill upgradation of 1.3 million more teachers.
- “Revitalising Infrastructure and Systems in Education by 2022” launched to promote research and related infrastructure in premier educational institutions with an initial outlay of ₹1 trillion (US\$15.6 billion).
- **National Health Policy 2017 for developing 150,000 healthcare and wellness centers to provide free essential drugs and diagnostics services allocated ₹12 billion (US\$187.5 million).**
- *National Health Protection Scheme* launched covering 100 million poor and vulnerable families to provide coverage up to ₹500,000 (US\$7812.5) per family per year for secondary and tertiary care hospitalisation.
- 24 new Government Medical Colleges and Hospitals to be set up.
- *Galvanizing Organic Bio-Agro Resources Dhan* to be launched for management and conversion of cattle dung and solid waste to compost, fertiliser, bio-gas and bio-CNG.

MEDIUM SMALL AND MICRO ENTERPRISES (‘MSME’)

- MSMEs allocated ₹37.94 billion (US\$592.81 million) for credit support, capital and interest subsidies.
- Target of ₹3 trillion (US\$46.88 billion) set for lending under *Micro Units Development and Refinance Agency Limited Yojana*, to fund growth of micro and small units.

- Government to contribute 12 per cent of the wages of new employees in the Employees Provident Fund for all sectors for next 3 years. Own contribution by women employees reduced to 8 per cent for first 3 years to incentivise employment of women.
- Model aspirational skill centres to be setup in every district under *Pradhan Mantri Kaushal Kendra Programme*.

INFRASTRUCTURE AND FINANCE

- Estimated budgetary and extra budgetary expenditure on infrastructure increased to ₹5.97 trillion (US\$93.28 billion) from ₹4.94 trillion (US\$77.19 billion).
- *Proactive Governance and Timely Implementation* an online monitoring system facilitated and fast tracked projects worth ₹94.6 million (US\$14.78 million) in railway and power sectors.
- 99 cities with an outlay of ₹2.04 trillion (US\$31.88 billion) have been selected under the *Smart Cities Mission* to implement various projects.
- Allocation of ₹776.4 billion (US\$12.13 billion) to Atal Mission for Rejuvenation and Urban Transformation programme focusing on providing water supply to households in 500 cities.
- Allocation of ₹148.53 trillion (US\$2.32 trillion) towards strengthening and enhancement of railways carrying capacity and network.
- Allocations doubled to ₹30.73 billion (US\$480.16 million) to support research, training and skill enhancement in robotics, artificial intelligence, digital manufacturing, big data analysis, quantum communication and internet of things through centres of excellence.

FISCAL MANAGEMENT

- Approval to 14 Central Public Sector Enterprises ('CPSEs') for listing on stock exchanges along with strategic disinvestment in 24 CPSEs.
- Bank recapitalisation program launched with bonds of ₹800 billion (US\$12.5 billion) to lend additional credit of ₹50 billion (US\$ 781.25 million).

IMPACT

Capital Market

Key Sectors

CAPITAL MARKET

The Bombay Stock Exchange ('Sensex') closed 0.16 per cent lower at 35,906.66, down by 58.36 points. The National Stock Exchange ('Nifty') lost 0.10 per cent or 10.80 points to finish at 11,016.90 points. The Sensex touched an intra-day high of 36,256.83 and a low of 35,501.74 while the Nifty touched a high of 11,117.35 and a low 10,878.80 during the day.

KEY SECTORS

HEALTHCARE

Government has launched world's largest government funded healthcare initiative catering to 500 million beneficiaries. This, along with steps to ensure free drugs and diagnostic services, will cater to the needs of poor and weaker sections.

AGRICULTURE

GrAMs linked to e-NAM, Agri-Market Infrastructure Fund for developing and upgrading infrastructure in 22,000 GrAMs' and 585 APMCs, increased outlays for Prime Minister Krishi Sampada Yojana, the flagship programme for boosting investment in food processing are initiatives taken by Government.



AUTOMOBILE

The decision to impose a higher customs duty on motor vehicles imported into India as Completely Knocked Down ('CKD') kits and imported automotive components would promote localization efforts and boost Make in India program.

