# India Budget 2017

## Presented by Hon'ble Finance Minister
## in the Parliament
## On 1st February, 2017

# Effects of Income Tax Proposals
# - Tax Payments and Returns

# Changes in Tax Rates

**Changes in Tax Rates for Individuals, HUF, AOP, BOI, Artificial Juridical Person -**

- Tax Rate reduced to 5% from present 10% for income
  - Exceeding Rs.3,00,000/- upto Rs.5,00,000/- for every individual, being a resident in India, who is of the age of 60 years or more but less than the age of 80 years at any time during the previous year.
  - Exceeding Rs.2,50,000/- upto Rs.5,00,000/- for every individual, being a resident in India, other than individual who is of the age of 60 years or more at any time during the previous year.
- Surcharge @10% of income tax if total income exceeds fifty lakh rupees but not exceeds one crore rupees.

**Changes in Tax Rates for Domestic Companies –**

- Tax Rate reduced to 25% where its total turnover or the gross receipt in the previous year 2015-16 does not exceed fifty crore rupees.

**Changes will be effective with effect from Assessment Year 2018-19.**

# Tax Rebate

## Rebate of income tax in case of Individuals u/s 87A

- As per present provision, an assessee, being an individual resident in India, whose total income does not exceed Rs.5,00,000/-, shall be entitled to a deduction, from the amount of income-tax on his total income with which he is chargeable for any assessment year, of an amount equal to 100% of such income-tax or an amount of Rs.5,000/-, whichever is less.
- Now, an assessee, being an individual resident in India, whose total income does not exceed Rs.3,50,000/-, shall be entitled to a deduction, from the amount of income-tax on his total income with which he is chargeable for any assessment year, of an amount equal to 100% of such income-tax or an amount of Rs.2,500/-, whichever is less.
- Accordingly, there will not be any tax payable on the total income of Rs.3,00,000/-.
- **Provision will be effective with effect from Assessment Year 2018-19.**

# Income taxable at Special Rates

## Tax on income from transfer of Carbon credits u/s 115BBG

- Where the total income of an assessee includes any income by way of transfer of carbon credits, the income-tax payable shall be the aggregate of -
  - (a) the amount of income-tax calculated on the income by way of transfer of carbon credits, at the rate of 10%; and
  - (b) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income referred to in clause (a).
- Similarly, Notwithstanding anything contained in this Act, no deduction in respect of any expenditure or allowance shall be allowed to the assessee under any provision of this Act in computing his income referred to in clause (a) of sub-section (1).
- **Provision will be effective with effect from the 1st day of April, 2018.**

# Income taxable at Special Rates

## Tax credit in respect of Minimum Alternate Tax u/s 115JB

- The tax credit to be allowed shall be the difference of the tax paid for any assessment year under sub-section (1) of section 115JB and the amount of tax payable by the assessee on his total income computed in accordance with the other provisions of this Act.
- Second Proviso to sub-section (2A) of Section 115JAA inserted provides that
  - where the amount of tax credit in respect of any income-tax paid in any country or specified territory outside India, under section 90 or 90A or 91, allowed against the tax payable under the provisions of sub-section (1) of section 115JB exceeds
  - the amount of such tax credit admissible against the tax payable by the assessee on its income in accordance with the other provisions of this Act, then,
  - while computing the amount of credit under this sub-section, such excess amount shall be ignored.
- **Provision will be effective with effect from the 1st day of April, 2018.**

# Income taxable at Special Rates

## Tax credit carried forward and set-off in respect of tax paid u/s 115JB

- Present provision allows the amount of tax credit determined under sub-section (2A) of Section 115JAA be carried forward and set off in accordance with the provisions of sub-sections (4) and (5) of Section 115JAA but such carry forward shall not be allowed beyond the tenth assessment year immediately succeeding the assessment year in which tax credit becomes allowable under sub-section (1A) of Section 115JAA.
- The years upto which carry forward of tax credit is allowed increased from ten to fifteen years.
- **Provision will be effective with effect from the 1st day of April, 2018.**

