

Union Budget 2018



CA. PRAMOD JAIN

B. COM (H), FCA, FCS, FCMA, LL.B, MIMA, DISA

Shared at

Manglam CA Study Group, Rohini

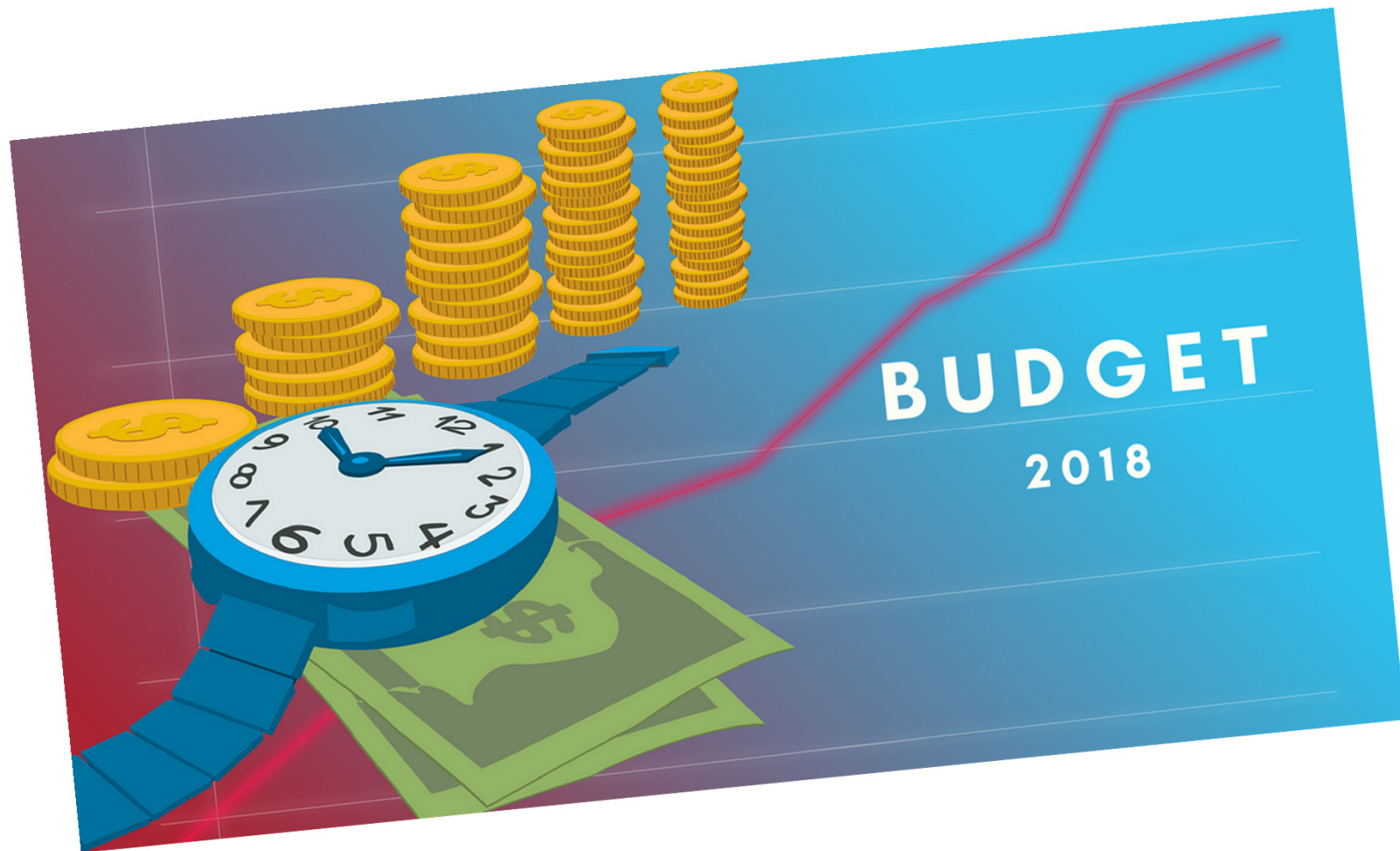
&

Shri Balaji CA Forum, Karol Bagh

8th February 2018

CA. Pramod Jain

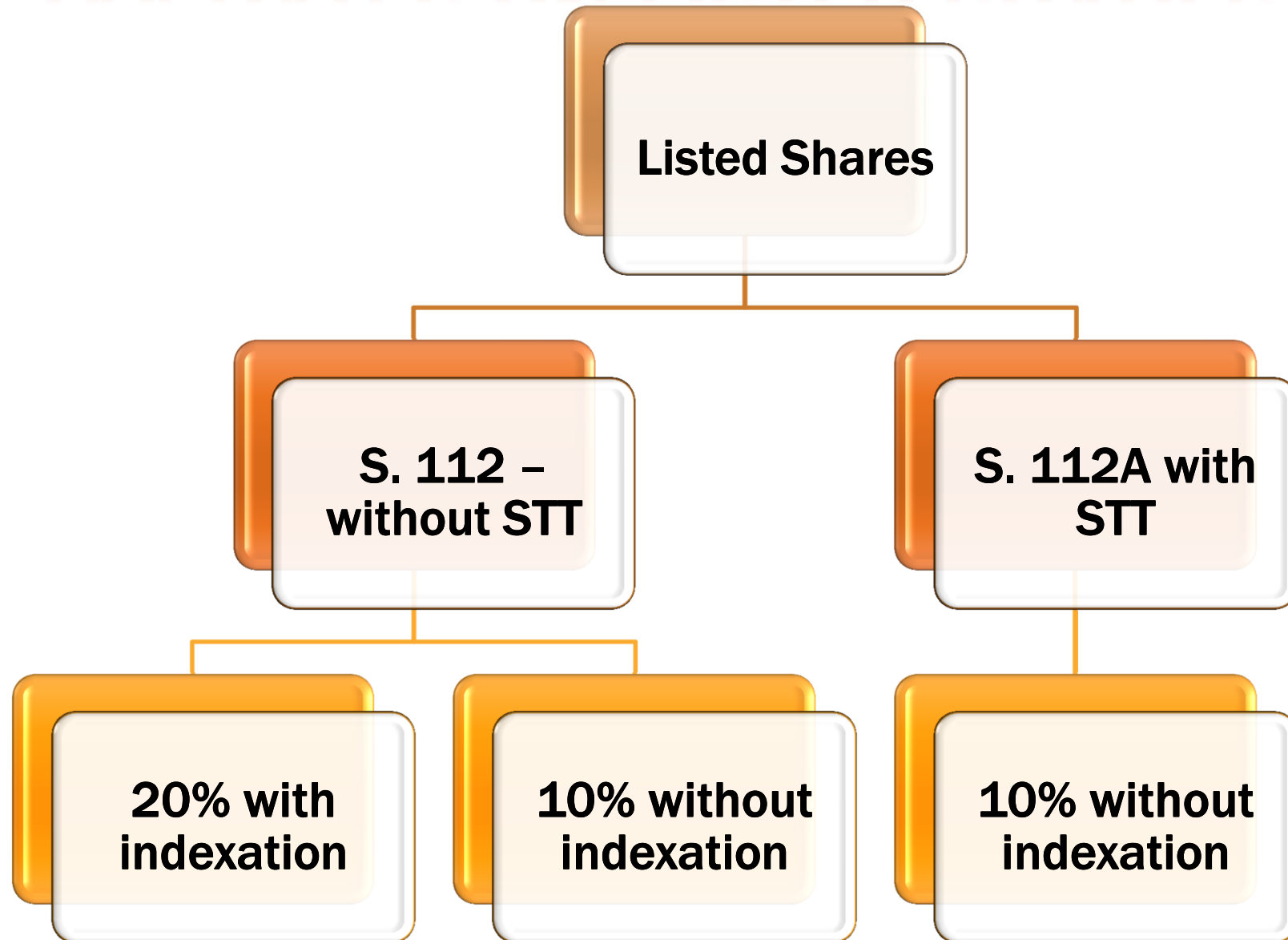
INCOME TAX PROPOSALS



TAX RATES

- ✖ **No change in tax rates except for specified Companies**
- ✖ **Education Cess and Secondary and Higher Education Cess of 3% increased to 4% and changed to Health and Education Cess.**
- ✖ **Tax rates for companies whose turnover is not exceeding Rs. 250 crores for FY 2016-17 reduced from 30% to 25% (earlier turnover limit Rs. 50 Crs)**
- ✖ **Dividend Distribution tax u/s 115-O imposed on Deemed dividend u/s 2(22)(e) @ 30%**
- ✖ **Additional tax @10% on dividend declared by Mutual Fund being, an equity oriented fund u/s 115R**

TAX RATES ON LISTED SHARES



LTCG ON LISTED SECURITIES

- ✗ **New Section 112A. S. 10(38) to be withdrawn**
- ✗ **Assets covered:**
 - + **Equity Shares - If STT paid on purchase and sale of shares. Specific exemptions to be notified**
 - + **Units of Equity Oriented Fund - If STT paid on sale**
 - ✗ **Same as u/s 10(23D) and:**
 - ★ **In a case where fund invests in units of another listed fund:**
 - ✗ **Minimum 90 % of total proceeds of such funds is invested in units of such other fund ; and**
 - ✗ **Such other fund also invests minimum of 90 % of its total proceeds in equity shares listed on RSE;**
 - ★ **in any other case, a minimum of 65 % invested in listed equity**
 - + **Unit of Business Trust - If STT paid on sale**

