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- The attempts made by our Government for reducing the cash economy and for increasing the tax net have paid rich dividends. The growth rate of direct taxes in the financial years 2016-17 and 2017-18 has been significant. We ended the last year with a growth of **12.6%** in direct taxes and in the current year, the growth in direct taxes up to 15th January, 2018 is **18.7%**. The average buoyancy in personal income tax of seven years preceding these two years comes to **1.1**. In simple terms tax buoyancy of **1.1** means that if nominal GDP growth rate of the country is **10%**, the growth rate of personal income tax is **11%**. However, the buoyancy in personal income tax for financial years 2016-17 and 2017-18 (RE) is **1.95** and **2.11** respectively. This indicates that the excess revenue collected in the last two financial years from personal income tax compared to the average buoyancy pre 2016-17 amounts to a total of about **`90,000 crores** and the same can be attributed to the strong anti-evasion measures taken by the Government.

- Similarly, there has been huge increase in the number of returns filed by taxpayers. In financial year 2016-17, **85.51 lakhs** new taxpayers filed their returns of income as against **66.26 lakhs** in the immediately preceding year. By including all filers as well as persons who did not file returns but paid tax by way of advance tax or TDS, we can derive the figure of Effective Taxpayer Base. This number of effective tax payer base increased from **6.47 crores** at the beginning of F.Y.14-15 to **8.27 crores** at the end of F.Y.16-17. We are enthused by this success of our measures and we pledge to continue to take all such measures in future by which the black money is contained and the honest taxpayers are rewarded. Demonetization was received well by honest taxpayers as "*imandari ka utsav*" only for this reason.

- Madam Speaker, recognising the need for facilitating compliance, Government had liberalized the presumptive income scheme for small traders and entrepreneurs with annual turnover of less than `2 crores and introduced a similar scheme for professionals with annual turnover of less than `50 lakhs with the hope that there would be significant increase in compliance. Under this scheme, **41%** more returns were filed during this year which shows that many more persons are joining the tax net under simplified scheme. However, the turnover shown is still not encouraging. The Department has received **44.72 lakh** returns for assessment year 2017-18 from individual, HUF and firms with a meager average turnover of **`17.97 lakhs** and an average tax payment of **`7,000/-** only. The tax compliance behavior of professionals is no better; the department has received **5.68 lakh** returns under the presumptive income scheme for assessment year 2017-18 with average gross receipts of **`5.73 lakhs** only. Average tax paid by them is only **`35,000/-.**

  - **Tax incentive for promoting post-harvest activities of agriculture**

- Madam Speaker, at present, hundred per cent deduction is allowed in respect of profit of co-operative societies which provide assistance to its members engaged in primary agricultural activities. Over the last few years, a number of Farmer Producer Companies have been set up along the lines of co-operative societies which also provide similar assistance to their members. In order to encourage professionalism in post-harvest value addition in agriculture, I propose to allow hundred per cent deduction to these companies registered as Farmer Producer Companies and having annual turnover up to `100 crores in respect of their profit derived from such activities for a period of five years from financial year 2018-19. This measure will encourage "Operation Greens" mission announced by me earlier and it will give a boost to Sampada Yojana.

- **Employment generation**
- Currently, a deduction of 30% is allowed in addition to normal deduction of 100 % in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year under section 80-JJAA of the Income-tax Act. However, the minimum period of employment is relaxed to 150 days in the case of apparel industry. In order to encourage creation of new employment, I propose to extend this relaxation to footwear and leather industry. Further, I also propose to rationalise this deduction of 30% by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.

- **Incentive for real estate**
- Currently, while taxing income from capital gains, business profits and other sources in respect of transactions in immovable property, the consideration or circle rate value, whichever is higher, is adopted and the difference is counted as income both in the hands of the purchaser and seller. Sometimes, this variation can occur in respect of different properties in the same area because of a variety of factors including shape of the plot and location. In order to minimize hardship in real estate transaction,
  I propose to provide that no adjustment shall be made in a case where the circle rate value does not exceed 5% of the consideration.

