Finance Bill 2017-18

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Budget Analysis

Major Highlights

Agenda: TEC India - "Transform, Energise and Clean India"

- Demonetisation – A bold and decisive measure
- Effects of demonetisation will not spillover to next fiscal year
- Various schemes and benefits for Rural Sector, Agricultural Sector and Youth
- No service charges on tickets booked through IRCTC
- Better and Cleaner Railways
- Foreign Investment Promotion Board abolished
- Liberalisation of FDI policy under consideration
- Shares of PSE like IRCTC, IRCON, IRFC to be listed
- Various policy measures for Digital India
- Basic Customs Duty on LNG reduced to 2.5%

Contents

Direct Tax

❖ Personal Income-Tax Rates and Surcharge

- Tax on Total Income between Rs. 2.50 Lacs and Rs. 5 Lacs reduced to half i.e. 5% from 10%
- Rebate u/s 87A reduced to Rs. 2500 from Rs. 5000; Allowed to only Individuals/HUF with total income less than or equal to Rs. 3.50 Lacs
- Surcharge of 10% on every Individual/HUF/AOP/BOI having Total Income more than Rs. 50 lacs but less than Rs. 1 Crore
- Final Position of Tax – Slabs

	TOTAL INCOME	F.Y. 17-18	F.Y. 16-17
Individuals	Upto Rs. 2,50,000	Nil	Nil
	Rs. 2,50,001 – Rs. 5,00,000	5%	10%
	Rs. 5,00,001 – Rs. 10,00,000	20%	20%
	More than Rs. 10,00,000	30%	30%
Senior Citizens (60 - 79 years)	Upto Rs. 3,00,000	Nil	Nil
	Rs. 3,00,001 – Rs. 5,00,000	5%	10%
	Rs. 5,00,001 - Rs. 10,00,000	20%	20%
	More than Rs. 10,00,000	30%	30%
Very Senior Citizens (80 years and above)	Upto Rs. 5,00,000	Nil	Nil
	Rs. 5,00,001 – Rs. 10,00,000	20%	20%
	More than Rs. 10,00,000	30%	30%

Note: 1. Rs. 2500 Rebate upto Rs. 3.5 Lacs Total Income

2. Surcharge @ 10% for Total Income between Rs. 50 lacs and Rs. 1 Crore

3. Surcharge @ 15% for Total Income above Rs. 1 Crore

❖ Corporate Income-Tax Rates and Surcharge

	Particulars	F.Y. 17-18	F.Y. 16-17
Firm	Any Turnover or Gross Receipts	30%	30%
Domestic Company	**Turnover or Gross Receipts of F.Y. 15-16**		
	Upto Rs. 50 Crores	25%	30%
	More than Rs. 50 Crores	30%	30%

Note: No change in surcharge rates in case of firm or company.

- **Profits/Gains from Business/Profession Amendments**
  - Cash Expenditure Limit reduced from Rs. 20,000 to Rs. 10,000 w.e.f 1st April 2018
  - Any payment towards capital expenditure (Asset) for more than Rs. 10,000/- in a single day, such expenditure will be ignored for the purpose of determination of actual cost of asset i.e. will not be considered for the purpose of computation of depreciation (w.e.f. 1st April 2018)
  - Interest payable to a Co-operative Bank shall only be allowed on payment basis (Section 43B)
  - Maintenance of Books of Accounts : No need to maintain books of accounts if turnover/gross receipts does not exceed Rs. 25 lacs and Income from Business/Profession does not exceed Rs. 2,50,000 in any one of 3 immediately preceding Financial Years
  - The tax payers who declare profit as per section 44AD and whose total turnover or gross receipts does not exceed Rs. 2 crore will not be liable to tax audit
  - Presumptive tax for small traders having turnover upto two crores under section 44AD shall be 6% instead of existing 8% in case of full non cash turnover
  - The tax credit in respect of MAT and AMT will be allowed to carry forward for fifteen years as against existing ten years [A.Y. 2018-19 onwards]

- **Capital Gain Amendments**
  - Immovable Property including land and building will qualify as long term capital assets if held for more than 24 months [A.Y. 2018-19 onwards]
  - Change of Base Year for purpose of Indexation from 1981 to 2001
  - For exemption of capital gains, long-term bonds as notified by the Central Government will also be eligible for exemption in addition to NHAI or REC Bonds [A.Y. 2018-19 onwards]
  - If unquoted shares of a company are transfer for consideration less than fair market value, the fair market value will be deemed to full value of consideration for the purpose of capital gains (Section 50CA)

