

# **Budget Circular**

Finance Bill, 2018

**JAIN SARAOGI & CO.**

**CHARTERED ACCOUNTANTS**

## DIRECT TAX

With national polls looming next year and possibly as early as late 2018, Finance Minister Mr. Arun Jaitley has rolled out a budget designed to help distressed farmers and rural areas while boosting growth, jobs and private investment. In this budget, India's farmers and villagers, as well as companies with exposure to agriculture, emerge as the biggest winners. The last full Budget of present Government is presented by Hon'ble Finance Minister on 01.02.2018. The broad proposals under direct taxation applicable for income earned during the financial year 2018-19, and assessable in the assessment year 2019-20 are as below:

### **Change in Tax Rates**

- **Changes in Rates of tax (in case of Non corporate Assesseees)**

No change in Income Tax slabs and rates is made for non-corporate assesseees but cess increased to 4% from 3%.

- **Changes in Rates of tax (in case of Domestic corporate Assesseees)**

In case of domestic companies whose total turnover or the gross receipt in the previous year 2016-17 do not exceed 250 crore rupees Basic income tax rates have been slashed and proposed at 25% of total income. Cess is increased to 4% from 3%.

### **Widening of Tax Base**

- **PAN to be used as Unique Entity Number for non- individuals from April 1.**

Every person, not being an individual, which enters into a financial transaction of an amount aggregating to two lakh fifty thousand rupees or more in a financial year shall apply to the Assessing Officer for allotment of a permanent account number. The managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer shall also apply to the Assessing Officer for the allotment of permanent account number.

- **Deemed dividend to be taxed in the hands of the company itself as Dividend Distribution of tax @ 30%**

Deemed dividend under 2 (22) (e) is presently taxed in the hands of the recipient at the applicable marginal rate. The same will now also be taxable in the hands of company @ 30% without grossing up.

- **Taxation of long-term capital gains on sale of quoted equity shares, units, etc.**

Long-term capital gains on quoted equity shares, units of equity oriented fund, unit of business trust is introduced. Long-term capital gains over Rs 1 lakh to be taxed at 10%.

In case aforesaid shares/ unit is acquired before 01.02.2018, Cost of acquisition shall be replaced with the fair market value as on 31.01.2018, if it is higher than the cost of acquisition. However no loss shall be considered due to such replacement.

Deduction under chapter VIA is not allowed from above capital gain.

Rebate u/s 87A is not allowed on above long term capital gain tax.

- **Introduction of Tax on distributed income by equity oriented mutual funds**

Income distributed by equity oriented Mutual Fund shall be taxable @ 10%.

- **Tax deduction at source and manner of payment in respect of trust**

To claim amount of application of fund u/s 11 by a trust, provisions of TDS deduction and payment through account payees cheques, demand draft or ECS is made mandatory.

- **Taxability of compensation in connection to business or employment**

Any compensation whether capital or revenue, 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 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**

In the case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would deemed to be an amount equal to Rs. 1000/- 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.

No changes in presumptive taxation of other than heavy goods vehicle is proposed.

- **Conversion of stock in trade to capital asset to be charged as business income in the year of conversion on Fair Market value on the date of conversion.**

- **54EC benefit of investment in Bonds to be restricted to Capital gain on land and building only. Further period of holding being increased from 3 years to 5 years.**

## **Relief to Senior Citizen and Salaried person**

- Standard Deduction returns after a decade. Standard Deduction of Rs 40,000 to be allowed in lieu of transport allowance and medical expenses for salaried employees.
- Senior citizens to get Rs 50,000 per annum deduction for medical insurance under Sec 80D
- Deduction to senior citizens for medical treatment of specified diseases enhanced to Rs. 1,00,000/- u/s 80DDB
- Senior Citizens will get Deduction for interest income on deposit with bank & post office upto Rs. 50000/- u/s 80TTB instead of earlier Rs. 10000/- . TDS on interest upto 50000/- will not be deducted.
- Rs 7.5 lakh per senior citizen limit for investment in interest-bearing LIC schemes doubled to Rs 15 lakh

## **Tax Incentives**

- 100% tax rebate for farmer producer companies having a turnover upto Rs 100 crore.
- Eligibility of startup companies to claim the benefit of section 80-IAC widened.
- Benefits of section 80- JJAA (incentive for employment generation) is extended to footwear and leather industry also.
- Agriculture Commodity Derivates income /loss also not to be considered as speculative under section 43(5)

## **Improvement in Administration & Rationalization**

- E-assessment of Income Tax Act to eliminate person-to-person contact.
- Provision of Section 43CA, 50C and 56(2)(x) being amended to allow variation upto 5% of sale consideration vis a vis stamp duty value. On account of location, disadvantage etc. Accordingly, no adjustment would be made in case circle rate does not exceed 5 % of sale consideration in real estate transaction.
- All companies irrespective of income to file return and in case it is not filed, such companies will be liable for prosecution irrespective of the fact weather it has tax liability of Rs 3,000 or not.
- Deductions under Part C of Chapter VIA in respect of certain incomes not to be allowed unless return is filed by the due date
- In order to further facilitate the transaction of money or property between a wholly owned subsidiary company and its holding company, it is proposed to amend the section 56 so as to exclude such transfer from its scope.
- 54EC benefit of investment in Bonds to be restricted to Capital gain on land and building only. Further period of holding being increased from 3 years to 5 years.
- Interest on compensation, enhanced compensation, Claim or enhancement claim and subsidy, incentives to be taxed in the year of receipt only as per new Section 145B.
- No adjustment under section 143(1) while processing on account of mismatch with 26AS and 16A.
- Penalty for non-filing financial return as required under section 285BA being increased to Rs 500 per day.

## **Income Computation and Disclosure Standards**

- Income Computation and Disclosure Standards(ICDS) being given statutory backing in view of decision of Delhi High Court.
- Marked to market loss computed as per ICDS to be allowed under section 36.
- Gain or loss in Foreign Exchange as per ICDS to be allowed under new section 43AA.
- Construction Contract income to be computed on percentage completion method as per ICDS.
- Valuation of Inventory including Securities to be as per ICDS.

# THANK YOU

**JAIN SARAOGI & CO.**  
CHARTERED ACCOUNTANTS

1 Crooked Lane, 1<sup>st</sup> Floor, Kolkata (West Bengal) 700069  
Ph : +91-33-22485099/4130 | Mobile : +91-9836184131  
Branches : Ranchi (Jharkhand) & Guwahati (Assam)  
Email : [info@jainsaraogi.com](mailto:info@jainsaraogi.com) | Website : [www.jainsaraogi.com](http://www.jainsaraogi.com)

**Disclaimer:**

This document has been prepared solely for information purposes and does not constitute a solicitation to any class of persons to act on the basis of opinions expressed in this publication. The information contained herein is subject to change without prior notice with the change in regulations. While every effort has been made to ensure the accuracy and completeness of information contained in this document, we assume no responsibility for any errors or omissions of information. This document is for private circulation only intended for clients of Jain Saraogi & Co.