# Income taxable at Special Rates

**Tax credit in respect of Alternate Minimum Tax paid u/s 115JC**

- The tax credit to be allowed shall be of the excess of alternate minimum tax paid over the regular income-tax payable of that year.
- Proviso to sub-section (2) of Section 115JD inserted provides that where the amount of tax credit in respect of any income-tax paid in any country or specified territory outside India, under section 90 or 90A or 91, allowed against the alternate minimum tax payable exceeds the amount of such tax credit admissible against the regular income-tax payable by the assessee, then, while computing the amount of credit under this sub-section, such excess amount shall be ignored.
- Present provision allows the amount of tax credit determined under sub-section (2) of Section 115JD be carried forward and set off but such carry forward shall not be allowed beyond the tenth assessment year immediately succeeding the assessment year in which tax credit becomes allowable under sub-section (1) of Section 115JD.
- The ten years period is increased from to fifteen years.
- **Provision will be effective with effect from the 1st day of April, 2018.**

# TDS Deduction

## TDS on Payment of rent by Individuals or Hindu Undivided Family u/s 194-IB

- New Section 194-IB inserted requires an Individual or HUF, not liable to Tax Audit in earlier year, i.e. other than those covered by second proviso to Section 194I, if he is liable to pay rent to a resident exceeding Rs.50,000/- for a month or part of the month to deduct TDS @5% at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, to the account of payee or at the time of payment thereof, whichever is earlier.
- If receiver of Rent does not furnish PAN, TDS at 20% is required to be deducted, however in such case deduction should not exceed amount of rent payable for the last month of previous year or last month of tenancy.
- The person deducting TDS is not required to obtain Tax Deduction Account Number.
- "Rent" means any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for use of any land or building or both.
- **Provision will be effective with effect from the 1st day of June, 2017**

# TDS Deduction

## TDS on Payment under Specified Agreements u/s 194-IC

- New Section 194-IC inserted requires any person responsible for paying to a resident any sum by way of consideration, not being consideration in kind, under specified agreement to deduct TDS @10% at the time of crediting the said amount to payee's account or at the time of payment, whichever is earlier.
- If receiver does not furnish PAN, TDS at 20% is required to be deducted.
- "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.
- **Provision will be effective with effect from the 1st day of April, 2017**

# TDS Deduction

### TDS on payment of Professional or Technical Services to call centre u/s 194J

- Rate of TDS reduced to 2% in case a payee, engaged only in the business of operation of call centre.
- **Provision will be effective with effect from the 1st day of June, 2017**

### TDS on Payment of compensation on acquisition of immovable property - 194LA

- No deduction shall be made under section 194LA where such payment is made in respect of any award or agreement which has been exempted from levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.
- **Provision will be effective with effect from the 1st day of April, 2017.**

### No TDS on Insurance Commission on production of Form 15G or 15H u/s 194D

- **Provision will be effective with effect from the 1st day of June, 2017**

# TDS Deduction

### TDS on Income by way of interest from Indian company u/s 194LC

- TDS @5% will also be required to be deducted from the income by way of interest payable by the Indian company or the business trust, to a non-resident in respect of monies borrowed by it from a source outside India by way of issue of rupee denominated bond before the 1st day of July, 2020.
- **Provision will be effective with effect from the 1st day of April, 2016.**
- Similarly, time period of loan agreement and issue of any long-term bond including long-term infrastructure bond covered under sub-clauses (a) and ( c ) of clause (i) in sub-section (2) is extended from 1st day of July 2017 to 1st day of July 2020.
- **Provision will be effective with effect from the 1st day of April, 2018.**

### TDS on Income by way of interest on bonds and Government securities - 194LD

- TDS @5% will be deductible u/s 194LD on interest payable in respect of period upto 1st day of July 2020 instead of 1st July 2017 as provided earlier.
- **Provision will be effective with effect from the 1st day of April, 2018.**

# Interest on Excess Payment of TDS

- Sub-section (1B) of Section 244A is inserted to provide for interest on refund of any amount due to the deductor in respect of any amount paid to the credit of the Central Government under Chapter XVII-B, such deductor shall be entitled to receive, in addition to the said amount, simple interest thereon calculated at the rate of one-half per cent. for every month or part of a month comprised in the period, from the date on which -
  - (a) claim for refund is made in the prescribed form; or
  - (b) tax is paid, where refund arises on account of giving effect to an order under section 250 or section 254 or section 260 or section 262,
- to the date on which the refund is granted.
- **Provision will be effective with effect from the 1st day of April, 2017.**