- **Incentivising micro, small and medium entrepreneurs**
- In the Union Budget, 2017, I had announced the reduction of corporate tax rate to 25% for companies whose turnover was less than ` **50 crore** in financial year 2015-16. This benefitted **96%** of the total companies filing tax returns. Towards fulfillment of my promise to reduce corporate tax rate in a phased manner, I now propose to extend the benefit of this reduced rate of 25% also to companies who have reported **turnover up to `250 crore** in the financial year 2016-17. This will benefit the entire class of micro, small and medium enterprises which accounts for almost **99%** of companies filing their tax returns. The estimate of revenue forgone due to this measure is `7,000 crores during the financial year 2018-19. After this, out of about 7 lakh companies filing returns, about 7,000companies which file returns of income

and whose turnover is above `250 crores will remain in 30% slab. The lower corporate income tax rate for 99% of the companies will leave them with higher investible surplus which in turn will create more jobs.

- **Relief to salaried taxpayers**
- The Government had made many positive changes in the personal income-tax rate applicable to individuals in the last three years. Therefore, I do not propose to make any further change in the structure of the income tax rates for individuals. There is a general perception in the society that individual business persons have better income as compared to salaried class. However, income tax data analysis suggests that major portion of personal income-tax collection comes from the salaried class. For assessment year 2016-17, **1.89 croresalaried individuals** have filed their returns and have paid total tax of `**1.44 lakhcrores** which works out to average tax payment of `**76,306/- per individual salaried** taxpayer. As against this, **1.88 crores individual business** taxpayers including professionals, who filed their returns for the same assessment year paid total tax of `**48,000 crores** which works out to an average tax payment of `**25,753/- per individual business** taxpayer. In order to provide relief to salaried taxpayers, I propose to allow a standard deduction of `**40,000/-** in lieu of the present exemption in respect of transport allowance and reimbursement of miscellaneous medical expenses. However, the transport allowance at enhanced rate shall continue to be available to differently- abled persons. Also other medical reimbursement benefits in case of hospitalization etc., for all employees shall continue. Apart from reducing paper work and compliance, this will help middle class employees even more in terms of reduction in their tax liability. This decision to allow standard deduction shall significantly benefit the pensioners also, who normally do not enjoy any allowance on account of transport and medical expenses. The revenue cost of this decision is approximately `8,000 crores. The total number of salaried employees and pensioners who will benefit from this decision is around 2.5 crores.

- **Relief to senior citizen**
- A life with dignity is a right of every individual in general, more so for the senior citizens. To care of those who cared for us is one of the highest honours. To further the objective of providing a dignified life, I propose to announce the following incentives for senior citizens:
- Exemption of interest income on deposits with banks and post offices to be increased from `**10,000/- to `50,000/-** and TDS shall not be required to be deducted on such income, under section 194A. This benefit shall be available also for interest from all fixed deposits schemes and recurring deposit schemes.
- Raising the limit of deduction for health insurance premium and/ or medical expenditure from `**30,000/- to `50,000/-**, under section 80D. All senior citizens will

now be able to claim benefit of deduction up to `50,000/- per annum in respect of any health insurance premium and/or any general medical expenditure incurred.

- Raising the limit of deduction for medical expenditure in respect of certain critical illness from, `60,000/- in case of senior citizens and from `80,000/- in case of very senior citizens, to `**1 lakh** in respect of all senior citizens, under section 80DDB.

- These concessions will give extra tax benefit of `4,000 crores to senior citizens. In addition to tax concessions, I propose to extend the Pradhan Mantri Vaya Vandana Yojana up to March, 2020 under which an assured return of 8% is given by Life Insurance Corporation of India. The existing limit on investment of `7.5 lakh per senior citizen under this scheme is also being enhanced to `15 lakh.

- **Tax incentive for International Financial Services Centre (IFSC)**
- The Government had endeavored to develop a world class international financial services centre in India. In recent years, various measures including tax incentives have been provided in order to fulfill this objective. To further this objective, I propose to provide two more concessions for IFSC. In order to promote trade in stock exchanges located in IFSC, I propose to exempt transfer of derivatives and certain securities by non-residents from capital gains tax. Further, non-corporate taxpayers operating in IFSC shall be charged Alternate Minimum Tax (AMT) at concessional rate of 9% at par with Minimum Alternate Tax (MAT) applicable for corporate.

- **Further Measures to control cash economy:**
- Currently, the income of trusts and institutions is exempt if they utilise their income towards their objects in accordance with the relevant provisions of the Income-tax Act. However, there is no restriction on these entities for incurring expenditure in cash. In order to have audit trail of the expenses incurred by these entities, it is proposed that payments exceeding `10,000/- in cash made by such entities shall be disallowed and the same shall be subject to tax. Further, in order to improve TDS compliance by these entities, I propose to provide that in case of non-deduction of tax, 30% of the amount shall be disallowed and the same shall be taxed.

