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Comprehensive Guide to Goods and Service Tax

Budget 2017-18 : Hidden Facts and Analysis

Finance minister Arun Jaitley presented the Union Budget 2017-18 in the Lok Sabha today. Here are the highlights of the Union Budget. Terming the Union Budget "futuristic", Prime Minister Narendra Modi said it will usher in a new beginning to fulfil the dreams of every section. "This is a Budget for the future — for farmers, underprivileged, transparency, urban rejuvenation, rural development and enterprise," Modi said in a televised message about the Budget proposals.

Lets have a look at major changes proposed in Union Budget 2017-18

Income Tax Slab Rate (Revised applicable from FY 2017-18 by Budget 2017-18)

Individual

Income Tax Slab Rate applicable from 2017-18 to male and female having age less than 60 years is as below:

Income Tax Slab	Rate of Tax
Income less than 2,50,000	Nil
Income from 2,50,001 to 5,00,000	5%
Income from 5,00,001 to 10,00,000	20%
Income exceeding 10,00,000	30%

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Income Tax Slab Rate applicable from 2017-18 to senior citizen is as below:

Income Tax Slab	Slab Rate
Income less than 3,00,000	Nil
Income from 3,00,001 to 5,00,000	5%
Income from 5,00,001 to 10,00,000	20%
Income exceeding 10,00,000	30%

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It is to be noted that Tax Slab for super senior citizen remains same

Surcharge applicable from 2017-18 to Individual / HUF/ AOP / BOI is as below:

Income	Surcharge
Up to 50,00,000	Nil
from 50,00,001 to 1,00,00,000	10%

Income	Surcharge
Above 1,00,00,000	15%

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Firms / Local Authorities

Surcharge applicable from FY 2017-18 to Firm / Local authorities is as below:

Income	Surcharge
Up to 1,00,00,000	Nil
Above 1,00,00,000	10%

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Domestic Companies

Tax Rates for Domestic companies remains at 30%, however special privilege is given to **MSME Companies** having Turover less than Rs. 50 cr in previous years is to be taxed at **25% applicable from FY 2017-18 as presented in budget 2017-18.**

Surcharge applicable from FY 2017-18 to Domestic Company is as below:

Income	Surcharge
Less than 1,00,00,000	Nil
from 1,00,00,001 to 10,00,00,000	7%
Above 10,00,00,000	12%

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Other Major Amendments in Income Tax Act in Budget 2017-18

Section 35AD – Deduction in respect of expenditure on specified business – No expenditure exceeding Rs. 10,000 is allowed as deduction if it is incurred any mode other than account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account.

Section 36 – Other Deductions – Deduction avaialable to a scheduled bank [not being a bank incorporated by or under the laws of a country outside India] or a non-scheduled bank or a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank for provision of bad and doubtful debt increased from 7.5% to 8.5% of total income.

Section 40A/ 43B – Expenses or payments not deductible in certain circumstances – No cash expenses allowed as deduction if value is more than Rs. 10,000 (earlier it was Rs. 20,000). Similarly is any expenditure is incurred for purchase of land or any other asset and such expenditure is incurred in cash for more than Rs. 10,000 then such expenditure shall be ignored for the purpose of calculating actual cost.

Section 44AA – Maintenance of accounts by certain persons carrying on profession or business – Every person carrying on legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of this Act.

Specified person for this section is ***now*** having income from business or profession exceeding **Rs. 2.5 Lacs** (Rs. 1.2 Lacs earlier) or sales / Turnover / Receipt exceeding **Rs. 25 Lacs** (Rs. 10 Lacs earlier).

So maintenance for book keeping condition is relaxed.

Section 44AD – Special provision for computing profits and gains of business on presumptive basis – Presumptive **tax rate of 6%** instead of 8% will be applicable if in respect of the amount of total turnover or gross receipts which is received by an account payee cheque or an 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 subsection (1) of section 139 in respect of that previous year

Section 45 – Capital gain where the capital gain arises to an assessee, being an individual or a Hindu undivided family, from the transfer of a capital asset, being land or building or both, **under a specified agreement**, the capital gains shall be chargeable to income-tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority. For the purposes of **section 48 – Computing Capital Gain, the stamp duty value, on the date of issue of the said certificate**, of his share, being land or building or both in the project, as increased by the consideration received in cash, if any, shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset.

Provided that the provisions of this sub-section shall not apply where the assessee transfers his share in the project on or before the date of issue of said certificate of completion, and the capital gains shall be deemed to be the income of the previous year in which such transfer takes place and the provisions of this Act, other than the provisions of this sub-section, shall apply for the purpose of determination of full value of consideration received or accruing as a result of such transfer.

"specified agreement" means a registered agreement in which a person owning land or building or both, agrees to allow another person to develop a real estate project on such land or building or both, in consideration of a share, being land or building or both in such project, whether with or without payment of part of the consideration in cash

Section 48 – Mode of Computation of Capital Gain – Explaination is added to "indexed cost of acquisition" means an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the year in which the asset is transferred bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the 1st day of April, 2001, whichever is later

Impact – Any property purchased before 2001 will have impact of reduction in long term capital gain by changes in budget 2017-18.

Section 50CA – Special provision for full value of consideration for transfer of share other than quoted share (*<u>New Section</u>*) – Where the consideration received or accruing as a result of the transfer by an assessee of a capital asset, being share of a company other than a quoted share, is less than the fair market value of such share determined in such manner as may be prescribed, the value so determined shall, for the purposes of section 48, be deemed to be the full value of consideration received or accruing as a result of such transfer.

Section 71 – Income from House Property – in respect of any assessment year, the net result of the computation under the head "Income from house property" is a loss and the assessee has income assessable under any other head of income, *<u>the assessee shall not be entitled to set off such loss, to the extent the amount of the loss exceeds two lakh rupees, against income under the other head</u>*

Section 79 – Carry Forward of Losses – New clause is added for eligible startup companies – in the case of a company, not being a company in which the public are substantially interested **but being an eligible start-up** as referred to in **section 80-IAC,** the loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, if, all the shareholders of such company who held shares carrying voting power on the last day of the year or years in which the loss was incurred,—

(i) continue to hold those shares on the last day of such previous year; and (ii) such loss has been incurred during the **period of seven years** beginning from the year in which such company is incorporated.

80CCD – Deduction in respect of contribution to pension scheme of Central Government – Ceiling limit of employee for contribution in this scheme is increased from 10% of gross total income to **20%.**

80CCG – Deduction in respect of investment made under an equity savings scheme – <u>Rajiv Gandhi Equity Savings Scheme will no longer continue, govt proposes to discontinue from 01-04-2018.</u> However who has acquired listed equity shares or listed units of an equity oriented fund in accordance with the scheme referred to in sub-section (1) and claimed deduction under this section for any assessment year commencing on or before the 1st day of April, 2017, shall be allowed deduction under this section till the assessment year commencing on the 1st day of April, 2019, if he is otherwise eligible to claim the deduction

80G – Deductions for Donations – Now no cash donations will be allowed exceeding Rs. 2,000 as compared to present limit of Rs. 10,000

80-IAC – Special provision in respect of specified business (Startups) – 100% profit is exempt for such business for 3 consecutive years out of *7 years beginning from the year in which the eligible start-up is incorporated.*

87A – Rebate – *Rebate amount shall be reduced from Rs. 5,000 to Rs. 2,500 to only those assesses having income below Rs. 3,50,000 (present limit – Rs. 5,00,000)*

So, these are the major amendments i tried to cover in this article which are made in the Union Budget 2017-18.

To be continued…

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