Analysis of Union Budget Finance Bill, 2018

S No.	Relevant Section	Pre Budget	Post Budget
1	**Insertion of Explanation 2A in Sec 2** : Definition of accumulated profits for the purpose of distribution of dividend	Upto 31.3.2018 no such explanation was there and therefore, the accumulated profits of the amalgamated company for the purpose of distribution of dividend did not include profits of the amalgamating company.	**Sec 2 Explanation 2A**: From 1.4.2018 in case of amalgamated company the accumulated profits shall be increased by the profits of the amalgamating company on the date of amalgamation.
2	**Insertion of Sub clause (xiia) in section 2(24):** Definition of Income	Upto 31.3.2018 conversion of inventory into capital asset had no tax effect.	**Sub clause (xiia) in Section 2(24)**: From 1.4.2018 the fair market value of inventory referred to in clause (via) of section 28. Income u/s. Income= FMV of stock on date of transfer- Value of inventory
3	**Insertion of Sub clause (xviib) in section 2(24):** Definition of Income	Upto 31.3.2018 compensation received for termination of employment was a capital receipt.	**Sub Clause (xviib) in section 2(24)**: From 1.4.2018 any compensation referred in sec 56(2)(xi)
4	**Insertion of sub clause (ba) in Explanation 1 to Sec2(42A):** Period of holding of capital asset	-------------------------------	**Sub clause (ba) in Explanation 1 to Sec2(42A):** From 1.4.2018 in case of inventory converted into capital asset the period shall be taken from date of conversion.
5	**Insertion of Clause 6D in Section 10:** Exempt Income	-------------------------------	**Clause 6D in Section 10:** From 1.4.2018 any income arising to a non resident not being a company or a foreign company from royalty or fees, technical services rendered outside India to National Technical research Organisation.

6	**Clause 12A of Section 10:** Exempted Income	Upto 31.3.2018 any payment from the National Pension Scheme to an **employee** on closure of his account to the extent does not exceed 40% of total income payable to him at the time of such closure.	**Clause 12A of Section 10:** From 1.4.2018 any payment from the National Pension Scheme to an **assessee** on closure of his account to the extent does not exceed 40% of total income payable to him at the time of such closure.
7	**New Proviso to section 10(23C):**Certain disallowances for Trusts taking exemption u/s.10(23C)	Upto 31.3.2018 Though certain trusts taking deduction u/s.10(23C) were liable to deduct TDS but there was no provision to disallow 30% of the expense on which TDS was not deducted .	**New Proviso to section 10(23C):** From 1.4.2018 if no TDS is deducted by certain trusts taking deduction u/s.10(23C), then 30% of the expense on which TDS is not deducted will be disallowed u/s.40a(ia).
		---------------------------------	**New Proviso to section 10(23C):** From 1.4.2018 any expense made by certain trusts taking deduction u/s.10(23C),in cash against a single bill in a single day exceeding Rs.10,000 will be disallowed u/s. 40A(3) and 40A(3A).
8	**New Proviso to section 10(38):** LTCG eligible u/s.10(38) not to exceed Rs.1,00,000	---------------------------------	**New Proviso to section 10(38):** From 1.4.2018 exemption u/s.10(38) will not be available on LTCG exceeding Rs. 1,00,000.
9	**Insertion of Explanation 3 to sec 11:** Certain disallowances for Trusts taking exemption u/s.11	Upto 31.3.2018 though trusts registered u/s.12AA were liable to deduct TDS but there was no provision to disallow 30% of the expense on which TDS was not deducted .	**Insertion of Explanation 3 to sec 11:** From 1.4.2018 if no TDS is deducted by trusts registered u/s.12AA, then 30% of the expense on which TDS is not deducted will be disallowed u/s.40a(ia).
		---------------------------------	**Insertion of Explanation 3 to sec 11:** From 1.4.2018 any expense made by trusts registered u/s.12AA,,in cash against a single bill in a single day exceeding Rs.10,000 will be disallowed u/s. 40A(3) and 40A(3A).