BANKING

Bank recapitalisation with bonds of ₹800 billion (US\$12.5 billion), measures to address the stressed and non-performing assets problem of MSMEs, increased MUDRA loans to the tune of ₹3 trillion (US\$46.88 billion), tax concessions to MSMEs would have positive impact on the sector.

DIGITAL ECONOMY

Allocation has doubled on Digital India programme to ₹30.73 billion (US\$480.16 million) in 2018-19. The proposal to use block chain technology, upgrading skills of teachers through digital portal and to support research, training and skill enhancement in robotics, big data analysis, quantum communication and internet of things through centers of excellence would further enhance digital initiatives.

EDUCATION

Education infrastructure is to be revitalized by opening schools for under privileged, upgrading skills of teachers to improve quality education for students, scheme to identify bright students in premier engineering institutes, and providing them higher-education opportunities in IITs and IISc.

POWER AND ENERGY

Allocation of ₹38 billion (US\$593.75 million) for Deendayal Upadhyaya Gram Jyoti Yojna, ₹160 billion (US\$2.5 billion) for the Sahaj Bijli Har Ghar Yojana ('Saubhagya') for electrification of rural households will boost the demand of energy and would have an overall positive impact on the power and energy sector.

INFRASTRUCTURE

Road construction firms to benefit from the fresh tenders and road projects. In railways, companies carrying out civil works and track-laying and electrification services will be benefited. Incentives for affordable housing will lead to increased supply and create rational prices and lower finance costs further improving project viability.

RECENT POLICY CHANGES

Legislative Initiatives

Foreign Direct Investment ('FDI) Policy

Taxation

Company Law

Insolvency and Bankruptcy Code

Others



LEGISLATIVE INITIATIVES

- Foreign Investment Promotion Board ('FIPB') responsible for approving Foreign Direct Investment ('FDI') proposals was abolished. Standard Operating Procedures ('SOPs') to be referred to by respective departments for approving FDI proposals.
- Reserve Bank of India ('RBI') empowered to issue directions to lender banks for acting against big loan defaulters and management of stressed and non-performing assets.
- Real Estate (Regulation and Development) Act, 2016 ('RERA') notified bringing transparency in real estate construction projects and protection of home buyers rights.
- Financial Resolution and Deposit Insurance Bill, 2017 passed, limiting use of public money for bailing out distressed entities.
- Aadhar made mandatory for individuals, including foreign nationals, residing in India for a period of 182 days or more, in immediately preceding 12 months.
- Norms relaxed for open offer to shareholders of distressed listed companies.

FOREIGN DIRECT INVESTMENT ('FDI') POLICY

- FDI in Single Brand Retail Trading under automatic route relaxed from 48 to 100 per cent, subject to conditions.
- 100 per cent FDI permitted for real-estate broking service under automatic route.
- 49 per cent FDI permitted under approval route in Air India Ltd.
- Policy amended to stipulate joint audit through an unrelated auditor, where the foreign investor specifies a particular audit firm having international network for the Indian investee company.
- Start-ups permitted to issue 'Convertible Notes' (equity or equity linked / debt instruments) to persons resident outside India.

TAXATION

- Agreement for avoidance of double taxation and prevention of tax evasion between India and Hong Kong Special Administrative Region of China, approved.
- 9 unilateral Advance Pricing Agreements ('APAs') signed to reduce litigation in transfer pricing in various sectors.
- Goods and Service Tax ('GST') introduced as a unified tax regime for both goods and services.

COMPANY LAW

- Over 200,000 companies deregistered for non-compliance, to curb money laundering and tax evasion.
- Relaxation in incorporation procedures to boost ease of doing business in India introduced subject to conditions.
- Merger of foreign companies with an Indian company permitted subject to prior approval of RBI.

INSOLVENCY AND BANKRUPTCY CODE

- Corporate Voluntary Liquidation Process Regulations for ease of closure of entities notified by Insolvency and Bankruptcy Board of India ('IBBI').
- Framework introduced for registration of Information Utility, storing financial information to help in establishing defaults and verify claims expeditiously.
- Fast-track Insolvency Resolution process within 90 days for specified companies, introduced.
- New class of creditors, other than financial and operational creditors, permitted to initiate insolvency proceedings.

