



Brief Summary of Tax Proposal in Union Budget 2018-19

Tax Rates

- Income Tax slab rates for Individuals, HUF's, Firm's, AOP, BOI and any other artificial judicial person remains the same as in AY. 2017-18
- Corporate tax rates @ 25% for Companies with turnover up to INR 250 crores in FY 2016-17
- Proposal to increase cess on personal income tax and corporation tax to 4 % from present 3%,

PAN made mandatory

- For every person, not being an individual, which enters into a financial transaction of an amount aggregating to two lakh and fifty thousand rupees or more in a financial year shall be required to apply for PAN.
- the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer or any person competent to act on behalf of such entities shall also apply for PAN.

Application of Dividend Distribution Tax to Deemed Dividend

- deemed dividend is proposed to be taxed at the rate of 30 per cent. (without grossing up) and is now bought under the ambit of Dividend Distribution Tax.

New regime for Taxation of Long-Term Capital Gains on sale of equity shares etc.

- it is proposed to withdraw the exemption under section 10 (38) and to introduce a new section 112A in the Act to provide that long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% without indexation, if such capital gains exceeding one lakh rupees
- This concessional rate of 10% will be applicable if, securities transaction tax has been paid
- The cost of acquisitions in respect of the long term capital asset acquired by the assessee before the 1st day of February, 2018 , shall be deemed to be the higher of

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- the actual cost of acquisition of such asset; and
 - the lower of –
 - the fair market value of such asset; and
 - the full value of consideration received or accruing as a result of the transfer of the capital asset.

Tax deduction at source and manner of payment in respect of certain exempt entities

- it is proposed that in case of non-deduction of tax by such entities (Trusts and institutions), 30% of the amount shall be disallowed and the same shall be taxed.
- it is proposed that payments exceeding `10,000/- in cash made by such entities (Trusts and institutions) shall be disallowed and the same shall be subject to tax.

Taxability of compensation in connection to business or employment

- it is proposed to amend section 28 of the Act to provide that any compensation received or receivable, whether revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its business shall be taxable as business income.
- 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 shall be taxable under section 56 of the Act.

Presumptive income under section 44AE in case of goods carriage

- it is proposed to amend the section 44AE of the Income Tax Act to provide that, in the case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would deemed to be an amount equal to one thousand rupees per ton of gross vehicle weight or unladen weight, as the case may be, per month or part of a month for each goods vehicle or the amount claimed to be actually earned by the assessee, whichever is higher.
- The vehicles other than heavy goods vehicle will continue to be taxed as per the existing rates.

MEASURES FOR PROMOTING EQUITY

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- **Deductions u/s 80D to senior citizens in respect of health insurance premium and medical treatment** monetary limit of this deduction increased from Rs 30,000/- to Rs 50,000
 - In case of single premium health insurance policies having cover of more than one year, it is proposed that the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specified monetary limit.
 - **Enhanced deduction to senior citizens for medical treatment of specified diseases** to raise this monetary limit of deduction to Rs 1,00,000/- for both senior citizens and very senior citizens
 - **Deduction in respect of interest income to senior citizen** : to insert a new section 80TTB so as to allow a deduction up to Rs 50,000/- in respect of interest income from deposits held by senior citizens
 - It is also proposed to amend section 194A so as to raise the threshold for deduction of tax at source on interest income **for senior citizens** from Rs 10,000/- to Rs 50,000/-
 - Limit of Investment in Interest bearing LIC schemes have been increased from INR 7.5 lakhs to INR 15 Lakhs **for senior citizens**.
 - **Standard deduction on salary income** to allow a standard deduction up to Rs 40,000/- or the amount of salary received, whichever is less, *in lieu* of Transport Allowance (except in case of differently abled persons) and reimbursement of medical expenses.

TAX INCENTIVES

Deduction in respect of income of Farm Producer Companies

- Section 80P provides for 100 percent deduction in respect of profit of cooperative society which provide assistance to its members engaged in primary agricultural activities.
- It is proposed to extend similar benefit to Farm Producer Companies (FPC), having a total turnover up to Rs 100 Crore

Measures to promote start-ups

- Section 80-IAC of the Act, *inter alia*, provides that deduction under this section shall be available to an eligible start-up for three consecutive assessment years out of seven years at the option of the assessee, if-
 - it is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2021

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- the total turnover of its business does not exceed twenty-five crore rupees in any of the seven previous years beginning from date of incorporation.
 - it is engaged in the eligible business which involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property, in innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation

Measures to promote International Financial Services Centre (IFSC)

Incentive for employment generation

- it is also proposed to rationalize this deduction of 30% u/s 80JJA by allowing the benefit for a new employee, subject to other prescribed conditions who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.

Tax treatment of transactions in respect of trading in agricultural commodity derivatives

- it is proposed to amend the provisions of clause (5) of section 43 to provide that a transaction in respect of trading of agricultural commodity derivatives, which is not chargeable to Commodity Transaction Tax, in a registered stock exchange or registered association, will be treated as non-speculative transaction

Exemption of income of Foreign Company from sale of leftover stock of crude oil on termination of agreement or arrangement subject to certain conditions

Royalty and FTS payment by National Technical Research Organization (NTRO) to a non-resident to be tax-exempt

FACILITATING INSOLVENCY RESOLUTION

Relief from liability of Minimum Alternate Tax (MAT)

- it is proposed to amend section 115JB to provide that the aggregate amount of unabsorbed depreciation and loss brought forward (excluding unabsorbed depreciation) shall be allowed to be reduced from the book profit, if a company's application for corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 has been admitted by the Adjudicating Authority.

Benefit of carry forward and set off of losses

- it is proposed to relax the rigors of section 79 (change in beneficial owners) in case of such companies, whose resolution plan has been approved under the Insolvency and Bankruptcy Code, 2016, after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner
- It is also proposed to amend section 140 of the Act so as to provide that during the resolution process under the Insolvency and Bankruptcy Code, 2016, the return shall be verified by an insolvency professional appointed by the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016

IMPROVING EFFECTIVENESS OF TAX ADMINISTRATION

New scheme for scrutiny assessment

- It is proposed to prescribe a new scheme for the purpose of making assessments so as to impart greater transparency and accountability, by eliminating the interface between the Assessing Officer and the assessee, optimal utilization of the resources, and introduction of team-based assessment

RATIONALISATION MEASURES

- Rationalisation of the provisions relating to Commodity Transaction Tax
- Rationalisation of section 276CC relating to prosecution for failure to furnish return
- Rationalisation of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
- Rationalisation of provisions relating to Country-by-Country Report
- Rationalisation of provision of section 115BA relating to certain domestic companies
- Deductions in respect of certain incomes not to be allowed unless return is filed by the due date
- Rationalization of section 43CA, section 50C and section 56
 - Proposal to provide that, no adjustment shall be made in a case where the circle rate (Stamp duty) value does not exceed 5% of the consideration.

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- Rationalisation of provision relating to conversion of stock-in-trade into Capital Asset
 - Rationalization of the provisions of section 54EC
 - Benefit can be availed only on Capital Gains arising on Sale of Land and/or Building
 - Period of Holding increased from 3 years to 5 years
 - Rationalisation of the provisions of section 115BBE
 - Amendments in relation to notified Income Computation and Disclosure Standards
 - Tax deduction at source on 7.75% GOI Savings (Taxable) Bonds, 2018

Proposed changes in customs duty to promote creation of more jobs in the country and also to incentivize domestic value addition and Make in India in sectors such as food processing, electronics, auto components, footwear and furniture.

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