

Budget Circular

Finance Bill, 2017

JAIN SARAOGI & CO.

CHARTERED ACCOUNTANTS

DIRECT TAX

The century old tradition was broken during this year when the Hon'ble Finance Minister presented The Finance Bill 2017 on 01.02.2017. For the first time in the history of independent India Rail Budget as well as the Finance Budget was combined and presented by the Finance Minister and the date was preponed to 1st of February . The broad proposals under direct taxation applicable for income earned during the financial year 2017-18, and assessable in the assessment year 2018-19 are as below:

▪ **Changes in Rates of tax (in case of Non corporate Assessee)**

Tax Rates for resident **senior citizen above 60 yrs of age :-**

Total Income Range	Basic Tax Rate
Upto Rs. 3,00,000/-	NIL
Rs. 3,00,000/- to Rs. 5,00,000/-	5%
Rs. 5,00,000/- to 10,00,000/-	20%
Above Rs. 10,00,000/-	30%

Tax Rates for a resident **super senior citizen above 80 yrs of age :-**

Total Income Range	Basic Tax Rate
Upto Rs. 5,00,000/-	NIL
Rs. 5,00,000/- to 10,00,000/-	20%
Above Rs. 10,00,000/-	30%

Tax Rates for any **other resident individual, every HUF/AOP, BOI, Aartificial Judicial Person:-**

Total Income Range	Basic Tax Rate
Upto Rs. 2,50,000/-	NIL
Rs. 2,50,000/- to Rs. 5,00,000/-	5%
Rs. 5,00,000/- to 10,00,000/-	20%
Above Rs. 10,00,000/-	30%

▪ **Rebate u/s 87A**

Rebate u/s 87A is reduced to Rs. 2500 and shall be available to only resident individuals whose total income does not exceed Rs. 3,50,000.

▪ **Surcharge**

Surcharge will be levied at the rate of 10% on non corporate assesses having total income in the range of Rs. 50,00,001 to Rs. 1,00,00,000 and has been increased form 12% to 15% of tax for non corporate assesses having total income in the range of Rs. 1Cr and above subject to marginal relief.

▪ **Changes in Rates of tax (in case of Domestic corporate Assessee)**

In case of domestic companies whose total turnover or the gross receipt in the previous year 2015-16 do not exceed fifty crore rupees Basic income tax rates have been slashed and proposed at 25% of total income.

▪ **Tax on Dividend**

Dividend Income above Rs.10Lacs in the hands of all Resident assessee except domestic company and trust would now be taxable from 1st April 2017 i.e. relevant to Assessment Year 2018-19.

- **Corpus Donation by Trust to another trust.**

Any donation as corpus donation to another trust will not be treated as application of income.

- **Tax on Long Term Capital Gains on Shares**

Exemption u/s 10(38) will not be available in case of sale of Listed shares if these were not subject to STT at the time of acquisition except in case of IPO, IFO, Bonus issue or Right issue.

- **Tax on sale of Carbon Credit**

The income on sale of Carbon Credit will be taxed @ 10% instead of normal tax.

- **No notional income for house property held as stock-in-trade only for one Year**

In case of real estate developers, where the house property is held as stock-in-trade and not let out during whole or any part of the previous year, the annual value of such property, for one year from the end of the financial year in which the certificate of completion of construction of the property is obtained, shall be taken to be nil.

- **Extension of scope of section 40A(3)**

Scope of section 40A(3) is enhanced to disallow any expenditure including capital expenditure exceeding Rs. 10,000/- made otherwise than by an account payee cheque drawn on a bank or account payee bank draft or ECS.

- **Actual Cost as for section 43**

where the assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of determination of actual cost.;

▪ **Maintenance of Books of accounts as per section 44AA**

In case of an individual or a HUF carrying on business or profession, the provisions of section 44AA is amended to exempt them from the requirement of maintenance of Books of accounts if total sales or turn over or gross receipts, etc and Income does not exceeds Rs. 25,00,000/- and Rs. 2,50,000/- respectively.

▪ **Presumptive income u/s 44AD**

Presumptive income u/s 44AD shall be calculated at the rate of 6% of turnover only in respect of which payment is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in subsection (1) of section 139 in respect of that previous year.

▪ **Maximum cash donation receivable by political party from one source is capped at Rs 2,000**

▪ **Deduction of Depreciation on capital assets purchased in cash**

The depreciation will not be allowed in case the Capital assets is purchased in cash.

▪ **Deduction of Interest in case of Non Resident Associated Enterprises**

Deduction in respect of interest payment will be restricted to 30% of income before interest, Depreciation & taxes by Indian Company or PE to Non Resident Associated Enterprises.

▪ **Taxable event in case of transfer of immovable property in case of JV agreement**

In case of Individual or HUF entering JV agreement, the capital gain tax shall arise in the year when completion certificate is issued by competent authority or in the year, their share in property is transferred before Completion Certificate issued, whichever is earlier.

▪ **Conversion of Preference shares in Equity Shares**

The Conversion of Preference Share in to Equity Share will not be regarded as transfer for the purpose of Capital Gain.