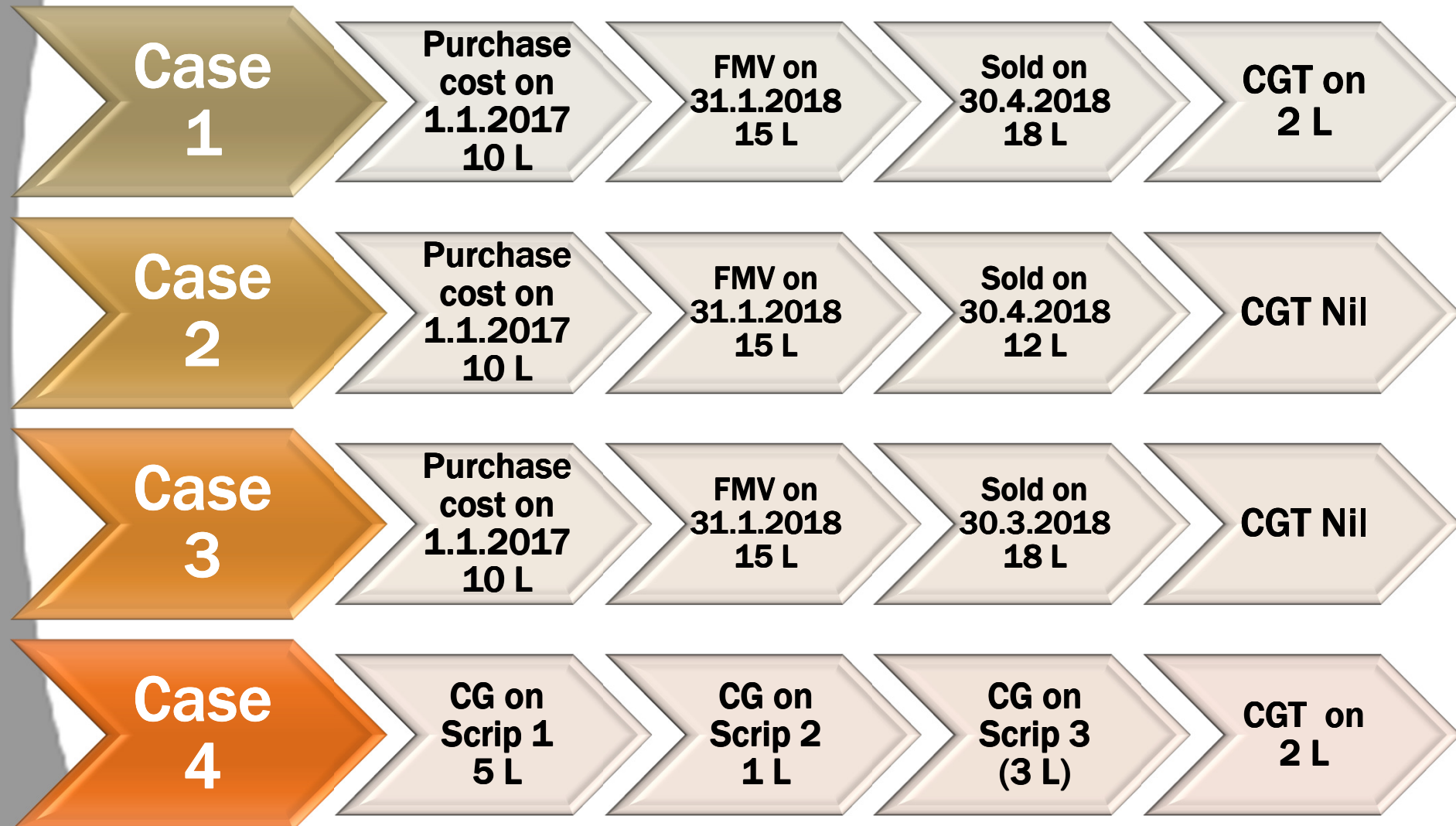
LTCG ON LISTED SECURITIES

- ✘ Tax @ 10% on LTCG exceeding Rs. 1 Lakh**
- ✘ No benefit of indexation**
- ✘ No benefit of computation of capital gains in foreign currency in the case of a non-resident**
- ✘ CG to notify exemptions**
- ✘ LTCG at any International Financial Services Centre (IFSC) without STT covered**
- ✘ No deduction under chapter VIA from such capital gains.**
- ✘ No rebate u/s 87A on such capital gains**

LTCG ON LISTED SECURITIES

- ✖ **Section 115AD also to amended, LTCG of FIIs also taxable @ 10% in respect of amount of such gains exceeding Rs. 1 Lakh**
- ✖ **Cost of acquisitions of LTCA acquired before 1.2.2018, shall be deemed to be higher of –**
 - + **Actual cost of acquisition of such asset; and**
 - + **Lower of –**
 - ✖ **FMV of such asset as on 31.01.2018; and**
 - ✖ **Full value of consideration received or accruing as a result of transfer of the capital asset.**

LTCG ON LISTED SECURITIES



LTCG ON LISTED SECURITIES

- ✗ **FAQs issued by CBDT**
- ✗ **24 questions**
- ✗ **TDS on non-residents u/s 195 @ 10%??**
- ✗ **No TDS on FIs by virtue of s. 196D(2)**

SALARY

- ✖ **Standard Deduction of Rs. 40,000/- p.a. or actual salary whichever is lower.**