10	**Insertion of clause (ia) in sec 16:** Deduction from Salary	----------------------------------	**Sec 16(ia):** From 1.4.2018 a deduction of lower of Rs. 40,000 or salary received will be allowed from Gross Salary.
11	**Deletion of proviso in Sec 17 :** Perquisites not taxable in the hands of employee	Upto 31.3.2018 any sum paid by the employer for any expenditure on his medical treatment or treatment of his family member to the extent of Rs.15,000 was not a taxable perquisite in hands of employee.	**Deletion of proviso in Sec 17:** From 1.4.2018 no such exemption is now available.
12	**Insertion of clause (e) in sec 28 (ii):** Taxation of any compensation	-------------------------------	**Insertion of clause (e) in sec 28 (ii):** From 1.4.2018 any compensation received by any person in connection with the termination or the modification of the terms of his contract relating to his business will form part of income of such person under PGBP.
13	**Insertion of clause (via) in sec 28 :**	Upto 31.3.2018 Previously conversion of inventory into capital asset had no tax effect.	**Insertion of clause (via) in sec 28:** From 1.4.2018 if any inventory is converted into capital asset then the difference between the FMV of inventory and value of inventory will be treated as income under PGBP.
14	**Insertion of clause (xviii) in sec 36(1):** Expenses Allowable	ICDS – I provides for not allowing marked to market loss or expected loss while computing income under the head "profits and gains of business or profession" unless such loss is recognized in accordance with the provisions of any other ICDSs.	**Insertion of clause (xviii) in sec 36(1):** The Finance Bill, 2018 proposes to insert section 36(1)(xviii), which provides that any marked to market loss or other expected loss as computed in accordance with the ICDS shall be allowed as deduction. Corresponding amendment is proposed to section 40A(13) which specified that no deduction or allowance is allowed in respect of any marked to market loss or other expected loss, except a s allowable under section

			36(1)(xviii).
15	**Insertion of sec 40A(13):** Expenses or payments not deductible in certain circumstances	--------------------------------	**Insertion of sec 40A(13):** From 1.4.2018 40A(13) which specified that no deduction or allowance is allowed in respect of any marked to market loss or other expected loss, except as allowable under section 36(1)(xviii).
16	**Insertion of Proviso to sec 43(5)(e) :**Income from Speculation	Upto 31.3.2018 As per Sec. 43(5)(e), trading in commodity derivatives carried out through a recognised stock exchange shall be treated as non-speculative transaction, if the same is chargeable to commodity transaction tax. It is noteworthy here that agricultural commodity derivatives are out of the purview of Commodity Transaction Tax (CTT). Thus trading in agricultural commodity derivatives are treated as speculative transactions.	**Insertion of Proviso to sec 43(5)(e):** From 1.4.2018 the Finance Bill, 2018 proposes to amend section 43(5) to provide that transaction in agricultural commodity derivatives done through a registered stock exchange or registered association would be treated as non-speculative transaction even if the same is not chargeable to CTT.
17	**Insertion of Sec 43AA:** Gain/ loss from change in foreign exchange rates on closing date on FCMIT	ICDS –VI provides for giving effect to the changes in foreign exchange rates on the closing date and recognize the loss or gain irrespective of whether such change is on the loan taken for capital purposes.	**Insertion of Sec 43AA**: From 1.4.2018 the Finance Bill, 2018 proposes to insert section 43AA where it gives weightage to ICDS –VI by stating that any gain or loss arising on account of any change in foreign exchange rates shall be treated as income or loss. For the purpose of calculating gains or loss, foreign currency transaction includes: i. Monetary items and non-monetary items; ii. Translation of financial statements of foreign operations; iii. Forward exchange contracts; iv. Foreign currency translation reserves.

18	**Insertion of proviso to sec 43CA:** Special provision for valuation of consideration for transfer of Land and Building by Builders	--------------------------------	**Insertion of proviso to sec 43CA:** From 1.4.2018 where stamp duty value does not exceed 105% of the sale consideration then, sales consideration shall be the full value of transfer .
19	**Sec.43CB:** Construction Contracts	ICDS – III deals with taxation of construction contracts on the basis of percentage of completion method and provides for taxing the retention money which is contrary to judicial decision.	**Sec.43CB:** From 1.4.2018 the Finance Bill, 2018 proposes to recognize whatever is contained in ICDS-III as valid by inserting section 43CB which says that the profits and gains arising from construction contract or a contract for providing service is to be determined in accordance with the ICDS notified under section 145(2) i.e. on the basis of percentage of completion method. However, section 43CB will not apply to following contracts: (i) Where duration of contract is not more than 90 days for which the income shall be determined on the basis of project completion method; (ii) Which involves indeterminate number of acts over a specified period of time and the income has to be determined on the basis of straight line method. Section 43CB(2) provides for including of retention money in revenue recognized as per percentage completion method and non-reduction of contract cost by incidental incomes in the nature of interest, dividend or capital gains.

