BUDGET 2018

VIEWS OF

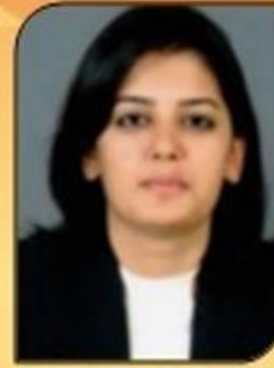
AGARWAL & DHANDHANIA

CHARTERED ACCOUNTANTS

CA Sanjay Agarwal

CA Alok Dhandhania

CA Tushar Vegad



Harvi Dalal

CA Sumit Raninga

CA Harsh Sultania

CA Ritu Kabra

CA Poonam Tantia

CA Purnima Bothra

CA Urvi Jethwa

CA Narendra Purohit

Budget Publication Team

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Foreword

After the Budget speech of Finance Minister gets over, it is very important to do the broader analysis that what it means for the masses. Focus on developing ground infrastructure and emphasizing education, agriculture, fisheries and allied areas seems to be in main direction of this budget. The world's largest government's funded healthcare program - National Healthcare Protection Scheme (NHPS) announced by our FM, with approximately 50 crore citizens, an insurance scheme of up to Rs 5 lacs per family per year for secondary and tertiary care hospitalization will help in creating healthy India with creation of several lacs new jobs.

The three issues where India desperately needs a focused improvement are judicial redressal, education and healthcare. It is heartening that the current budget does take a very close look at the second and third.

This was a Budget of give and take - more take than give. On the one hand, FM reintroduced standard deduction of Rs. 40000, gave senior citizens a few reasons to cheer and increased the take home pay of women in the workforce. On the other, he took away the medical reimbursements of Rs. 15000 and travel allowances of of Rs. 19600 from salaried people, introduced long-term capital gains tax on equity @ 10% and even hiked the cess you pay on income tax from 3% to 4%. The decision to levy LTCG on equity at the rate of 10% is not surprising and still equities will remain the most attractive asset class from a taxation perspective since the holding period to be eligible for LTCG on most other asset classes is three years. That is the reason how share market came back quickly after falling by 400 points during budget presentation. digested The fact that gains made up to 31st January 2018 will be grandfathered indicates that the government has thought through the proposal quite clearly.

One thing is very evident that this is an election Budget. There is not too much in it for either the middle class or the investing class or indeed corporate India. It is very squarely targeted at the farming community and rural India. The Budget speech started with that and it set the tone for what the Budget will be all about. It was pretty much all about rural India, big schemes for them and all that talk about all the stuff which addressed investing India or corporate India or middle class India actually came in the last fifteen minutes.

To be fair, BJP has muscled its way to power in 19 out of 29 Indian states without resorting to overt and obvious populism, other than the promise of farm loan waivers. This time, however, there is too much at stake with elections in 8 states and the 2019 Lok Sabha election clearly visible on the horizon. By the time, Mr Jaitley finished his speech; news of by-election from Rajasthan was not good for Modiji. Wish him better luck for coming elections !!!!!!!!

1st February, 2018

CA Sanjay Agarwal

Managing Partner

Knowledge Cell Team - Publication

Agarwal & Dhandhania

Economic Survey 2017-18

The Economic Survey is the key pedagogical official source for review, In-depth analysis and new policy ideas of the Indian economy.