OTHERS

- India and Japan sign pact for development of infrastructure projects in North-Eastern region.
- Agreements in the fields of oil, gas, renewable energy, health, space exploration, cyber cooperation and aviation, signed between India and Israel.

- Memorandum of Understanding (MOU) signed between transportation authority of India and London, for improvement of public transport system.
- India and Cuba signed MOU for upgrading quality of health care, medical education, training and research.
- India and South Korea signed pact for export credit facility of US\$9 billion for infrastructural development.
- India and Italy signed MOU for cooperation in the fields of phytosanitary issues, agricultural production, animal husbandry, agricultural research and food processing.
- India and Portugal announced a joint €4 million fund for research in science, technology, education, public administration and governance reforms.

FOREIGN TRADE

(Apr-Oct 2017)

MAIN TRADING PARTNERS FOR INDIA				
S. No.	Main exports to	Share (%)*	Main imports from	Share (%)*
1	USA	16.28	China	16.87
2	UAE	10.20	USA	5.47
3	Hong Kong	5.30	UAE	5.02
4	China	3.88	Saudi Arabia	4.65
5	Singapore	3.38	Switzerland	4.39
6	UK	3.15	Korea	3.84
7	Germany	2.87	Indonesia	3.65
8	Vietnam	2.55	Iraq	3.40
9	Bangladesh	2.51	Australia	2.97
10	Nepal	1.99	Germany	2.88

* Provisional

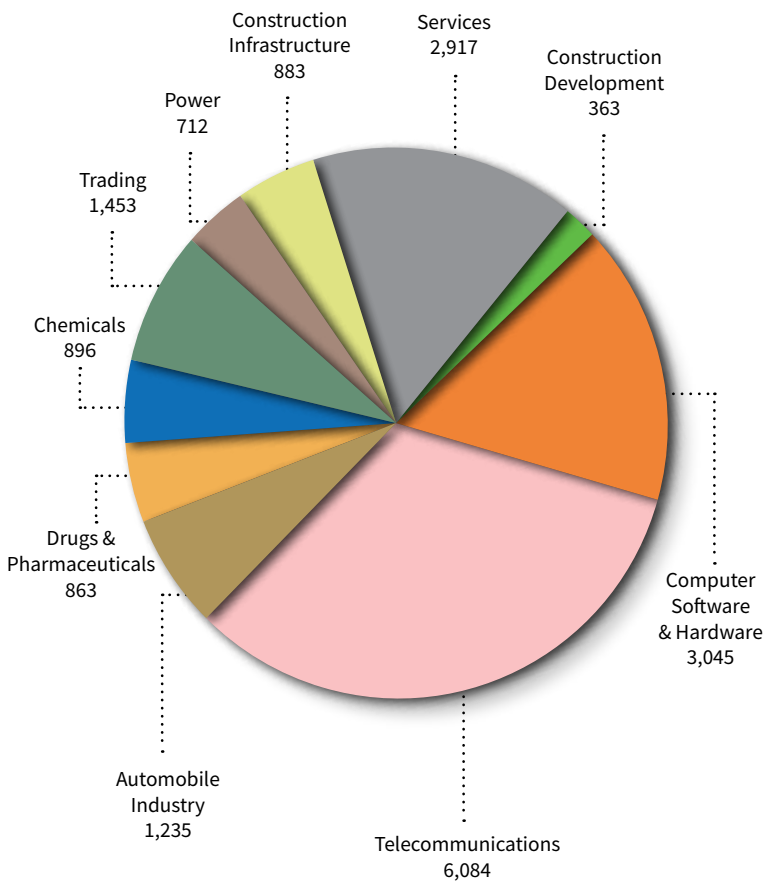
FOREIGN DIRECT INVESTMENT

(US\$ million)