- **Other Sources Amendments**
  - The receipt of money or property apart from immovable property, jewellery, shares, paintings, etc. by any person without consideration or for inadequate consideration in excess of Rs. 50,000/- will be taxed in the hands of recipient [w.e.f. 01.04.2017]
  - Non-deduction of TDS on income from other sources shall now attract disallowance

- **Advance Tax related Amendments**
  - The surcharge on advance tax will be deposited together, at the time of deposit of advance tax
  - Professionals falling under presumptive taxation (i.e. gross receipts under Rs. 50 Lacs) as per section 44ADA will be allowed to pay advance tax in one installment on or before 15th March [A.Y. 2017-18]

- **TDS/TCS Amendments**
  - New Section 194-IB: Individuals and HUF who are not liable to tax audit, have to deduct TDS at the rate of 5% on payment of rent, if rent exceeds Rs. 50,000/- per month. It is further proposed that TDS will be deducted for entire year in the last month or in case of vacating the property, in the last month of tenancy. The deductor will not be required to obtain Tax Deduction Number. [w.e.f. 1st June 2017]
  - In case of TCS, if PAN of collectee is not available, tax shall be collected at double rate or 5% whichever is higher

- **Donation related Amendments**
  - Cash donation is allowed only upto Rs. 2000/- in cash for deduction under section 80G [A.Y. 2018-19 onwards]
  - Also, donation to political parties in cash shall be allowed as deduction only if made upto Rs. 2000/-

- **Set-Off related Amendments**
  - It is proposed that set- off of loss under the head Income form House Property against any other head of income shall be restricted to Rs. 2,00,000 in any assessment year

    However, Unabsorbed Loss will be carried forward for set-off in subsequent years

- **Procedural Amendments**
  - Fees for delayed filing of Return- New Section 234F
    - i. Fees of Rs. 5000/- will be payable if the return is filed with a delay before 31st December of the assessment year
    - ii. Fees of Rs. 10000/ will be payable if filed beyond 31st December
    - iii. If total income does not exceed Rs. 5 lacs the fees will be upto Rs. 1000/-
    - iv. This fee for delay will have to be deposited along with tax and interest
    - v. Provisions of section 271F will not be applicable henceforth. [A.Y. 2018-19]
  - Period for Revising Return has been reduced by one year and is now restricted to 12 months from completion of financial year i.e. at par with filing belated return
  - If a Chartered Accountant, Merchant Banker or Registered Valuer furnishes incorrect information in a report or certificate, a penalty of Rs. 10,000/- will be levied for each such report or certificate
  - The time limit for making an assessment for scrutiny under section 143 or 144
    - for the assessment year 2018-19 is reduced to 18 months from the end of the assessment year (i.e. 30th September) and
    - for assessment year 2019-20 onwards reduced to 12 months from the end of the assessment year (i.e. 31st March).
  - For proceedings under section 147 and for notices served under section 148 on or after 1.4.2019, the time limit will be twelve months from the end of financial year in which notice is served.

❖ Other Important Amendments

- It has been proposed to provide that expenditure in respect of which payments have been made by the assessee to related party as specified in section 40A(2)(b) will be excluded from the scope of section 92BA for the transfer pricing. [A.Y. 2017-18 onwards]

- For Charitable Trusts/Educational Institutions:

  Donation from one Trust to another Trust – forming a part of Corpus Fund – shall not be treated as "Applied for Charitable Purpose"

- For Real Estate Developers

  In relation to property held as stock-in-trade, the notional income i.e. consideration will be considered as NIL for the period upto one year from the end of the financial year in which the certificate of completion has been obtained [A.Y. 2018-19]

  It is important to note that, for period beyond such date, the notional value will have to be taken into consideration for the purposes of calculation of income under House Property, even if it is held as stock-in-trade by the assessee. (Against the relevant judgment of Supreme Court in case of Chennai Properties Ltd.)

- New Sections 269ST and 271D

  No person shall receive and amount of Rs. 3,00,000 or more in cash (except from Government or any Banks) -

  (a) in aggregate from a person in a day; or

  (b) in respect of a single transaction; or

  (c) in respect of transactions relating to one event or occasion from a person

  If any person receives any amount in contravention of the above provision, a penalty of an amount equal to such receipt shall be levied.

(If you require any further clarification, please contact us. This analysis is for indicative purpose, please take expert opinion before taking any steps based upon above information.)