Major reforms were undertaken over the past year. The transformational Goods and Services Tax (GST) was launched at the stroke of midnight on July 1, 2017. The long-festering Twin Balance Sheet (TBS) problem was decisively addressed by sending the major stressed companies for resolution under the new Indian Bankruptcy Code and implementing a major recapitalization package to strengthen the public sector banks. As a result of these measures, the dissipating effects of earlier policy actions and the export uplift from the global recovery, the economy began to accelerate in the second half of the year. This should allow real GDP growth to reach 6¾ percent for the year as a whole, rising to 7-7½ percent in 2018-19, thereby re-instating India as the world's fastest growing major economy. Against emerging macroeconomic concerns, policy vigilance will be necessary in the coming year, especially if high international oil prices persist or elevated stock prices correct sharply, provoking a "sudden stall" in capital flows. The agenda for the next year consequently remains full, stabilizing the GST, completing the TBS actions, privatizing Air India and staving off threats to macro-economic stability. The TBS actions, noteworthy for cracking the long-standing "exit" problem, need complementary reforms to shrink unviable banks and allow greater private sector participation. The GST Council offers a model "technology" of cooperative federalism to apply to many other policy reforms. Over the medium term, three areas of policy focus stand out.

Employment - finding good jobs for the young and burgeoning workforce, especially for women.

Education - creating an educated and healthy labor force.

Agriculture - raising farm productivity while strengthening agricultural resilience.

Above all, India must continue improving the climate for rapid economic growth on the strength of the only two truly sustainable engines—private investment and exports.

After registering GDP growth of over 7 per cent for the third year in succession in 2016-17, the Indian economy is headed for somewhat slower growth, estimated to be 6.5 per cent in 2017-18, as per first Advance Estimates released by CSO. This is slightly lower than the range of 6.5 per cent to 6.75 per cent being currently projected based on recent developments. Even with this lower growth for 2017-18, GDP growth has averaged 7.3 per cent for the period from 2014-15 to 2017-18, which is the highest among the major economies of the world. That this growth has been achieved in a milieu of lower inflation, improved current account balance and notable reduction in the fiscal deficit to GDP ratio makes it all the more creditable. In addition to the introduction of GST, the year also witnessed significant steps being undertaken towards resolution of problems associated with non-performing assets of the banks, further liberalization of FDI, etc., thus strengthening the momentum of reforms. After remaining in negative territory for a couple of years, growth of exports rebounded into positive one during 2016-17 and strengthened further in 2017-18. There was an augmentation in the spot levels of foreign exchange reserves to close to US$ 414 billion, as on 12th January 2018.

Since years, climate change and sustainable development were only buzzwords and concerns of international negotiations, but now with the Economic Survey 2017-18, they have graduated to real considerations for policy formulation. The Survey has focused on the impact of climate change on agriculture and the importance of ensuring access to sustainable energy. Both energy and agriculture are key sectors, hence the focus. Access to clean energy is central to the sustainable development goals and reducing the level of greenhouse gas emissions. Agriculture remains the key sector providing livelihoods to 49% of the workforce.

During 2017-18 (till January), monetary policy remained steady with only one policy rate cut in August. As the Y-o-Y effect of demonetisation wore off, the growth rate of both Currency in Circulation and M0 turned sharply positive. However, bank credit growth remains subdued, especially to the industrial sector. The 10 year G-sec yield, meanwhile, has hardened since September 2017. An ecosystem for the new insolvency and bankruptcy process took shape in 2017-18. The IBC mechanism is being used actively to resolve the NPA problem of the banking sector. The stock markets also hit record highs this financial year.

Inflation in the country continued to moderate during 2017-18. CPI based headline inflation averaged 3.3 per cent during April-December 2017-18, the lowest in the last six financial years. The significant reduction in food inflation, particularly of pulses and vegetables, moderated the general inflation. The average food inflation fell to 1.2 per cent during April-December 2017-18. Core inflation too declined during this period. Many States witnessed reduction in inflation across rural as well as urban areas during the year.

India's external sector continued to be resilient and strong in 2017-18 so far, with the Balance of Payments situation continuing to be comfortable with the Current Account Deficit at 1.8 percent of GDP in the first half (H1) of 2017-18, merchandise exports picking up with a growth of 12.1 percent in April-December 2017, net services receipts increasing by 14.6 percent, and net foreign investment growing by 17.4 percent in H1 of 2017-18 and the external debt indicators improving. Supportive measures in the budget, mid term review of the Foreign Trade Policy and suitable policy changes related to GST helped in overcoming the teething challenges while implementing these major reforms.