# TCS Collection

**No TCS on purchase of jewellery against cash payment u/s 206C**

- The word jewellery is omitted from the sub-section (1D) .
- **Provision will be effective with effect from the 1st day of April, 2017**

**No TCS on purchase of motor vehicle against cash payment exceeding Rs.10,00,000/- by certain entities u/s 206C**

- Sub-clause (iii) in clause (aa) of Explanation inserted to exclude the following entities from the meaning of buyer for the purpose of sub-section (1F) –
  - the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or
  - a local authority as defined in Explanation to clause (20) of section 10; or
  - a public sector company which is engaged in the business of carrying passengers.
- **Provision will be effective with effect from the 1st day of April, 2017**

# TCS Collection

## Requirement to furnish Permanent Account Number by collectee u/s 206CC

- New Section 206CC inserted requires any person paying any sum or amount, on which tax is collectible at source shall furnish his Permanent Account Number to the person responsible for collecting such tax, failing which tax shall be collected at the higher of the following rates, namely –
  - at twice the rate specified in the relevant provision of this Act; or
  - at the rate of 5%.
- The collectee shall furnish his Permanent Account Number to the collector and both shall indicate the same in all the correspondence, bills, vouchers and other documents which are sent to each other.
- The provisions of this section shall not apply to a non-resident who does not have permanent establishment in India.
- **Provision will be effective with effect from the 1st day of April, 2017**

# Advance Tax

### Installments of advance tax and due dates u/s 211

- As per clause (b) of sub-section (1) of Section 211, advance tax to the extent of the whole amount of such advance tax during financial year be paid on or before the 15th March by eligible assesses in respect of eligible business referred to in section 44AD.
- The said benefit is also extended to the eligible assesses referred to in section 44ADA.
- However, in both the cases, the said benefit is available to assesses who declares profits and gains in accordance with the provisions of sub-section (1) of section 44AD or sub-section (1) of section 44ADA.
- **Provision will be effective with effect from the 1st day of April, 2017**

### Interest for deferment of advance tax u/s 234C

- For calculating any shortfall in the payment of the tax due on the returned income, shortfall on account of under-estimate or failure to estimate of income of the nature referred to in sub-section (1) of section 115BBDA will not be considered.
- **Provision will be effective with effect from the 1st day of April, 2017**

# Self-Assessment Tax

## Late Fee for belated Return of Income u/s 234F -

- New Section 234F introduced to levy Late Fee in case where a person required to furnish a return of income under section 139, fails to do so within the time prescribed in sub-section (1) of section 139, he shall pay, by way of fee, a sum of,-
  - Rs.5,000/-, if the return is furnished on or before the 31st day of December of the assessment year;
  - Rs.10,000/- in any other case.
- However, if the total income of the person does not exceed Rs.5,00,000/-, the fee payable under this section shall not exceed Rs.1,000/-.
- Section 140A amended to state that Late Fee needs to be filed before furnishing the Return and amount paid will be first adjusted against Late Fee payable.
- **Provision will be effective for Returns of AY 2018-19 and onwards.**

# Return of Income

- The following persons are added in sub-section (4C) of section 139 who are required to file Return if total income assessable, without giving effect to the provisions of section 10, exceeds the maximum amount which is not chargeable to income-tax –
  - person referred to in clause (23AAA) of section 10;
  - Investor Protection Fund referred to in clause (23EC) or (23ED) of section 10;
  - Core Settlement Guarantee Fund referred to in clause (23EE) of section 10;
  - Board or Authority referred to in clause (29A) of section 10.
- **Provision will be effective with effect from the 1st day of April, 2018**

## Revised Return

- The words "the expiry of one year from " appearing in sub-section (5) of Section 139 omitted resulting in reducing the time limit to revise the return only upto end of the Assessment Year or before completion of assessment, whichever is earlier.
- **Provision will be effective with effect from the 1st day of April, 2018**

Thank you!

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