- **Rationalisation of Long Term Capital Gains (LTCG)**
- Madam Speaker, currently, long term capital gains arising from transfer of listed equity shares, units of equity oriented fund and unit of a business trust are exempt from tax. With the reforms introduced by the Government and incentives given so far, the equity market has become buoyant. The total amount of exempted capital gains from listed shares and units is around `**3, 67,000 crores** as per returns filed for **A.Y.17-18**. Major part of this gain has accrued to corporate and LLPs. This has also created a bias against manufacturing, leading to more business surpluses being

invested in financial assets. The return on investment in equity is already quite attractive even without tax exemption. There is therefore a strong case for bringing long term capital gains from listed equities in the tax net. However, recognising the fact that vibrant equity market is essential for economic growth, I propose only a modest change in the present regime.

I propose to tax such long term capital gains **exceeding `1 lakh** at the rate of **10%** without allowing the benefit of any indexation. However, all **gains up to 31st January, 2018 will be grandfathered**. For example, if an equity share is purchased six months before 31st January, 2018 at `100/- and the highest price quoted on 31st January, 2018 in respect of this share is `120/-, there will be no tax on the gain of `20/- if this share is sold after one year from the date of purchase. However, any gain in excess of `20 earned after 31st January, 2018 will be taxed at 10% if this share is sold after 31st July, 2018. The gains from equity share held up to one year will remain short term capital gain and will continue to be taxed at the rate of 15%. Further, I also propose to introduce a tax on distributed income by equity oriented mutual fund at the rate of 10%. This will provide level playing field across growth oriented funds and dividend distributing funds. In view of grandfathering, this change in capital gain tax will bring marginal revenue gain of about **`20,000 crores** in the first year. The revenues in subsequent years may be more.

- **Health and Education Cess**
- Madam Speaker, at present there is a three per cent cess on personal income tax and corporation tax consisting of two per cent cess for primary education and one per cent cess for secondary and higher education. In order to take care of the needs of education and health of BPL and rural families, I have announced programs in Part A of my speech. To fund this, I propose to increase the cess by one per cent. The existing three per cent education cess will be replaced by a four per cent "Health and Education Cess" to be levied on the tax payable. This will enable us to collect an estimated additional amount of `11,000 crores.

- **E-assessment.**
- We had introduced e-assessment in 2016 on a pilot basis and in 2017, extended it to 102 cities with the objective of reducing the interface between the department and the taxpayers. With the experience gained so far, we are now ready to roll out the E-assessment across the country, which will transform the age-old assessment procedure of the income tax department and the manner in which they interact with taxpayers and other stakeholders. Accordingly, I propose to amend the Income-tax Act to notify a new scheme for assessment where the assessment will be done in electronic mode which will almost eliminate person to person contact leading to greater efficiency and transparency.

- My other tax proposals on direct tax are listed in Annexure 5 of my speech.

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Indirect Tax.

- On the Indirect Taxes side, this is the first budget after the roll out of the Goods and Service Tax. Excise duties to a large extent and service tax have been subsumed in GST, along with corresponding duties on imports. Hence, my budget proposals are mainly on the customs side.

- In this budget, I am making a calibrated departure from the underlying policy in the last two decades, wherein the trend largely was to reduce the customs duty. There is substantial potential for domestic value addition in certain sectors, like food processing, electronics, auto components, footwear and furniture. To further incentivise the domestic value addition and Make in India in some such sectors, I propose to increase customs duty on certain items. I propose to increase customs duty on mobile phones from 15% to 20%, on some of their parts and accessories to 15% and on certain parts of TVs to 15%. This measure will promote creation of more jobs in the country. Details of changes made in rates of customs duty as well as certain changes made in the excise duty structure are given in Annexure 6to my speech.

- To help the cashew processing industry, I propose to reduce customs duty on raw cashew from 5% to 2.5%.

- I propose to abolish the Education Cess and Secondary and Higher Education Cess on imported goods, and in its place impose a Social Welfare Surcharge, at the rate of 10% of the aggregate duties of Customs, on imported goods, to provide for social welfare schemes of the Government. Goods which were hitherto exempt from Education Cesses on imported goods will, however, are exempt from this Surcharge. In addition, certain specified goods, mentioned in the Annexure 6 to my speech will attract the proposed Surcharge at the rate of 3% of the aggregate duties of customs only.