- ✖ **Exemption of Rs. 15000/- from perquisite of Reimbursement of Medical Expenditure to be withdrawn.**
- ✖ **Exemption in respect of Transport Allowance (except in case of differently abled persons) to be withdrawn**
- ✖ **Net benefit ?? Surcharge**

CONVERSION OF STOCK TO CAPITAL ASSET

- ✖ Earlier conversion of capital asset into inventory was taxable u/s 45(2).
- ✖ Was no vice-versa provision
- ✖ Now proposed to be taxed at FMV as on the date of conversion u/s 28(via) read with s. 2(24)(xiia).
- ✖ Cost of acquisition in such case for the converted capital asset would be the FMV as on the date of conversion u/s 49
- ✖ Period of holding such capital asset would commence from date of conversion u/s 2(42A)

PGBP

- ✖ Any compensation due or received in connection with the termination or the modification of the terms and conditions of any contract relating to his business to be taxed u/s 28(ii)(e)
- ✖ Transaction in respect of trading of agricultural commodity derivatives, which is not chargeable to CTT to be treated as non-speculative transaction u/s 43(5)
- ✖ S. 44AE - Heavy Vehicle (more than 12MT gross vehicle weight) - 1000/- per ton of the Gross Vehicle Weight or Unladen Weight p.m.