Agriculture is not crop production as popular belief holds - it's the production of food and fibre from the world's land and waters. Without agriculture it is not possible to have a city, stock market, banks, university, church or army. Agriculture is the foundation of civilization and any stable economy.

The services sector with a share of 55.2 per cent in India's gross value added continued to be the key driver of India's economic growth contributing almost 72.5 per cent of gross value added growth in 2017-18. While the growth of this sector in 2017-18 is expected to be at 8.3 per cent, the growth in services exports and net services were robust at 16.2 per cent and 14.6 per cent respectively in H1 of 2017-18. The Government has taken many initiatives in the different services which include digitization, e-visas, infrastructure status to Logistics, Start-up India, schemes for the housing sector, etc. which could give a further fillip to this sector.

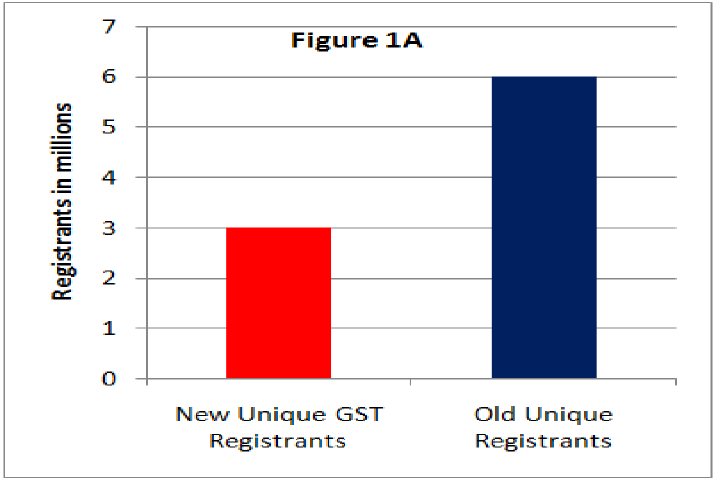
Major Highlights of the Economic Survey :-

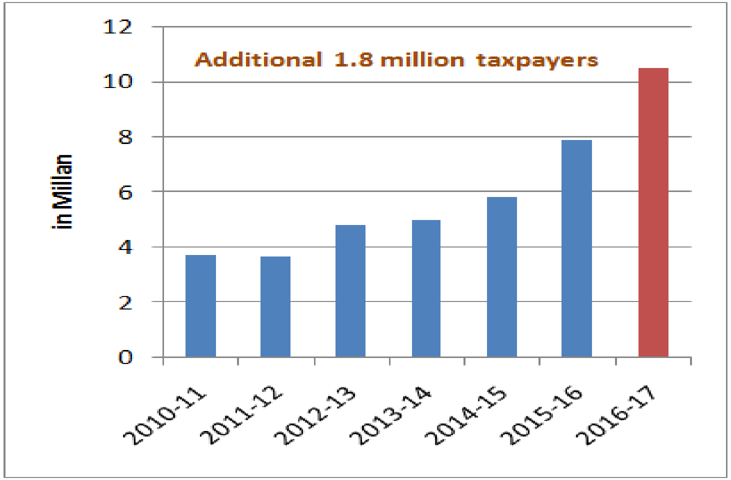
- GDP growth to be 6.75% in FY2017-18. In coming year, GDP to grow 7-7.5%
- 50% rise in number of indirect taxpayers as a result of GST
- India to regain fastest growing major economy tag
- Policy vigilance required next fiscal if high oil prices persist or stock prices correct sharply
- Policy agenda for next year -- support agriculture, privatise Air India, finish bank recapitalisation
- Tax collection by states, local governments significantly lower than those in other federal countries
- Demonetization has encouraged financial savings
- Insolvency Code being actively used to resolve NPA woes
- Retail inflation averaged 3.3% in 2017-18, lowest in last 6 fiscals
- India needs to address pendency, delays and backlogs in the appellate and judicial arenas
- Urban migration leading to feminisation of farm sector
- Rs 20,339 cr approved for interest subvention for farmers in current fiscal
- FDI in services sector rises 15% in 2017-18 on reforms
- Fiscal federalism, accountability to help avoid low equilibrium trap
- India's external sector to remain strong on likely improvement in global trade
- Technology should be used for better enforcement of labour laws
- Swachh Bharat initiative improved sanitation coverage in rural areas from 39% in 2014 to 76% in January 2018
- Priority to social infrastructure like education, health to promote inclusive growth
- Centre, states should enhance cooperation to deal with severe air pollution
- Suvey 2017-18 in pink colour to highlight gender issues
- Indian parents often continue to have children till they have the desired number of sons

