Indian Finance Minister Arun Jaitley has presented the Union budget for the year 2017-18. This is his Fourth budget and the first one after demonetization. It was broadly focused on **10 themes** which are as follows:

1. Farmers
2. Rural Population
3. Youth
4. Poor and Health care for the under privileged
5. Infrastructure
6. Financial Sector
7. Digital Economy
8. Public Service
9. Prudent Fiscal Management
10. Tax administration

Some of the Proposals and highlights related to Tax Administration

Firstly, lets look into the numbers in relation to the Individual Tax Filings:

Income Slabs (Rs.)	**No. of returns Filed**
Less than Rs. 2,50,000	0.99 Crores
2,50,000 to 5,00,000	1.95 Crores
5,00,000 to 10,00,000	0.52 Crores
Above 10,00,000	0.24 Crores
Above 50,00,000 (in entire country)	1.72 Lakhs only

From all these figures we can conclude that we are largely a tax non-compliant society. The predominance of cash in the economy makes it possible for the people to evade their taxes. When too many people evade taxes, the burden of their share falls on those who are honest and compliant.

However, the above figures were completely unmatchable when compared to deposits during the period of Demonetization. Needless to say that it was due to the effect of Black Money.

Hence, the main priority of the Government is to curb the black money. It also committed to make the tax rates more reasonable, administration more fair and expand the tax base in the country.

Tax proposals in this budget focused on,

1. Stimulating growth
2. Relief to middle class
3. Affordable Housing
4. Curbing black money
5. Promoting digital economy
6. Transparency of Political funding
7. Simplification of Tax administration

Let us not go deep into all the above mentioned topics and highlight only the corporate and individual tax proposals.

Corporate Tax related proposals:

- In order to allow companies to use MAT credit in future years, It is proposed to allow carry forward of MAT upto a period of 15 years instead of 10 years at present.

- In order to make MSME (Micro, Small and Medium Enterprises) companies more viable and also to encourage firms to migrate to company format, Finance Minister has proposed to reduce the income tax for smaller companies with annual turnover upto Rs. 50 crore to 25%.

- In order to give a boost to banking sector, there is a proposal to increase allowable provision for Non-Performing Asset from 7.5% to 8.5%. This will reduce the tax liability of banks.

- Also proposed to tax interest receivable on actual receipt instead of accrual basis in respect of NPA accounts of all non-scheduled cooperative banks also at par with scheduled banks. This will remove hardship of having to pay tax even when interest income is not realized.

- There is a scheme of presumptive income tax for small and medium tax payers whose turnover is upto Rs. 2 crores. At present, 8% of their turnover is counted as presumptive income. It is proposed to make this 6% in respect of turnover which is received by **non-cash means**. This benefit will be applicable for transactions undertaken in the **current year also**.

- To limit the cash expenditure allowable as deduction (as per section 40A(3) of Income Tax Act, 1961), both for revenue as well as capital expenditure, to Rs. 10,000.

- Similarly, the limit of cash donation which can be received by a charitable trust is being reduced from Rs. 10,000/- to Rs. 2000/-.

- The Special Investigation Team (SIT) set up by the Government for black money has suggested that no transaction above Rs. 3 lakh should be permitted in cash. The Government has decided to accept this proposal. Suitable amendment to the Income-tax Act is proposed in the Finance Bill for enforcing this decision.

- Propose to increase the threshold limit for audit of business entities who opt for presumptive income scheme from Rs. 1 crore to Rs. 2 crores. Similarly, the threshold for maintenance of books for individuals and HUF is being increased from turnover of Rs. 10 lakhs to Rs. 25 lakhs or income from Rs. 1.2 lakhs to Rs. 2.5 lakhs.

- As on today, a TDS of 5% is being deducted (as per Sec. 194D) from commission payable to individual insurance agents even if the income of some of them may be below taxable limit. It is proposed to exempt them from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit.

- In respect of Specified assesses (Professionals with receipt upto Rs. 50 lakhs p.a. and covered under Presumptive Taxation Scheme), they are being given further benefit in terms of paying advance tax in one installment instead of four.

- In order to allow the people to claim the refund expeditiously, 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 being 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.