FDI EQUITY INFLOWS (top ten countries)						
Rank	Country	2015-16 (Apr - Mar)	2016-17 (Apr - Mar)	2017-18 (Apr - Sep)	Cumulative Inflows (Apr 2000 - Sep 2017)	% age to total Inflows
1.	Mauritius	8,355	15,728	11,466	123,104	34
2.	Singapore	13,692	8,711	5,294	59,885	17
3.	Japan	2,614	4,709	950	26,626	7
4.	UK	898	1,483	298	24,889	7
5.	Netherlands	2,643	3,367	1,945	22,627	6
6.	USA	4,192	2,379	1,327	21,650	6
7.	Germany	986	1,069	934	10,633	3
8.	Cyprus	508	604	222	9,379	3
9.	France	598	614	305	6,030	2
10.	UAE	985	675	245	4,950	1

SECTORAL COMPOSITION OF FDI

(Apr-Sep 2017) (US\$ million)



ECONOMIC INDICATORS

GDP

Inflation

Foreign Trade

Foreign Exchange Reserves

Infrastructure

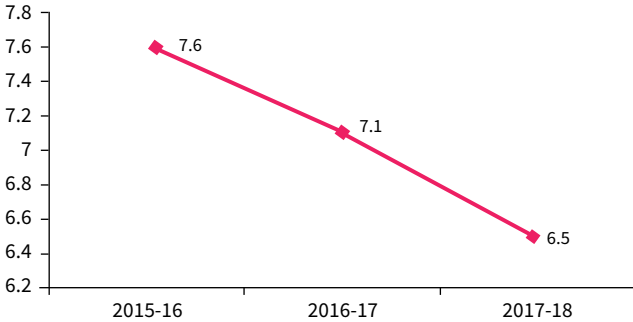


OVERVIEW

GDP

GDP growth for the year 2017-18 estimated at 6.5 per cent compared to 7.1 per cent in 2016-17. It is projected that GDP growth during 2018-19 will be in the range of 7-7.5 per cent.

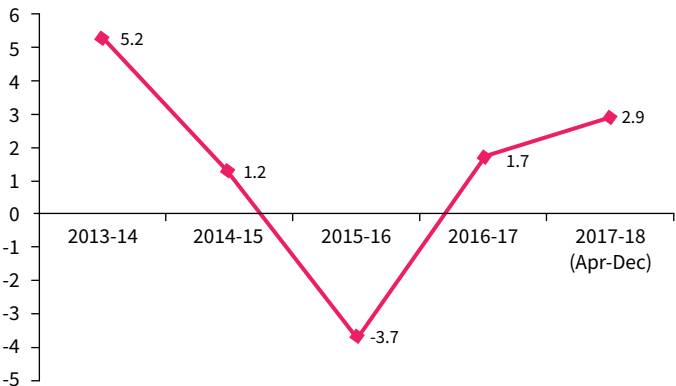
Overall GDP growth (%)



INFLATION

Inflation based on Wholesale Price Index ('WPI') increased from 1.7 per cent in 2016-17 to 2.9 per cent in April-December 2017. WPI based food inflation declined to 2.3 per cent in April-December 2017 from 6.3 per cent in the corresponding period of 2016-17. WPI fuel and power inflation increased to 9.7 per cent in April-December 2017 from -0.2 per cent in 2016-17.

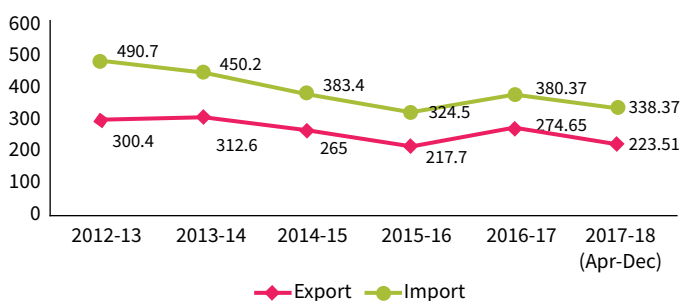
Inflation based on WPI (%)



FOREIGN TRADE

Exports for the period April-December 2017 were ₹14.41 trillion (US\$223.51 billion) registering a positive growth of 12.05 per cent in dollar terms over the same period last year. Imports for the period April-December 2017 were ₹21.82 trillion (US\$338.37 billion) registering a positive growth of 21.76 per cent in dollar terms over the same period last year. Trade deficit during April-December 2017 stood at ₹4.52 trillion (US\$70.06 billion).