- I also propose to make certain changes to the Customs Act, 1962, to further improve ease of doing business in cross border trade, and to align certain provisions with the commitments under the Trade Facilitation Agreement. To smoothen dispute resolution processes and to reduce litigation, certain amendments are being made, to provide for pre-notice consultation, definite timelines for adjudication and deemed closure of cases if those timelines are not adhered to.

- With the roll out of GST, I propose to change the name of Central Board of Excise and Customs [CBEC] to Central Board of Indirect Taxes and Customs (CBIC). The necessary changes in law for this are proposed in the Finance Bill.

- Madam, while making the proposals in this year's Budget, we have been guided by our mission to especially strengthen agriculture, rural development, health, education, employment, MSME and infrastructure sectors of Indian economy. I am sure the New India which we aspire to create now will emerge. Swami Vivekananda had also envisioned decades ago in his Memoirs of European Travel, *''you merge yourselves in the void and disappear, and let new India arise in your place. Let her arise – out of the peasants' cottage, grasping the plough; out of the huts of the fisherman. Let her spring from the grocer's shop, from beside the oven of the fritter-seller. Let her emanate from the factory, from marts, and from markets. Let her emerge from groves and forests, from hills and mountains''.*

- **E-office and E-governance initiatives in central Ministries and Departments**

  - A web-based Government Integrated Financial Management Information System (GIFMIS), administered by Controller General of Accounts, for budgeting, accounting, expenditure and cash management for more effective fiscal management of Government.

  - A Non Tax Receipt Portal (NTRP) to provide one stop services for depositing fees, fines and other non-tax dues into Government account;

  - Project 'e-Vidhan' to digitize and make the functioning of all State Legislatures paperless.

  - A Central Public Procurement Portal to provide a single point access for all information on procurement. Around 3.5 lakh contractors and vendors are registered on this platform. In November, 2017 alone, electronic bids for over one lakh tenders valued at around two lakh forty thousand crore were invited through this Portal.

  - The Government E-Marketplace (GeM) to facilitate procurement at the right price, in right quality and quantity in a transparent and efficient manner. Third version of the GeM platform (GeM 3.0) will be launched on 26th January, 2018. The platform has seventy eight thousand buyers, fifty six thousand sellers, three lakh seventy five thousand products and twelve services. Besides facilitating transaction of the value of `3000 crore in about two lakh transactions, it could achieve savings of more than 25% over the base price.

- E-Courts, to bring about universal computerization of all Districts and Subordinate Courts, use of cloud computing and availability of e-services like e-filing and e-payments as well.

- A National Judicial Data Grid to provide an online platform for information relating to judicial proceedings and decisions from over sixteen thousand computerized Courts and Subordinate Courts in the country. An e-Courts Services App has also been launched to provide litigant centric services.

- e-Panchayats platform to provide a suite of core common applications to address various aspects of panchayats functioning from internal core functions of planning, budgeting, implementation, accounting, monitoring and social audit to delivery of services like issue of certificates, licenses etc.

- **Annexure V to Part B of Budget Speech**
  - **Other changes in Direct Taxes:**

- It is proposed that the provision of section 79 of the Income-tax Act (the Act) regarding restriction on shareholding for the purpose of carry forward loss shall not apply in case of change of shareholding pursuant to an approved resolution plan under IBC, 2016 where an opportunity of being heard has been given to the Principal Commissioner or Commissioner.

- In respect of companies where an application under Insolvency and Bankruptcy Code (IBC), 2016 has been admitted, it is proposed to provide that for the purpose of computation of Minimum Alternative Tax (MAT) the aggregate amount of unabsorbed depreciation and brought forward loss shall be allowed to be reduced from the book profit.

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- It is proposed to provide that the insolvency resolution professional shall verify the return of income in case of a company where an application under IBC, 2016 has been admitted.

- It is proposed to provide that provisions of MAT shall not apply in respect of foreign companies having income solely from businesses referred to in sections 44B, 44BB, 44BBA and 44BBB of the Act provided such income has been offered to tax at the rates specified in these sections.

- It is proposed to extend the benefit of exemption for withdrawal up to 40% from National Pension System Trust (NPS) to all subscribers and not only to employees.

- It is proposed to provide that in a case where premium for health insurance for multiple years has been paid in one year, the deduction shall be allowed proportionately over the years for which the benefit of health insurance is available.