LAND BUILDING – STAMP VALUE

- ✖ 5% concession allowed from stamp duty value in all three sections:
 - + 43CA
 - + 50C
 - + 56(2)(x)
- ✖ S. 43CA(4) - agreement date valuation modified from 'other than cash' to by a/c payee cheque or a/c payee draft or use of electronic clearing system through a bank account.

IBC

- ✖ **S. 115JB (MAT) - Aggregate amount of unabsorbed depreciation & loss brought forward (excluding unabsorbed depreciation) shall be allowed to be reduced from the book profit if company's application for CIRP under IBC, 2016 has been admitted by NCLT**
- ✖ **S. 79 - Carry forward of losses by closely held companies allowed even if there is change in sharing holding by 51% or more who is seeking insolvency resolution under IBC 2016, whose resolution plan has been approved after affording a reasonable opportunity of being heard to Pr. CIT / CIT**
- ✖ **S. 140 - During resolution process under IBC 2016, return of the company to be verified by IP.**

MAT / AMT

- ✖ **S. 115JB amended w.r.e.f. AY 2001-02 - MAT not applicable to foreign company, if its total income comprises solely of PGBP referred to in sections 44B / 44BB / 44BBA / 44BBB.**
- ✖ **S. 115JC (AMT) - Non Corporate Assessee from the unit located in an International Financial Service Center (IFSC), shall be charged @ 9% as compared to @ 18.5% of Adjusted Total Income**

DEEMED DIVIDEND

- ✖ **Scope of definition of “Accumulated Profits” in section 2(22) has been widened.**
- ✖ **“Accumulated Profits” in the case of an Amalgamated Company, whether capitalised or not, or loss, as the case may be, shall be increased by the accumulated profits, whether capitalised or not, of the Amalgamating Company on the date of amalgamation.**

CAPITAL GAINS

- ✖ **S. 47(viiab) inserted - transfer made by a non-resident on a recognized stock exchange located in any IFSC not to be regarded as transfer, if the consideration is paid or payable in foreign currency of following capital assets:**
 - + **Bond or GDR of Indian company issued in accordance of scheme notified by CG in official gazette or of public sector company sold by government,**
 - + **Rupee denominated bond of Indian Company or**
 - + **Derivative**

54EC BONDS

- ✖ **Restriction of the benefit of exemption to only a long-term capital asset being land or building or both only.**
- ✖ **Earlier it was available to any long term capital asset.**
- ✖ **Also w.e.f. 1st April 2018 investment in such bonds shall stay invested for 5 years instead of 3 years earlier.**

OTHER SOURCE

- ✖ **Transfers which are in the nature of transaction of money or property between a wholly owned subsidiary company and its holding company not to be taxed**
- ✖ **Any compensation received or receivable, whether in the nature of revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its employment to be taxed**

CHARITABLE

- ✖ Amounts not be treated as application of income u/s 11 and 10(23C) :
 - +30% of the expenditure incurred on which TDS was to be made but not made – similar to section 40 (a) (ia).
 - +Payment of any expenditure in cash exceeding Rs. 10000/- per person per day - similar to section 40A (3) / (3A).

ICDS

- ✖ Various provisions amended w.r.e.f. AY 2017-18
- ✖ S. 145A - amended
 - + ICDS 2 (Valuation of Inventories)
 - ✖ Valuation of inventory shall be made at lower of actual cost or NRV.
 - ✖ Valuation of purchase and sale of goods or services and of inventory shall be adjusted to include the amount of any tax, duty, cess or fee actually paid or incurred.
 - + ICDS 8 (Securities)
 - ✖ Unlisted shares shall be valued at actual cost initially recognized
 - ✖ Inventory being listed securities, shall be valued at lower of actual cost or NRV category-wise.