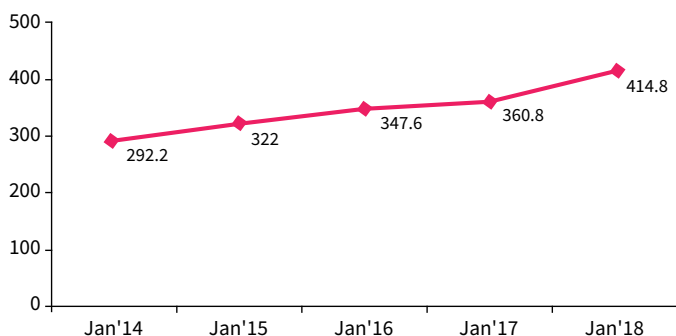
Exports and Imports
(US\$ billion)



FOREIGN EXCHANGE RESERVES

Foreign exchange reserves increased from ₹24.5 trillion (US\$360.7 billion) at Jan 20, 2017 to ₹26.4 trillion (US\$414.8 billion) at Jan 19, 2018.

Foreign Exchange Reserves
(US\$ billion)



INFRASTRUCTURE SECTOR

CORE INDUSTRIES

Steel production during April -December 2017 grew by 7.2 per cent over the corresponding period of the previous year. Refinery & Natural gas production grew by 3.6 & 4.4 per cent respectively during the same period. Electricity and cement production also grew positively in the current year. However, there was a decrease in production of crude oil and fertilizers.

Growth % age in Core Industries

SECTOR	2014-15	2015-16	2016-17	2017-18 (Apr-Nov)
Coal	8.1	4.8	3.2	1.5
Crude Oil	(0.9)	(1.4)	(2.5)	(0.2)
Natural Gas	(4.9)	(4.7)	(1.0)	4.4
Refinery Products	0.3	4.9	4.9	3.6
Fertilizers	(0.1)	7.0	0.2	(1.1)
Steel	4.7	(1.3)	10.7	7.2
Cement	5.6	4.6	(1.2)	0.6
Electricity	8.4	5.7	5.8	4.9

POWER

Against the target of 1229.40 billion units, electricity generation by power utilities was 902.94 billion units during April-December 2017. Total power generation registered a growth of 4 per cent over the same period of the previous year. Hydroelectric sector grew by 5.48 per cent while there was a decline of 12.22 per cent in imports from Bhutan. Thermal power generation grew by 4.04 per cent over same period last year.

(billion KWh)

POWER SOURCE	APR TO DEC		
	2016-17	2017-18	Growth %
Thermal	738.15	767.95	4.04
Hydroelectric	101.28	106.83	5.48
Nuclear	28.24	27.69	(1.95)
Bhutan Import	0.54	0.47	(12.22)
Total Power Generation	868.21	902.94	4.00

TELECOMMUNICATIONS

The performance of the telecommunications sector during April-November 2017 has been encouraging. The number of telephone subscribers in India increased from 1102.94 million at the end of October 2016 to 1185.88 million at the end of November 2017. The urban subscription increased from 642.37 million at the end of October 2016 to 684.89 million at the end of November 2017. The rural subscription also increased from 460.57 million to 500.99 million during the same period. The overall tele-density in India increased to 91.61 per cent at the end of November 2017.

RAILWAYS

During April-September 2017, revenue earning freight traffic grew 5.1 per cent to 558.1 million tonnes as against 531.2 million tonnes during the corresponding period of previous year

Government has scaled investment to ₹1.4 trillion to transform railways into modern, safe, green, affordable and comfortable mode of transport.

Foundation laying of the Mumbai-Ahmedabad Bullet Train Project, a collaboration between India and Japan has put India on the trajectory of high speed rail projects.

CIVIL AVIATION

Passengers carried by domestic airlines during April- September 2017 were 57.5 million showing a growth of 16 per cent over the corresponding period of previous year.

PORTS

Cargo traffic at major ports recorded a growth of 6.9 per cent to 499.41 million tonnes during April-December 2017. The growth in traffic was driven by a number of initiatives that include modernisation of ports, implementing Radio Frequency Identification System to ease congestion and direct port delivery and entry for EXIM containers.