- In order to encourage start-ups, the definition of 'eligible business' for a start-up is proposed to be aligned with the modified definition notified by DIPP. It is further proposed to extend the incorporation date for a start-up for availing benefit under section 80-IAC of the Act to 31^{st} March, 2021 from 31^{st} March, 2019 and rationalise the condition of turnover for availing the benefit.

- It is proposed to rationalise the provisions of section 56(2)(x) of the Act to provide that the receipt of any property by a wholly-owned Indian subsidiary from its holding company and by an Indian holding company from its subsidiary shall be exempt from tax.

- It is proposed to provide that trading in agricultural commodity derivatives on a recognized stock exchange shall not be treated as a speculative transaction even if no Commodities Transaction Tax (CTT) has been paid in respect of those derivative transactions.

- Considering the strategic nature of the transactions, it is proposed to provide that income arising to a non-resident from royalty or fees for technical services received from National Technical Research Organisation shall be exempt from tax.

- It is proposed to provide that the exemption of sale of leftover stock of crude oil shall also apply in respect of termination of the contract or arrangement in respect of a foreign company participating in a strategic oil reserve.

- It is proposed to provide that in addition to notifying any authority, Board, Trust or Commission under section 10(46) of the Act, the Government can also notify any class of such persons.

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- It is proposed to provide similar tax regime as available to equity oriented funds to Fund of Funds investing only in exchange traded funds which only invest in listed equity shares of domestic companies.

- It is proposed to provide that no adjustments shall be made under section 143(1) (VI) of the Act while processing the return filed for the assessment year 2018-2019 and subsequent assessment years.

- It is proposed to provide that no expenditure or allowance or set off of any loss shall be allowed in respect of undisclosed income determined by the Assessing Officer under section 115BBE of the Act.

- It is proposed to provide that every entity, not being an individual, who enters into any financial transaction of an amount aggregating to Rs.2.50 Lakh or more in a financial year, shall be required to apply for a permanent account number (PAN). It is also proposed that directors, partners, principal officers, office bearer or any person competent to act on behalf of such entities shall also apply for PAN.

- In view of the proposed amendment in the Customs Act creating a new custom Authority for Advance Ruling, it is proposed to provide that the Authority for Advance Ruling constituted under the Income-tax Act shall act as an Appellate Authority in respect of the rulings given by the customs Authority for Advance Ruling. It is also proposed to provide that when the authority is dealing with an application relating to Income-tax Act, the revenue member shall be from income-tax.

- It is proposed to make the order passed by the Commissioner of Income-tax (Appeals) under section 271J of the Act appealable before Appellate Tribunal.

- It is proposed to enhance the penalty from `100/- to `500/- and from `500/- to `1000/- under section 271FA of the Act.

- It is proposed to provide that prosecution shall lie against companies for non-filing of return irrespective of the fact that whether any tax is payable or not.

- It is proposed to mandate that in order to avail benefit of any deduction under Chapter VIA-C, the persons have to file return within due date specified under section 139(1) of the Act.

- It is proposed to provide that if stock-in-trade is converted into capital asset, the fair market value of the same on the date of conversion shall be taken into account for computing business income.

- It is proposed to rationalise the existing provision relating to investment in capital gain bonds by providing that the exemption shall be available only in respect of long-term capital gains arising out of sale of immoveable property and investment in the bond shall be for a minimum period of 5 year from the existing 3 years.

- It is proposed to amend section 9 of the Act to align the scope of "business connection" with the modified dependent agent permanent establishment rule as per Multilateral Instrument signed by the Government.

- It is proposed to amend section 9 of the Act to provide that significant economic presence of a non-resident shall constitute "business connection" with India. It is also proposed to define the phrase 'significant economic presence'.

- It is proposed to provide that compensation received in connection with termination or modification of business contract and employment contract shall be taxable.

- It is proposed to provide that in respect of heavy goods vehicles (more than 12 tones); the presumptive income under section 44AE of the Act shall be computed at the rate of `1000 per ton per month.

- In order to provide statutory backing and certainty to Income Computation and Disclosure Standards (ICDS), it is proposed to amend the provisions of Chapter IV-D of the Act relating to computation of business income and Chapter XIV of the Act.

- It is proposed to provide that TDS at the applicable rate shall be made in respect of interest exceeding `10,000 from newly introduced 7.75% GOI Savings (Taxable) Bonds, 2018.

- It is proposed to provide that in the case of an amalgamated company, accumulated profits for the purpose of determining dividend shall also include the accumulated profits of the amalgamating company on the date of amalgamation.