ICDS

✖ S. 145B - inserted

- + Interest received on compensation or on enhanced compensation, deemed to be income of year in which it is received - ICDS 4 (Revenue Recognition)
- + Claim for escalation of price in a contract or export incentives shall be deemed to be the income of the PY in which reasonable certainty of its realization is achieved - ICDS 4 (Revenue Recognition)
- + Income referred to in S. 2(24)(xviii) [subsidy, grants, etc] shall be deemed to be the income of PY in which it is received, if not charged to income tax for any earlier PY - ICDS 7 (Government Grants)

ICDS

- ✖ **S. 36(xvii) is being inserted to provide that deduction in respect of any marked to market loss or other expected loss shall be allowed, if computed in accordance with the ICDS - ICDS 2 / ICDS 6 (Foreign Exchange Rates)**
- ✖ **Consequently S. 40A is also being amended to provide that all marked to market losses or other expected losses other than those which are allowed u/s 36 (xvii) shall be disallowed - ICDS 1 (Accounting Policies)**

ICDS

- ✘ **S. 43AA to be inserted to state that any gain or loss arising on accounts of changes in foreign exchange rates in respect of foreign currency transactions shall be computed in manner provided in ICDS relating to:**
 - + **Monetary items and non-monetary items**
 - + **Translation of financial statements of foreign operations**
 - + **Forward exchange contracts**
 - + **Foreign currency translation reserves**
- ✘ **ICDS 6 (Foreign Exchange Rates)**

ICDS

- ✘ **S. 43CB inserted-Profits from construction contract or for providing services shall be determined on basis of percentage of completion method except for following service contracts -**
 - + **Contracts of more than 90 days shall be as per project competition method**
 - + **Contracts involving determinate no. of acts shall be as per straight line method**
- ✘ **Retention money to be part of contract revenue & any incidental income like interest, dividend or capital gains not be reduced from contract costs.**
- ✘ **ICDS 3 (Construction Contracts) / ICDS 4**

DEDUCTIONS

- ✖ **S.80AC -deduction u/s 80HH -80RRB not allowed unless ITR filed u/s 139(1) w.e.f. AY 2018-19**
- ✖ **S. 80-IAC - eligible start-ups :**
 - + **Benefit extended to start ups incorporated on or after the 1.4.2019 but before the 1.4. 2021**
 - + **Requirement of turnover not exceeding Rs. 25 Cr. would apply to 7 PY commencing from Inc. date**
 - + **Definition of eligible business expanded - engaged in innovation, development or improvement of products or processes or services, or a scalable business model with high potential of employment generation or wealth creation.**

DEDUCTIONS

- ✖ **S. 80JJAA to be amended to extend relaxation of 150 days presently available to apparel industry, to footwear & leather industry also.**
- ✖ **Also deduction extended to new employee who is employed for less than minimum period during 1 yr but continues to remain employed for minimum period in subsequent year.**

DEDUCTIONS

- ✦ **S. 80PA inserted - 100% deduction for 5 yrs from financial year 2018-19 to Producer Companies (S. 581A of 1956 Act) having a total turnover upto Rs 100 Crore, whose GTI includes any income from-**
 - + Marketing of agricultural produce grown by its members, or**
 - + Purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or**
 - + Processing of the agricultural produce of its members.**

SENIOR CITIZENS

- ✖ **New section 80TTB to be inserted to allow a deduction upto Rs 50,000/- in respect of interest income from deposits held by senior citizens. However, no deduction u/s 80TTA in these cases.**
- ✖ **Section 194A is being amended to increase the threshold limit from Rs 10,000/- to Rs 50,000/-for deduction of tax at source on interest income for senior citizens**

MEDICAL

- ✖ **S. 80D - Limit of deduction of a senior citizen, or very senior citizen increased from Rs 30,000/- to Rs 50,000/-**
- ✖ **Single premium health insurance policies having cover of more than 1 year, deduction on proportionate basis for no. of years for which cover is provided, subject to specified limit.**
- ✖ **S. 80DDB - Deduction for medical treatment of specified diseases in respect of Very Senior Citizen upto Rs 80,000/- & senior citizens up to Rs 60,000/- consolidated & increased to Rs 1 L**