ROADS

The Government has been building new national highways and also converting state highways into national highways. As on September 2017, the length of roadways comprises 115,530 km of national highways along with 176,166 km of state highways and 5,326,166 km of other roads.

Important Filing dates for the Year 2018-19

(The dates may be revised as per the notification by the regulators)

REGULATORY MATTER	DUE DATE
Corporate Law	
Board Meeting	Four meetings every year with a gap not exceeding 120 days between two such meetings
Annual General Meeting ('AGM') (adoption of financials)	Within 6 months of end of the financial year
Annual Return with the ROC	Within 60 days from conclusion of AGM
Tax	
Corporate Tax Return	September 30th & November 30th*
Tax Audit Report	September 30th & November 30th*
Transfer Pricing Report	November 30th
TDS Returns (Tax Withholding)	Quarterly
Individual Tax Return	July 31st
GST Return	
• GSTR 3B	Monthly**
• GSTR 1	
- Turnover > ₹ 15 million)	Monthly**
- Turnover ≤ ₹ 15 million)	Quarterly/Monthly**
Compliance	
Deposit of TDS	7th of every month
Deposit of GST	20th of every month

*

In case where the transfer pricing report is required

**

As notified till date

Filing of GSTR 2 and GSTR 3 yet to be notified

snap shot



Since 1991

6000+ Clients
750+ Employees
60+ Locations
32 Partners / Directors
1 Team

A full service firm of corporate strategists, auditors, tax advisory experts, financial and marketing analysts with over 25 years of experience in servicing SMEs & Fortune 500 companies.



Services

- Accounting and Business Support
- Assurance, Risk Advisory, Forensic
- Business Advisory and India Entry Strategy
- GST
- Insolvency Management and Restructuring
- Mergers & Acquisitions
- Tax Advisory and Dispute Resolution

18 Indian locations and 4 foreign desks combined with **international affiliations** ensures global standards with regional expertise.

We place our clients' aspirations at the center of everything we do.

ASA & ASSOCIATES LLP

CHARTERED ACCOUNTANTS

www.asa.in

New Delhi

Aurobindo Tower
81/1 Third Floor Adchini
Aurobindo Marg
New Delhi 110 017 INDIA
T +91 11 4100 9999

*Sunil Arora Partner
sunil.arora@asa.in*

Ahmedabad

A/1 Second Floor
Safal Profitaire
Corporate Road Prahladnagar
Ahmedabad 380 015 INDIA
T +91 79 4005 4985

*Himanshu Srivastava Partner
himanshu.srivastava@asa.in*

Bengaluru

Level - 2, Park Square
No.150, 36th Cross
Jayanagar 7th Block
Bengaluru 560 082 INDIA
T +91 80 4151 0751
F +91 80 4113 5109

*D. Ramprasad Partner
ramprasad.d@asa.in*

Chennai

New Number 39
1st Main Road
RA Puram
Chennai 600 028 INDIA
T +91 44 4904 8200
F +91 44 4904 8222

*K Venkatraman Partner
k.venkat@asa.in*

Gurgaon

Times Square Fourth Floor
Block B, Sushant Lok 1
Gurgaon 122 002 INDIA
T +91 124 4333 100
F +91 124 4333 101

*Sundeep Gupta Partner
sundeep.gupta@asa.in*

Hyderabad

Ammaram Unnathasan Reddy Tower
H No 1-11- 301/3 Ground Floor
Gagan Vihar Begumpet
Hyderabad 500 016 INDIA
T +91 40 2776 0423

*K Venkatraman Partner
k.venkat@asa.in*

Kochi

Pioneer Tower
207-208 Second Floor
Marine Drive
Kochi 682 031 INDIA
T +91 484 410 9999
F +91 484 410 9990

*P N Ramachandra Kamath Partner
pnr.kamath@asa.in*

Mumbai

68 Filmcenter
C-34 Third Floor
J Dadaji Road Tardeo
Mumbai 400 034 INDIA
T +91 22 4921 4000
F +91 22 4921 4099

*Sunil Arora Partner
sunil.arora@asa.in*

National Affiliates

Chandigarh, Jaipur, Jammu, Kolkata, Lucknow, Ludhiana, Pune