- It is proposed to provide that deemed dividend under section 2(22) (e) of the Act shall be subject to dividend distribution tax at the rate of 30% without grossing up.

- It is proposed to provide that the concessional tax rate of 25% for new domestic companies engaged in manufacturing shall be subject to the special rates in respect of specified income provided under Chapter XII of the Act.

- It is proposed to rationalise the provisions relating to filing of Country-by-Country Report by providing the time-limits and the definition of 'agreement'.

- It is proposed to amend Finance Act, 2013 to rationalise levy of Commodities Transaction Tax (CTT) on options in commodity futures.

- It is proposed to amend the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 to rationalise the designations of authorities competent to grant approval for penalty and prosecution.

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Annexure VI to Part B of Budget Speech

INDIRECT TAXES

1. PROPOSALS INVOLVING CHANGE IN CUSTOMS DUTY RATES:

		Chapter/ heading/ sub-heading/ Tariff item	Commodity	Rate of Duty	
				From	**To**
I.	**Incentivizing domestic value addition, 'Make in India'**				
	A.	**Reduction in Customs duty on inputs and raw materials to reduce costs**			
			Food processing		
	1	0801 31 00	Cashew nuts in shell [Raw cashew]	5%	2.5%
			Capital goods and Electronics		
	2	8483 40 00, 8466 93 90, 8537 10 00	Ball screws, linear motion guides, CNC systems for manufacture of all types of CNC machine tools falling under headings 8456 to 8463	7.5%	2.5%
	3	70	Solar tempered glass or solar tempered [anti-reflective coated] glass for manufacture of solar cells /panels/modules	5%	Nil
	B.	**Changes in Customs duty to address the problem of duty inversions in certain sectors**			
			Medical Devices		
	4	Any Chapter	Raw materials, parts or accessories for the manufacture	2.5%	Nil

			of Cochlear Implants		
	C.	**Changes in Customs duty to provide adequate protection to domestic industry**			
			Food Processing		
	5	2009 11 00 2009 12 00 2009 19 00	Orange fruit juice	30%	35%
	6	2009 21 00 to 2009 90 00	Other fruit juices and vegetable juices	30%	50%
	7	2009 81 00, 2009 90 00	Cranberry juice	10%	50%
	8	2106 90	Miscellaneous Food preparations (other than soya protein)	30%	50%
			Perfumes and toiletry preparations		
	9	3303	Perfumes and toilet waters	10%	20%
	10	3304	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or suntan preparations; manicure or pedicure preparations	10%	20%
	11	3305	Preparations for use on the hair	10%	20%
	12	3306	Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual retail packages	10%	20%
	13	3307	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included, prepared room deodorizers, whether or not perfumed or having disinfectant properties	10%	20%
			Automobile and automobile parts		
	14	8407, 8408,	Specified parts/accessories of	7.5% /	15%

		8409, 8483 10 91, 8483 10 92, 8511, 8708, 8714 10	motor vehicles, motor cars, motor cycles	10%	
	15	8702, 8703, 8704, 8711	CKD imports of motor vehicle, motor cars, motor cycles	10%	15%
	16	8702, 8704	CBU imports of motor vehicles	20%	25%
	17	4011 20 10	Truck and Bus radial tyres	10%	15%
			Textiles		
	18	5007	Silk Fabrics	10%	20%
			Footwear		
	19	6401, 6402, 6403, 6404, 6405	Footwear	10%	20%
	20	6406	Parts of footwear	10%	15%

			Diamonds, precious stones and jewellery		
	21	71	Cut and polished colored gemstones	2.5%	5%
	22	71	Diamonds including lab grown diamonds-semi processed, half-cut or broken; non-industrial diamonds including lab-grown diamonds (other than rough diamonds), including cut and polished diamonds	2.5%	5%
	23	7117	Imitation Jewellery	15%	20%
			Electronics / Hardware		
	24	8517 12	Cellular mobile phones	15%	20%
	25	3919 90 90, 3920 99 99, 3926 90 91, 3926 90 99, 4016 99 90, 7318 15 00, 7326 90 99, 8504, 8506, 8507, 8517 70 90,	Specified parts and accessories of cellular mobile phones	7.5%/ 10%	15%