20	**Amendment in sec.44AE:** Deemed profits for plying, hiring or leasing carriages	Upto 31.3.2018 Deeemed profits u/s.44AE shall be Rs.7500 for every month or part of the month for each goods carriage during the period goods carriage is owned by the assessee or actual income earned, whichever is higher.	**Amendment in sec.44AE:** Deemed profits shall be: (a) For heavy goods vehicle Deeemed profits u/s.44AE shall be Rs.1000 for every ton for every month or part of the month for each goods carriage during the period goods carriage is owned by the assessee or actual income earned, whichever is higher. (b)For carriages other than heavy goods vehicle Deeemed profits u/s.44AE shall be Rs.7500 for every month or part of the month for each goods carriage during the period goods carriage is owned by the assessee or actual income earned, whichever is higher. **Note:** Heavy goods vehicle means any goods carriage the gross vehicle weight of which exceeds 12000 kilograms.
21	**Insertion of clause (viiab) in Sec 47:** Transfers not regarded as transfer	--------------------------------	**Sec 47(viiab):** Any transfer of asset being – (a) bond or global depository receipt (b) rupee denominated bond of an Indian company (c) derivative Made by a non resident on a recognized stock exchange located in any international financial services center where the consideration is paid or payable in foreign currency.
22	**Insertion of clause 9 in sec 49:** Cost of acquisition	-------------------------------	**Sec 49(9):** From 1.4.2018 where the capital gain arises from transfer of capital asset referred to in sec 28(via) the cost of acquisition shall be the FMV taken on that account.

23	**Insertion of proviso to sec 50C:** Special provision for valuation of consideration for transfer of Land and Building	---------------------------------	**50C:** From 1.4.2018 where stamp duty value does not exceed 105% of the sale consideration then, sales consideration shall be the full value of transfer
24	**Amendment of sec 54EC:** Exemption from capital gains	Upto 31.3.2018 Any long term capital gain was exempted if invested as specified u/s.54EC	**Sec 54EC:** From 1.4.2018 only long term capital gains from sale of land and building is now exempted if invested u/s.54EC
		Upto 31.3.2018 Bonds specified u/s.54EC was redeemable in 3 years	**Sec 54EC:** From 1.4.2018 Bonds specified u/s.54EC are now redeemable in 5 years if investment made on or after 1.4.2018.
25	**Amendment in sec 56(x):**Any immovable property received without any consideration	Upto 31.3.2018 Any immovable property received with a consideration less than stamp duty value in excess of Rs.50000 then stamp duty value will become taxable under other sources in hands of recipient	**Clause B of (b) sec 56(x):** From 1.4.2018 any immovable property received with a consideration less than stamp duty value in excess of higher of: (a) Rs.50000 and (b) 105% of stamp duty value then stamp duty value will become taxable under other sources in hands of recipient
26	**Insertion of clause (xi) in sec 56:** Any compensation or other payment due to or received by any person by whatever name called in connection with the termination of his employment	Upto 31.3.2018 there was much debate about taxability of compensation and it was treated as capital receipt.	**Sec 56(xi):** From 1.4.2018 any compensation or other payment due to or received by any person by whatever name called in connection with the termination of his employment or modification of the terms and conditions is now taxable under the head other sources.
27	**Insertion of proviso in Sec 79:**Carry forward of loss by a company having change in share capital during the year	--------------------------------	**Proviso to Sec 79:** From 1.4.2018 provided that nothing contained this sec shall apply to a company where a change in shareholding takes place due to resolution plan under IBC.

28	**Substitution of sec 80AC:** Certain deductions to be allowed only in case of filing of return u/s.139(1)	Upto 31.3.2018 No deduction u/s. 80IA, 80IB, 80IAB, 80IC, 80ID, 80IE to be allowed if return not filed within due date.	**Sec 80AC:** From 1.4.2018 no deduction u/s. 80IA, 80IB, 80IAB, 80IC, 80ID, 80IE, and deduction on certain income under chapter C(Sec 80H to 80RRB) to be allowed if return not filed within due date.
29	**Amendment in sec 80D:** Health Insurance	Upto 31.3.2018 Medical expenditure is paid on account of assessee or his family or parents being very senior citizen upto Rs.30,000 allowed as deduction.	**Sec 80D:** From 1.4.2018 medical expenditure is paid on account of assessee or his family or parents being senior citizen upto Rs.50,000 allowed as deduction.
		Upto 31.3.2018 Health insurance paid on account of parents who are senior citizen allowed to the extent of Rs.30,000	**Sec 80D:** From 1.4.2018 health insurance paid on account of parents who are senior citizen allowed to the extent of Rs.50,000
30	**Amendment in sec 80DDB:** Medical treatment for specified ailments	Upto 31.3.2018 Any treatment paid for a dependent who is a senior citizen shall be allowed to Rs.60,000	**Sec 80DDB:** From 1.4.2018 any treatment paid for a dependent who is a senior citizen shall be allowed for Rs.1,00,000
		Upto 31.3.2018 Any treatment paid for a dependent who is a very senior citizen shall be allowed to Rs.80,000	--
31	**Amendment in sec 80TTA:** Deduction of interest from interest on SB A/c	Upto 31.3.2018 Any assessee being an individual or HUF shall be allowed a deduction of Rs.10,000 for interest on saving bank interest.	**Sec 80TTA:** From 1.4.2018 any assessee being an individual or HUF **but not being a senior citizen** shall be allowed a deduction of Rs.10,000 for interest on saving bank interest.
32	**Insertion of Sec.80TTB:** Deduction of interest from interest on deposits to senior citizen	Upto 31.3.2018 any assessee being an individual or HUF shall be allowed a deduction of Rs.10,000 for interest on saving bank interest.	**Sec.80TTB:** From 1.4.2018 any assessee being **being a senior citizen** shall be allowed a deduction of upto Rs.50,000 for interest on deposits in a bank, post office or cooperative society.