- **Base Year for Capital Gain for the purpose of Indexation shifted to 2001 from 1981**
- **Period of Holding in case of capital asset being Immovable property**
The period of holding in case of Immovable property has been reduced from 36 months to 24 months.
- **Fair Market Value to be full value of consideration in certain cases**
New Section 50CA is inserted to tax the full value of consideration as Fair Market Value in case of transfer of unquoted shares held as capital asset.
- **Scope of section 56 widened**
New clause (x) is inserted to enhance the scope to cover all type of properties received by any person including trusts, firms and companies in addition to individual & HUF.
- **Set off of Loss under the head House property**
Loss under the head house property will be set off to the extent of Rs. 200000/- only with income under any other heads, balance will be carried forward to next year to be setoff within limit.
- **Carry forward and set off of loss in case of Start up companies**
Change in shareholding of an eligible start-up company, loss shall be allowed to be carried forward and set off against the income of the previous year, if all the shareholders which held shares on the last day of the year or years in which the loss was incurred continue to hold the shares in the company.
- **Cash Donation made u/s 80G**
Cash donation shall be eligible for deduction under section 80G only upto Rs. 2,000/-.
- **National Pension Scheme**
The deduction u/s 80CCD has been increased from 10% of income to 20% of income.

- **Deduction in respect of Affordable Housing to Builders**
Builders or developer are allowed deduction of 100% of income for building house unit with built up area of 30 Sq. Mts or 60 Sq. Mts has been made applicable to carpet area instead of built up area.
- **Deduction for Strat ups**
100% deduction in respect of income of start ups in 3 years out of first 5 years is extended to 3years out of 7 years .
- **TDS in case of certain Individual and HUF**
Individual & HUF even if not under Tax Audit will have to deduct TDS on Rent if paid more than Rs. 50000/- PM w.e.f. 01.06.2017.
- **Insurance agents are eligible to file self-declaration in form 15G/ 15H for not deducting TDS u/s 194D**
- **TDS on payment to Call Centers**
TDS rate u/s 194J has been reduced from 10% to 2% in case of Payee being Call Center.
- **Penalty in case of transaction in cash above Rs. 3 Lacs**
New section of penalty has been introduced to charge 100% penalty in cash of any transaction in cash above Rs. 3 Lacs.
- **Late Fee on late filing of Return**
The Late Fee of Rs.5000/- if return is filed beyond the due date upto 31st December of Assessment year or Rs. 10000/- in any other case. However in case of Return having income upto Rs.5Lacs will be charged late fee of Rs.1000/- only.
- **Penalty on CA**
Any wrong submission of Report or Certificate will attract a penalty on Chartered Accountant of Rs.10000/-.
- **In Search Cases beyond 6years**

In Cases of Search, the Assessment can be opened beyond 6 years upto 10 years if the AO has any information of income or assets.

- **Rationalisation of time limits for completion of assessment, reassessment and re-computation and reducing the time for filing revised return**
 - Return of Income can only be revised now within the Assessment Year.
 - For Assessment Year -2018-19, the Scrutiny Assessment will have to be completed within 18 months i.e. for Asst. Yr. 2018-19, the assessment has to be completed by September 2020. For Assessment year -2019-20, the time limit has been further reduced to 12 months.
 - Consequential amendment has also been made in respect of block assessment in case of search also.
- **MAT credit can be carried forward to 15 years.**
- **Rationalisation of provisions of section 115JB in line with Indian Accounting Standard (Ind-AS)**
- **Strengthening of PAN quoting mechanism in the TCS regime**

In order to strengthen the PAN mechanism, it is proposed to insert new section 206CC to provide the following:

 1. any person paying any sum or amount, on which tax is collectable at source under Chapter XVII BB (hereafter referred to as collectee) shall furnish his Permanent Account Number to the person responsible for collecting such tax (hereafter referred to as collector), failing which tax shall be collected at the twice the rate mentioned in the relevant section under Chapter XVII BB or at the rate of five per cent. whichever is higher.
 2. that the declaration filed under sub section (1A) of section 206C shall not be valid unless the person filing the declaration furnishes his Permanent Account Number in such declaration.
 3. that in case any declaration becomes invalid under sub-section (2), the collector shall collect the tax at source in accordance with the provisions of sub-section (1).

4. no certificate under sub section (9) of section 206C shall be granted unless it contains the Permanent Account Number of the applicant.
5. the collector knows about the correct PAN of the collectee it is also proposed to provide for mandatory quoting of PAN of the collectee by both the collector and the collectee in all correspondence, bills and vouchers exchanged between them.
6. that the collectee shall furnish his Permanent Account Number to the collector who shall indicate the same in all its correspondence, bills, vouchers and other documents which are sent to collectee.
7. where the Permanent Account Number provided by the collectee is invalid or it does not belong to the collectee, then it shall be deemed that Permanent Account Number has not been furnished to the collector.
8. to exempt the non-resident who does not have permanent establishment in India from the provisions of this proposed section 206CC of the Act.

SERVICE TAX AND EXCISE DUTY

The Finance Minister has chosen not to tinker with indirect tax provisions in view of rollout of GST.

THANK YOU

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