Ten New Facts On Indian Economy

1. There has been a large increase in registered indirect and direct taxpayers

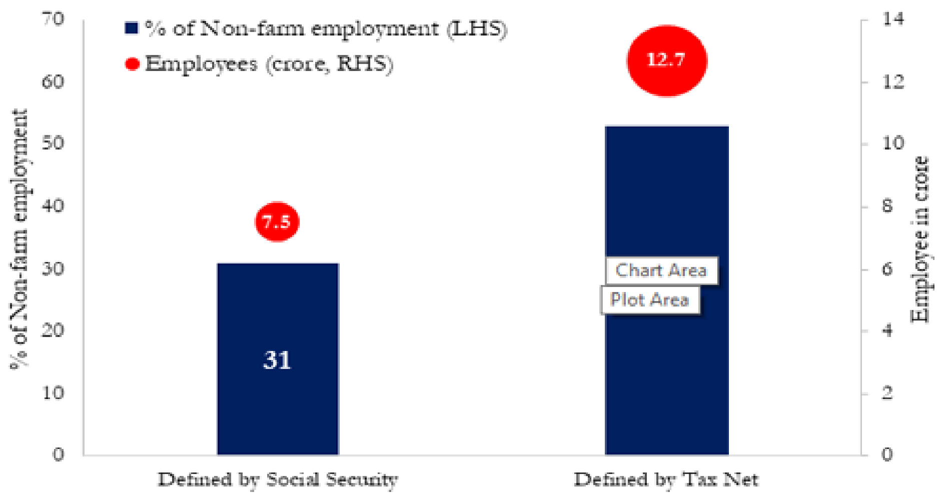
- A 50 percent increase in unique indirect taxpayers under the GST compared with the pre-GST system (Figure 1A).
- Similarly, there has been an addition (over and above trend growth) of about 1.8 million in individual income tax filers since November 2016 (Figure 1B).





2. Formal non-agricultural payroll is much greater than believed

- More than 30 percent when formality is defined in terms of social security (EPFO/ESIC) provision;
- More than 50 percent when defined in terms of being in the GST net.