PAN

- ✖ **S. 139A – Earlier effectively 3:**
 - + Total Income exceeds maximum amount not chargeable to tax
 - + Carrying business /profession – turnover > Rs. 5 Lacs
 - + Required to furnish return u/s 139 (4A)
- ✖ **Every person other than an individual, who enters into a financial transaction of an amount aggregating to Rs. 2.50 Lakhs or more in a FY.**
- ✖ **MD, Director, Partner, Trustee, Author, Founder, Karta, CEO, Pr. Officer or office bearer or any person competent to act on behalf of such entity**

PROCESSING OF RETURN

- ✦ **S. 143(1) - No adjustment shall be made while processing of return in respect of income appearing in Form 26AS/16A/16 which has not been included in computing the total income in the return, if return is furnished on or after AY commencing 1st April, 2018**

SCRUTINY

- ✖ **Section 143(3A) inserted to enable CG to prescribe a new scheme for scrutiny assessments.**
- ✖ **Section 143(3B) inserted - CG is being given power to notify any of the provisions of this Act relating to assessments whether they will not apply, or will apply with such exceptions, modifications and adaptations as may be notified. No such direction to be issued after the 31st March 2020.**

MISCELLANEOUS

- ✖ **Section 253 amended - an appeal can be made before ITAT against the penalty order passed by CIT (A) u/s 271J.**
- ✖ **Section 115BBE(2) amended w.r.e.f. AY 2017-18 - no deduction in respect of any expenditure or allowance or set-off of any loss is allowed to the assessee where total income is computed by A O u/s 68, 69, 69A, 69B, 69C and 69D .**

PENALTIES

- ✖ **Penalty u/s 271FA (SFT Form 61A) increased:**
 - + **From Rs. 100/- to Rs. 500/- u/s 285BA(1) within the prescribed time.**
 - + **From Rs. 500/- to Rs. 1000/- in case where assessee fails to furnish the statement within the period as specified in notice under section 285BA(5).**
- ✖ **Section 276CC amended - benefit of immunity from prosecution for Non-filing of ITR is now not available to companies even if tax payable by the company on its total income as determined and reduced by advance tax and TDS does not exceed Rs. 3000/-**

ADVANCE RULING

- ✖ **Proviso to S. 245-0(1) inserted - Authority for Advance Rulings shall cease to act as Authority for giving advance rulings under Customs Act on and from the date of appointment of custom authority for advance rulings under that Act. A consequent change in S. 245Q(1) too.**
- ✖ **Also authority for advance ruling to not admit any appeal against any ruling or order passed by it earlier in the capacity of authority for customs.**
- ✖ **S. 245-0 amended-Revenue member in authority shall be member as referred to s. 245-0(3)(c)(i).**

BUSINESS CONNECTION

- ✦ **S. 9 - amended - “Business connection” to include any business activities carried through a person who, acting on behalf of non-resident, habitually concludes contracts or habitually plays principal role leading to conclusion of contracts by non-resident. Also Contracts should be-**
 - + **In the name of the non-resident; or**
 - + **For the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that the Non-resident has the right to use; or**
 - + **For the provision of services by that non-resident**

BUSINESS CONNECTION

- ✗ **“Business Connection” shall constitute “The Significant Economic Presence (SEP)” of a non-resident in India whether or not non-resident has a residence or place of business in India or renders services in India.**
- ✗ **So much of income as is attributable to the transactions or activities related to SEP deemed to accrue or arise in India.**

BUSINESS CONNECTION

✦ SEP means:

- + Transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India, if aggregate of payments arising from such transaction or transactions during PY exceeds the prescribed amount; or
- + Systematic and continuous soliciting of business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means

INTERNATIONAL GROUP

- ✦ **S. 286 amended w.r.e.f. AY 2017-18 to improve effectiveness and reduce compliance burden of International Group:**
 - + **Time limit allowed for furnishing Report by parent entity or Alternative Reporting Entity (ARE), resident in India extended to 12 months from end of reporting accounting year.**
 - + **Constituent entity resident in India, having a non-resident parent, shall also furnish report in case its parent entity outside India has no obligation to file the report as referred to in s. 286(2) in the latter's country or territory.**