		8518, 8538 90 00, 8544 19, 8544 42, 8544 49			
	26	8504 90 90/ 3926 90 99	PCBA of charger/adapter and moulded plastics of charger/adapter of cellular mobile phones	Nil	10%
	27	Any Chapter	Inputs or parts for manufacture of: a) PCBA, or b) moulded plastics of charger/adapter of cellular mobile phones	Applicable rate	Nil
	28	8517 62 90	Smart watches/wearable devices	10%	20%
	29	8529 10 99 8529 90 90	LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	7.5%/ 10%	15%
	30	8529/4016	12 specified parts for manufacture of LCD/LED TV panels	Nil	10%
	31	70	Perform of silica for use in the manufacture of telecommunication grade optical fibers or optical fiber cables	Nil	5%
			Furniture		
	32	9401	Seats and parts of seats [except aircraft seats and parts thereof]	10%	20%
	33	9403	Other furniture and parts	10%	20%
	34	9404	Mattresses supports; articles of bedding and similar furnishing	10%	20%
	35	9405	Lamps and lighting fitting, illuminated signs, illuminated name plates and the like [except solar lanterns or solar lamps]	10%	20%
			Watches and Clocks		
	36	9101, 9102	Wrist watches, pocket watches and other watches, including stop watches	10%	20%
	37	9103	Clocks with watch movements	10%	20%
	38	9105	Other clocks, including alarm	10%	20%

			clocks		
			Toys and Games		
	39	9503	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; puzzles of all kinds	10%	20%
	40	9504	Video game consoles and machines, articles for funfair, table or parlor games and automatic bowling alley equipment	10%	20%
	41	9505	Festive, carnival or other entertainment articles	10%	20%
	42	9506 [except 9506 91]	Articles and equipment for sports or outdoor games, swimming pools and paddling pools [other than articles and equipment for general physical exercise, gymnastics or athletics]	10%	20%
	43	9507	Fishing rods, fishing-hooks and other line fishing tackle; fish landing nets, butter fly nets and similar nets; decoy birds and similar hunting or shooting requisites	10%	20%
	44	9508	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses, traveling menageries and travelling theatres	10%	20%
			Miscellaneous items		
	45	3406	Candles, tapers and the like	10%	25%
	46	4823 90 90	Kites	10%	20%
	47	9004 10	Sunglasses	10%	20%
	48	9611	Date, sealing or numbering stamps, and the like	10%	20%
	49	9613	Cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks	10%	20%
	50	9616	Scent sprays and similar toilet sprays, and mounts and heads therefore; powder-puffs and pads for the application of	10%	20%

			cosmetic or toilet preparations		
II	**Rationalization measures**				
			Edible oils of vegetable origin		
	1	1508, 1509, 1510,1512, 1513, 1515	Crude edible vegetable oils like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils.	12.5%	30%
	2	1508, 1509, 1510,1512, 1513, 1515, 1516 20, 1517 10 21, 1517 90 10, 1518 00 11, 1518 00 21, 1518 00 31	Refined edible vegetable oils, like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils, edible margarine of vegetable origin, Sal fat; specified goods of heading 1518	20%	35%
			Refractory Items		
	3	6815 91 00	Other articles of stone containing magnesite, dolomite or chromite	10%	7.5%
	4	6901	Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths	10%	7.5%
	5	6902	Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths	5%	7.5%
	6	6903	Other refractory ceramic goods	5%	7.5%
III		**Social Welfare Surcharge**			
	1	Any chapter	Levy of Social Welfare Surcharge on imported goods [other than those mentioned at S. No. 3 to 6 below] to finance education, housing and social security	--	10% of the aggregate duties of customs
	2	Any chapter	Abolition of Education Cess and Secondary and Higher	3% of the aggregat	Nil

			Education Cess on imported goods	e duties of Customs [2% + 1%]	
	3	2710	Exemption from Social Welfare Surcharge on motor spirit commonly known as petrol and high speed diesel oil	--	3% of the aggregat e duties of Customs
	4	7106	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of the aggregat e duties of Customs
	5	7108	Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of the aggregat e duties of Customs
	6	Any Chapter	Specified goods hitherto exempt from Education Cess and Secondary and Higher Education Cess on imported goods	--	Nil
IV		**Road and Infrastructure Cess**			
	1	2710	Levy of Road and Infrastructure Cess on imported motor spirit commonly known as petrol and high speed diesel oil	--	Rs. 8 per liter
	2	2710	Exemption from additional duty of customs leviable under section 3(1) of the Customs Tariff Act, 1975 in lieu of the proposed Road and Infrastructure cess on domestically produced motor spirit commonly known as petrol and high speed diesel oil	--	Nil
	3	2710	Abolition of Additional Duty of Customs [Road Cess] on imported motor spirit commonly known as petrol and high speed diesel oil	Rs. 6 per liter	Nil
	4		Additional duty of customs under sections 3(1) of the Customs		