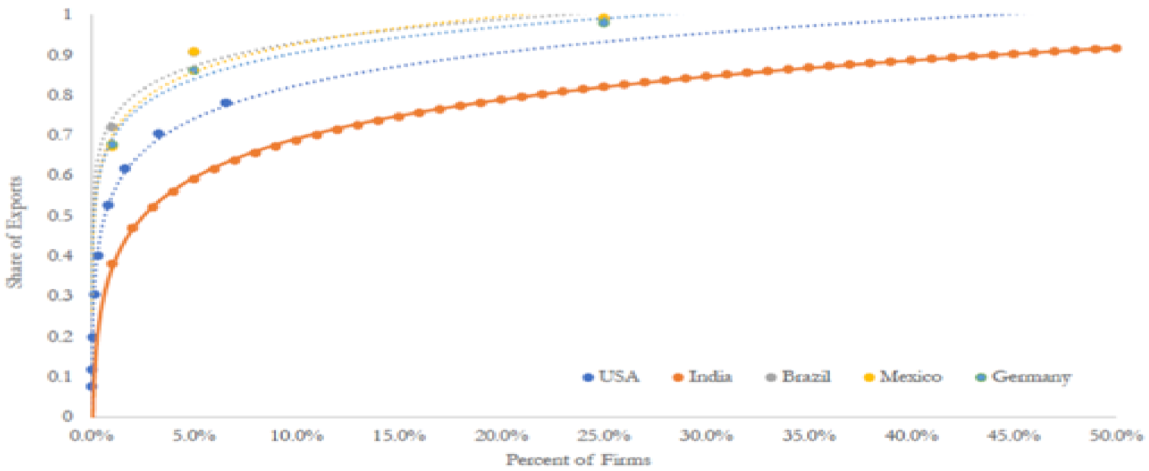


3. States' prosperity is correlated with their international and inter-state trade

States that export more internationally and trade more with other states, tend to be richer. But the co-relation is stronger between prosperity and international trade.

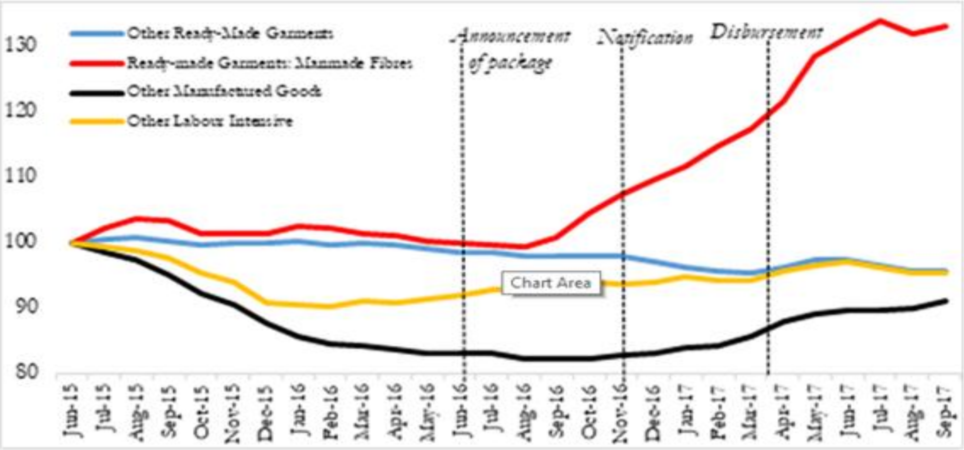
4. India's firm export structure is substantially more egalitarian than in other large countries

Top 1 percent of Indian firms account for 38 percent of exports; in all other countries, they account for a substantially greater share (72, 68, 67 and 55 percent of exports in Brazil, Germany, Mexico, and USA respectively). And this is true for the top 5 percent, 10 percent, and so on.



5. The clothing incentive package boosted exports of readymade garments

The relief from embedded state taxes (ROSL) announced in 2016 boosted exports of ready-made garments (but not others) by about 16 percent.



6. Indian society exhibits strong son "Meta" Preference

Parents continue to have children until they get the desired number of sons. This kind of fertility-stop-ping rule leads to skewed sex ratios but in different directions: skewed in favor of males if it is the last child, but in favor of females if it is not the last (see the top two panels on India). Where there are no such fertility-stopping rules, ratios remain balanced regardless of whether the child is the last or not.

7. There is substantial avoidable litigation in the tax arena which government action could reduce

The tax department's petition rate is high, even though its success rate in litigation is low and declining (well below 30 percent).

- Only 0.2 percent of cases accounted for 56 percent of the value at stake; whereas
- About 66 percent of pending cases (each less than Rs. 10 lacss) accounted for only 1.8 percent of the value at stake.