INTERNATIONAL GROUP

- ✖ Time allowed for furnishing Report by constituent entity resident in India, having a non-resident parent, shall be 12 months from the end of reporting accounting year.
- ✖ Due date for furnishing of Report by ARE of an international group whose parent entity of which is outside India with tax authority of country or territory of which it is resident, will be due date specified by that country or territory.
- ✖ Agreement would mean an agreement referred to in s. 90(1) / 90A(1), and also an agreement for exchange of the report referred to in sub-section (2) and (4) as notified by CG.
- ✖ Reporting accounting year has been defined to mean the accounting year in respect of which the financial and operational results are required to be reflected in the report referred to in sub-section (2) and (4) of section 286.

FOR AY 2018-19

- ✖ Fee u/s 234F introduced for late filing of returns u/s 139(1)
 - + Late but by 31st December – Rs. 5000/-
 - + After 31st December – Rs. 10000/-
 - + However, if TI < Rs. 5 Lakhs – Rs. 1000
- ✖ No exemptions if return not filed within due date in case of Charitable Trusts u/s 12A – 139(4A)
- ✖ Loss from HP restricted to be adjusted against other heads of income exceeding Rs. 2 Lakhs
- ✖ S. 115BBE

FOR AY 2018-19

- ✖ Deduction u/s 80G restricted if donation in cash exceeding Rs. 2000 by a person (old 10k)
- ✖ Expenditure u/s 40A(3) / 40A(3A) disallowed in payment made in cash exceeding Rs. 10000/- per person per day (Old 20k)
- ✖ Depreciation disallowed on cash component of asset cost exceeding Rs. 10000/- per person per day.
- ✖ S. 269 ST inserted w.e.f. 1.4.17

**This Presentation would be available
on**

www.lunawat.com

Also may download free mobile app

“LUNAWAT”

for all updates since year 2007

A one stop place where all your
Queries can be answered by various
Experts throughout the Country

www.expertspanel.in

The screenshot displays the homepage of ExpertsPanel.in. At the top, there is a dark blue navigation bar with the site's logo on the left and a search bar in the center. To the right of the search bar are several icons representing different features: a menu, questions, categories, experts, a question mark for asking questions, a document for sign-up, and a key for login. Below the navigation bar is a large banner image showing hands working on a laptop and documents, with the text "A Place to Share Knowledge for and by Professionals in Law, Tax, Accounts, Finance". The main content area is divided into three columns. The left column, titled "All Categories", lists various professional fields with their respective question counts in parentheses: Audit & Assurance and Accounting Standards (0), Corporate Matters/LLP (2), Goods and Services Tax (GST) (4), Income Tax (3), and International Taxation (0). The middle column, titled "Recent Questions", shows two questions. The first question, added 28 minutes ago, is about the CDS Scheme and has one answer by CS. Divya Khurana. The second question, added 32 minutes ago, is about the disqualification of directors. The right column contains a "Ask a question:" box with a "Next" button and a small bio section for "Concept by CA Pramod Jain".

ExpertsPanel.in

Home Questions Categories Experts Ask a Question Sign Up Login

A Place to Share Knowledge
for and by Professionals in Law, Tax, Accounts, Finance

All Categories

- Audit & Assurance and Accounting Standards (0)
- Corporate Matters/LLP (2)
- Goods and Services Tax (GST) (4)
- Income Tax (3)
- International Taxation (0)

Recent Questions

Question added 28 minutes ago Corporate Matters/LLP

1 answer
Q. Will CDS Scheme Apply To Companies Whose Status Is Shown "Strike OFF" On MCA Portal?
By CS. Divya Khurana, CS, Delhi

Question added 32 minutes ago Corporate Matters/LLP

1 answer
O. Disqualification Of Directors Of Companies Which Have Been Struck Off

Ask a question:
Next

Concept by
CA Pramod Jain

THANK YOU



CA. Pramod Jain

pramodjain@lunawat.com

+91 9811073867