			Tariff Act, 1975 in lieu of basic excise duty		
		2710	(i) Motor spirit commonly known as petrol	Rs. 6.48 per liter	Rs. 4.48 per liter
		2710	(ii) High speed diesel oil	Rs. 8.33 per liter	Rs. 6.33 per liter

2. AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975 WITH NO CHANGES IN EFFECTIVE RATES OF DUTIES

S. No.	Amendment
A	**Amendment in the Customs Tariff Act, 1975**
1	Amendment to the section 3 so as to insert subsections 8A and 10A to provide for valuation of warehoused goods, which are sold to another person before clearance for home consumption or export, for the purposes of Integrated Tax and Goods and Services Tax Compensation Cess
B	**Import duty – First Schedule to the Customs Tariff Act, 1975**
1	The tariff rate of customs duty for the specified medical devices is being increased from 7.5% to 10%. The effective rate of import duty on such medical devices will, however, remain unchanged.
2	The tariff rate of customs duty for Lithium-ion batteries is being increased from 10% to 20%. The effective rate of import duty on Lithium-ion batteries [other than Lithium-ion batteries for cellular mobile phones] will, however, remain unchanged at 10%.
C	**Export duty – Second Schedule to the Customs Tariff Act, 1975**
1	To insert a new Note to specify Nil rate of duty in respect of all other goods which are not covered under column (2) of the Schedule
2	Introduction of 20% Tariff rate of Export Duty on Electrodes of a kind used for furnaces. The effective rate of Export duty on such electrodes will, however, remain Nil.

3. MAJOR AMENDMENTS IN THE CUSTOMS ACT, 1962

EXCERPT OF BUDGET 2018

S. No	Amendment
A.	**For facilitating trade**
1	Defining scope of Assessment and introducing “risk based selection” for verifying Self-Assessment [Section 2(2), 17 of Customs Act]
2	Establishing single point of reference for importers, exporters and Officers with regard to Regulatory Controls imposed by various Ministries, Departments and Agencies [Section 11 of Customs Act]
3	Facilitating imports and exports meant for Repair, Manufacture and further Processing with full or partial duty exemptions [Section 25A and Section 25B of Customs Act]
4	Appointing a new Customs Advance Ruling Authority with Appellate mechanism [Sections 28E to 28M of Customs Act]
5	Providing legal basis for clearance by Customs Automated System [Sections 45, 47, 51, 60, 68 and 69 of Customs Act]
6	Introducing an electronic Cash ledger on the lines similar to provisions in CGST Act [Section 51A of Customs Act]
7	Introducing a new chapter for conduct of Audit [Section 99A of Customs Act]
8	Inserting a new section to provide for simplified and different procedures as part of Trade Facilitation [Section 143AA of Customs Act]
9	Introducing a new section for exchange of information with competent authorities of other countries [Section 151B of Customs Act]
B.	**For reducing litigation**
10	Providing for pre-notice consultation, issue of supplementary show cause notices on receipt of additional information but within present limitation period, time bound Adjudication and deemed closure of cases [Section 28 of Customs Act]
11	Providing for closure of cases without imposition of redemption fine in cases of voluntary payment of all dues [Section 125 of Customs Act]
C.	**For improving compliance**
12	Expanding the scope of the Customs Act to any offence or contravention committed under the said Act outside India [Section 1 of Customs Act]
13	Introducing provisions for controlled delivery for certain goods to be notified [Section 109A of Customs Act]

4. <u>PROPOSALS INVOLVING CHANGE IN EXCISE DUTY RATES</u>:

		Commodity	Rate of Duty	
			From	**To**
I	**Motor spirit commonly known as petrol and high speed diesel oil**			

EXCERPT OF BUDGET 2018

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

Note: "Basic Excise Duty" means the excise duty set forth in the First Schedule to the Central Excise Tariff Act, 1985.

5. MISCELLANEOUS

S. No.	Amendment
A.	**Renaming of Central Board of Excise and Customs as the Central Board of Indirect Taxes and Customs**
	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)

EXCERPT OF BUDGET 2018

CA. PANKAJ DALAL