Petition Rate and Success Rate of Tax Department, March 2017

	Direct Tax Cases		Indirect Tax Cases	
Court	Success Rate[19]	Petition Rate[20]	Success Rate	Petition Rate
Supreme Court	27%	87%	11%	63%
High Courts	13%	83%	46%	39%
ITAT/CESTAT	27%*	88%*	12%	20%

8. To re-ignite growth, raising investment is more important than raising saving

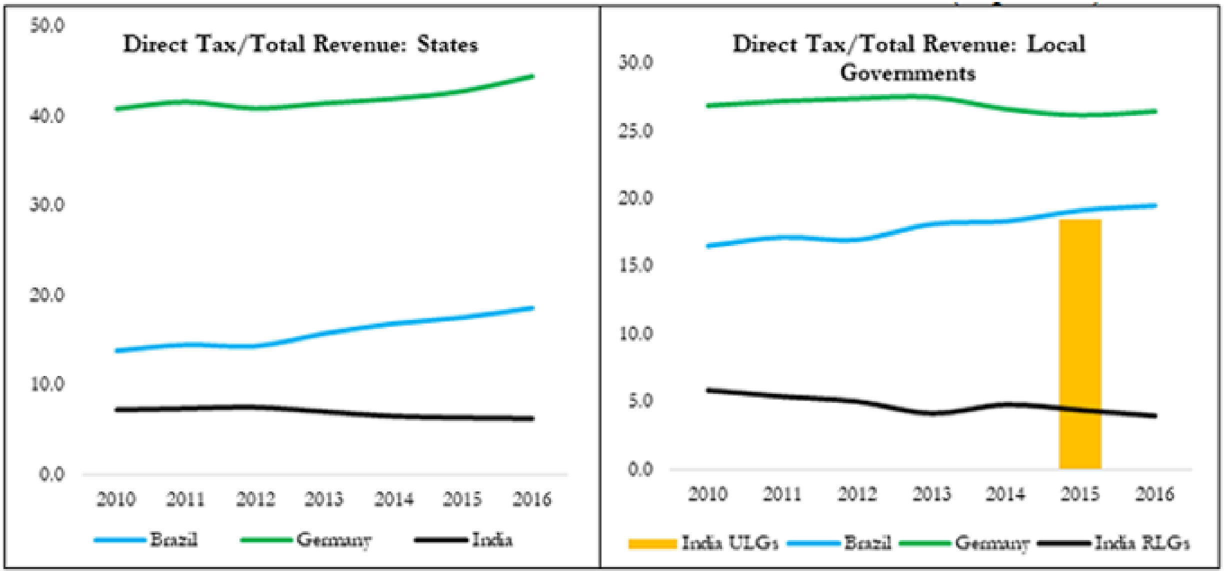
Cross-country experience shows that growth slowdowns are preceded by investment slowdowns but not necessarily by savings slowdowns may not.

9. The footprint of climate change is evident and extreme weather adversely impacts agricul-tural yields

- The impact of weather is felt only with extreme temperature increases and rainfall deficiencies
- This impact is twice as large in un-irrigated areas as in irrigated ones

10. Own direct tax collections by Indian states and local governments are significantly lower than those of their counterparts in other federal countries

This share is low relative to the direct taxation powers they actually have. Direct Tax to Total Revenue: States and Local Government (in percent)



Union Budget - 2018

Emphasis is on generating higher incomes for farmers so that farmer's income is doubled by 2022 when INDIA celebrates 75th Independence

Expenditure on health, education and social protection is estimated for 2018-19 is Rs.1.38 lacs crore.

It is now propose to treat education holistically without segmentation from pre-nursery to Class 12.

PM launched Rural Awas Scheme where 51 lacss houses in 2017-18 and 51 lacs houses during 2018-19 will be constructed exclusively in rural areas.

Total expenditure for the fiscal year 2018-19 is estimated to be over Rs 24.42 lacs Crore.

Investments estimated to be in excess of Rs. 50 lacs crore in infrastructure to increase growth of GDP.

