

## **UNION BUDGET 2017-18**

### **DIRECT TAX PROPOSALS**

#### **BUSINESS TAXATION**

- The threshold limit for audit of business entities who opt for presumptive income scheme proposed to be increased from Rs. 1 crore to Rs. 2 crore. This is a clarificatory amendment.
- The threshold limit for maintenance of books for individuals and HUF proposed to be increased from turnover of Rs. 10 lakhs to Rs. 25 lakhs or income from Rs. 1.2 lakhs to Rs. 2.5 lakhs.
- The scope of domestic transfer pricing to be restricted to cases where atleast one of the entities involved in related party transaction enjoys specified profit-linked deduction..
- In order to promote the development of affordable housing sector, section 80-IBA proposed to be amended to restrict carpet area to 30 and 60 sq.mtr. in the place of restriction of built up area to 30 and 60 sq.mtr. Also the 30 sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 sq.mtr. will apply. In order to be eligible, the project can now be completed in 5 years after commencement (in the place of 3 years).
- Considering the business exigencies in case of real estate developers, section 23 is proposed to be amended to provide that where the house property consisting of any building and land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period upto one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil.
- The time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return. The time for completion of scrutiny assessments is also proposed to be compressed further from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter.

#### **CORPORATE TAXATION**

- To give effect to the announcement made by the Finance Minister, in Union Budget 2015-16 that the corporate income tax rate would be reduced to 25% gradually and in order to make Medium and Small Enterprises more viable and to encourage firms to migrate to company format, the corporate tax rate is proposed to reduce to 25% from A.Y. 2018-19 for Medium and Small Enterprises companies with annual turnover upto Rs. 50 crore.
- The period for carry forward of MAT credit proposed to be increased from 10 years to 15 years. Similar amendment is proposed in section 115JD to allow carry forward of Alternate Minimum Tax (AMT) to 15 years.
- Provisions relating to computation of book profit for the purpose of levy of minimum alternate tax (MAT) for Ind-AS compliant companies introduced.

## **CAPITAL GAIN TAXATION**

- With a view to promote the real-estate sector and to make it more attractive for investment, the period of holding for considering gain from immovable property, being land or building or both to be long term is proposed to be reduced from 3 years to 2 years.
- The base year for indexation proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property. The change in base year will significantly lessen the capital gain tax liability while encouraging the mobility of assets.
- Presently, investment in bond issued by the National Highways Authority of India or by the Rural Electrification Corporation Limited is eligible for exemption under section 54EC. In order to widen the scope of this section for sectors which may raise fund by issue of bonds eligible for exemption, the said section proposed to be amended so as to provide that investment in any bond redeemable after three years which has been notified by the Central Government in this behalf shall also be eligible for exemption.

## **TAX PROPOSALS TO REDUCE CASH TRANSACTIONS AND PROMOTE DIGITAL ECONOMY**

- No deduction to be allowed under section 80G in respect of donation by any mode other than cash, if such amount of donation exceeds Rs. 2,000. The present limit is Rs. 10,000.
- The threshold limit under section 40A(3) for allowability of revenue expenditure incurred in cash is proposed to be reduced from Rs. 20,000 to Rs. 10,000.
- Currently, there is no provision to disallow the capital expenditure incurred in cash. In order to discourage cash transactions even for capital expenditure, limit of Rs. 10,000 is proposed. Accordingly, capital expenditure incurred in cash shall be ignored for the purposes of determination of actual cost under section 43, if such amount of expenditure exceeds Rs. 10,000. Further, no deduction would be allowable under section 35AD, in respect of such capital expenditure incurred in cash for an amount exceeding Rs. 10,000.
- To promote digital transactions and to encourage small unorganized business to accept digital payments, section 44AD proposed to be amended to reduce the existing presumptive taxation rate of 8% to 6%, in respect of the amount of such total turnover or gross receipts received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in sub-section of section 139 in respect of that previous year. However, the existing rate of deemed profit of 8% referred to in section 44AD of the Act, shall continue to apply in respect of total turnover or gross receipts received in any other mode. This amendment is proposed to be effective from A.Y. 2017-18.
- Section 269ST to be inserted, to provide that no person shall receive an amount of Rs. 3 lakh or more, in aggregate from a person in a day; in respect of a single transaction; or in respect of transactions relating to one event or occasion from a person, other than by an account payee cheque or account payee bank draft or use of electronic clearing system thro

ughabank account. Simultaneously, new section 271DA has also proposed to levy penalty of sumequaltotheamountofsuch receipt on a person who receives such sum in contraventionoftheprovisionsoftheproposedsection269ST.

### **PERSONAL TAXATION**

- The existing rate of income tax applicable on income between Rs. 2.5 lacs to Rs. 5 lacs is proposed to be reduced from 10% to 5% in case of individuals/HUFs or AOPs or BOIs.
- The rebate of Rs. 5,000 currently available under section 87A in case of an individual resident in India whose total income does not exceed Rs. 5,00,000, is proposed to be reduced to Rs. 2,500, where the total income does not exceed Rs. 3,50,000 from A.Y. 2018-19.
- Surcharge @ 10% of tax payable is proposed to be levied on individuals/HUFs or AOPs or BOIs whose total income exceedsRs. 50 lakhs but does not exceedsRs. 1 crore. Thereafter, surcharge @15% would continue to be applicable on total income exceeding Rs. 1 crore.

### **TAX DEDUCTION AT SOURCE**

- In order to widen the scope of tax deduction at source, new section 194-IB, proposed to be inserted to provide for tax deduction at source @ 5% by an Individuals or a HUF (other than those covered under 44AB), while making payment of rent to a resident of an amount exceeding Rs 50,000 per month or part of month. To reduce compliance burden, the deductor shall not be required to obtain TAN or file any separate TDS return for this purpose
- In order to promote ease of doing business, section 194J proposed to be amended to provide for lower the rate of deduction of tax from 10 % to 2% in case of payments made or credited to a person engaged only in the business of operation of call centre.
- A concessional with-holding rate of 5% is being charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities. This concession is available on borrowings made, under a loan agreement at any time on or after 1st July, 2012, but before 1st July, 2017; or by way of any long-term bond including long-term infrastructure bond on or after 1st October, 2014 but before 1st July, 2017, respectively. The Concessional rate of 5% proposed to be extended in respect of borrowings made before 1st July, 2020. This benefit is also proposed to be extended to Rupee Denominated (Masala) Bonds.

### **PENAL PROVISIONS**

- For improving tax compliance, new section 234F is proposed to be inserted to provide for levy of fees for late filing of return after the due date. Rs. 5,000 would be levied for return filed after the due date but on or before the 31st day of December of the assessment year and Rs 10,000, in any other case. However, where the total income does not exceed Rs. 5 lakh, the fee amount shall not exceed Rs. 1,000.
- New section 271J proposed to be inserted to provide that penalty of Rs.10,000 would be levied, if an accountant or a merchant banker or a registered valuer furnishes incorrect information in a report or certificate under any provisions of the Act or the rules made thereunder.