Personal Income Tax Proposals:

- Proposed to reduce the existing rate of taxation for individual assesses as follows,

Income Tax Slab	Old Rate	Proposed Rate
Upto Rs. 2,50,000	Nil	Nil
2,50,001 to 5,00,000	10%	**5%**
5,00,001 to 10,00,000	20%	20%
10,00,001 and above	30%	30%

- There is also a proposal relating to change in the Rebate. Currently a rebate of Rs. 5,000 is being given to the assessees if taxable income is less than Rs. 5,00,000. However, it is being reduced to Rs. 2,500 available only to assessees upto income of Rs.3.5 lakhs.

- It is proposed to levy a surcharge of 10% of tax payable on categories of individuals whose annual taxable income is between Rs. 50 lakhs and Rs. 1 crore. The existing surcharge of 15% of Tax on people earning more than Rs. 1 crore will continue.

- In order to expand tax net, Government also plan to have a simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income upto Rs. 5 lakhs other than business income.

- Also a person of this category who files income tax return for the first time would not be subjected to any scrutiny in the first year unless there is specific information available with the Department regarding his high value transaction.

Some other important amendments and additions to Income Tax Act, 1961 are as follows:

Tax Deducted at Source

- It is proposed to introduce a **new provision** in the Income-tax Act to provide **for tax deduction at source** at the rate of 5%. by an individual or HUF, other than those whose books of account are required to be audited, while making payment of rent of an amount exceeding Rs.50,000 per month. It is also proposed to provide that such tax shall be deducted and deposited only once in a financial year through a challan-cum-statement. Further, the deductor shall not be required to obtain TAN or file any separate TDS return for this purpose.

- In order to strengthen the TDS provisions, it is proposed to provide that a disallowance shall be made in respect of an expenditure incurred against income from other sources unless tax has been deducted thereon at applicable rates.

Capital Gains

- Propose to make a number of changes in the capital gain taxation provisions in respect of land and building. The holding period for considering gain from immovable property to be long term is 3 years now. This is proposed to be reduced to 2 years.

- The base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property. This move will significantly reduce the capital gain tax liability while encouraging the mobility of assets.

- The new capital for State of Andhra Pradesh is being constructed by innovative land-pooling mechanism without use of the Land Acquisition Act. It is proposed to exempt from capital gain tax, persons holding land on 2.6.2014, the date on which the State of Andhra Pradesh was reorganized, and whose land is being pooled for creation of capital city under the Government scheme.

- It is proposed to provide that in case of transfer of unquoted equity shares, where the fair market value, determined in the prescribed manner is less than the consideration received, such fair market value shall be the deemed value of consideration for the purpose of computation of capital gains.

- It is proposed to restrict the exemption from long term capital gains in case of transfer of listed shares by providing that the exemption, subject to notification of certain exceptions, shall be available if security transaction tax has been paid at the time of acquisition of such shares where they have been acquired after 1st October, 2004.

Others

- It is proposed to extend the provisions of section 115BBDA of the Income-tax Act which provides for levy of tax at the rate of ten per cent on dividend income exceeding Rs. 10 lakh, to all resident persons except domestic companies or trust or institution or fund registered under section 12AA or referred to in section 10(23C). Presently, these provisions are applicable only to the individuals, Hindu undivided family (HUF) and firms.

- It is proposed to widen the scope of section 56 of the Income-tax Act to provide that any money, immovable property or specified movable property received without consideration or with inadequate consideration, by any person, subject to certain exemption and exceptions, shall be taxable if its value exceeds rupees fifty thousand.

- In order to address the existing anomaly of interest deduction in respect of let out property vis-à-vis self-occupied property, it is proposed to restrict set off of loss from house property against income under any other head during the current year up to Rs two lakhs. The loss not so set off would be allowed to be carried forward for set off against house property income for eight assessment years.

- It is proposed that donation by an entity registered under section 12A or approved under section 10(23C), to other entity, registered under section 12A, with the direction that such donation shall form part of the corpus, shall not be treated as application of income for charitable purposes.

- In line with exemption available to the Prime Minister's Relief Fund and certain other funds, it is proposed to provide that the income of the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund shall be exempt from tax.

- In order to ensure timely filing of returns of income, it is proposed to levy a fee in case of delay in filing the return.

- It is proposed to amend the provisions relating to computation of book profit for the purpose of levy of minimum alternate tax (MAT) so as to align it with the Indian Accounting Standards (Ind-AS).

- It is proposed to amend section 10AA of the Income-tax Act so as to provide that the amount of deduction referred therein shall be allowed from the total income computed in accordance with the provisions of the Act before giving effect to the provisions of the said section and that the said deduction shall not exceed the total income.

(For Section wise amendments, refer Finance Bill, 2017.)