33	**Insertion of sec.112A:**Tax on long term capital gain in certain cases	Upto 31.3.2018 LTCG on sale of equity shares or equity oriented mutual fund sold by paying STT exempted u/s.10(38)	**Sec112A:** From 1.4.2018 LTCG on sale of equity shares or equity oriented mutual fund sold by paying STT in excess of Rs.1,00,000 is taxable @ 10% without any indexation. However, Cost of acquisition for the shares or equity oriented mutual fund acquired before 1.2.2018 shall be taken as higher of: (a) Actual cost of acquisition; (b) Lower of: Actual consideration received or FMV as on 31.1.2018.
34	**Amendment in sec 115BBE:**Tax on incomes referred in sec 68,69 etc.	Upto 31.3.2018 no deduction was allowed from any income offered to tax by the assessee himself u/s.68,69 etc.	**Sec 115BBE:**From 1.4.2018 no deduction is allowable from any income offered to tax by the assessee himself or determined by the AO u/s.68,69 etc.
35	**Amendment in sec 115O:**DDT	Upto 31.3.2018 deemed dividend u/s.2(22)e was not chargeable to DDT but taxable in hands of recipient.	**Sec 115O:** From 1.4.2018 deemed dividend u/s.2(22)e is liable to DDT at the rate of 30% and not taxable in hands of recipient.
36	**Amendment in sec 139A:**PAN	--------------------------------	**Sec 139A:**Following persons are additionally required to hold PAN: Any person other than individual should obtain PAN for entering into a financial transaction of an aggregate amount of Rs.2,50,000 and MD, director, partner, trustee, author, founder, karta, CEO of any such person.
37	**Amendment in sec 143(1):** Processing of Income Tax return	Upto 31.3.2018 adjustment can be made in 143(1) if income appearing in 26AS exceeds income appearing in ROI	**Sec 143(1):**For return filed from assessment year commencing from 1.4.2018 no adjustment can be made in 143(1) if income appearing in 26AS exceeds income appearing in ROI
38	**Insertion of sec.143(3A):**Eliminating interface between AO and assessee	-------------------------------	**Sec.143(3A):** From 1.4.2018 government can make scheme for reducing interface between AO and assessee.

39	**Amendment of Sec. 194A:**TDS on interest other than interest on securities	No TDS to be deducted if interest does not exceed Rs.10,000	**Sec 194A:** No TDS to be deducted for senior citizens whose interest does not exceed Rs.50,000
40	**Amendment of Sec.253:** Appeal to Appellate tribunal by Chartered Accountants imposed penalty u/s.271J	No appeal possible for penalty u/s.271J	**Sec.253:**Appeal possible for penalty u/s.271J
41	**Amendment of Sec.271FA:**Penalty for not filing of statements required to be filed u/s.285BA	Upto 31.3.2018 penalty for not filing of statement was Rs.100/day during which default continues and Rs.500/ day penalty for not filing of statement within time limit in notice	**Sec 271FA**: From 1.4.2018 penalty for not filing of statement was Rs.500/day during which default continues and Rs.1000/ day penalty for not filing of statement within time limit in notice
42	**Amendment of Sec.276CC:** Penalty for non filing of ITR u/s.139	Section 276CC provides for imprisonment of up to 2 years in case a person doesn't file the return of income. However exemption is provided from prosecution under section 276CC, if the return is furnished till end of assessment year or if the tax payable is up to Rs. 3,000.	**Sec 276CC**: From 1.4.2018 as per the proposed amendment the immunity from prosecution under section 276CC is not available to a company even if the amount of tax payable is Rs. 3,000 or less.