50% rise in number of indirect taxpayers as a result of GST

Swachh Bharat initiative improved sanitation coverage in rural areas from 39% in 2014 to 76% in January 2018

Sector wise Proposals

Agriculture

- Achieved a record in food grain production around 275 million tonnes and around 300 million tonnes of fruits and vegetables in 2016-17.
- Emphasis is on generating higher incomes for farmers so that farmer's income is doubled by 2022 when INDIA celebrates 75th Independence
- Declared that Minimum support price (MSP) for the majority of Rabi crops at least at 1.5 times the cost involved.
- Proposed to develop and upgrade existing 22,000 rural haats into Gramin Agricultural Markets (GrAMs)
- A budget of Rs. 200 crore has been allocated to support cultivation and associated industry.
- Budget Allocation for food processing is increased to Rs. 1400 crore in 2018-19.
- Rs 500 crore is allocated to operation greens that will promote FPOs, Agri-logistics, Processing facilities and Professional Management.
- India's agri-exports potential is as high as US $ 100 billion against current exports of US $ 30 billion. Further it is proposed that export will be liberalized.
- It is proposed that state of the art testing facilities will be set up at 42 Mega food parks.
- It is proposed to extend kisan credit cards to fisheries and animal husbandry farmers for their working capital needs.
- Bamboo sector to be promoted by initiating Re-structured national bamboo mission with an outlay of Rs. 1290 crore

- Government to encourage state govt. to take necessary measures to ensure thar surplus solar power is purchased by distribution companies or licensees at reasonable rates.
- Govt. will be setting up a Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) for financing infrastructure requirement of fisheries and animal husbandry sector at a budgeted cost of Rs. 10000 crore.
- It is proposed to raise the volume of institutional credit for agriculture sector to RS 11 lacss crore in 2018-19.
- A special Scheme will be implemented to support the efforts of state govt. of Haryana, Ounjab, UP and the NCT of Delhi to address air pollution and to subsidize machinery required for in-site management of crop residue.

Rural and Urban Sector

- Government has already constructed more than 6 crore toilets and planning to construct 2 crore toilets under Swachh Bharat Mission
- Prime Minister launched SaubhagyaYojana Scheme to provide electricity connection free of charge to 4 crore poor households and Rs 16000 crore is being spend under this scheme.
- Prime minister launched Rural Awas Scheme where 51 lacss houses in 2017-18 and 51 lacs houses during 2018-19 will be constructed exclusively in rural areas.
- Prime minister launched Rural Awas Scheme where assistance has been sanctioned to construct 37 Lacss houses.
- It is proposed to grant loans to self-help groups of Rs 75000 crore by March 2019.
- It is proposed to increase allocation of National Rural livelihood mission to Rs. 5750 crores in 2018-19.
- Allocation of Rs 2600 crore is being made to 96 deprived irrigation districts under Prime Minister KrishiSinchaiYojna - HarKhetkopani.

- In the year 2018-19, for creation of livelihood and infrastructure in rural areas, total amount to be spent by the Ministries will be `14.34 lacs crore which includes extra budgetary and non-budgetary resource of Rs 14.34 lacs crore.

Health and Education Sector

- Expenditure on health, education and social protection is estimated for 2018-19 is Rs.1.38 lacs crore.
- It is proposed to set up Ekalavya Model Residential School on par with NavodayaVidyalayas to provide the best quality education to the tribal children in their own environment by 2022.
- To improve the quality of teachers an integrated B.Ed. program for teachers will be initiated.
- Allocation on National Social Assistance Program for this year has been kept at Rs. 9975 crore.
- Government allocated Rs.600 crore to provide nutritional support to all TB patients @ Rs.500 per month in the duration of their treatment
- Govt. will be setting up 24 new Govt. medical colleges and hospitals by upgrading existing district hospitals.
- Government has identified 115 districts taking various paradigm of development in consideration for making them model districts of development.
- Prime Minister launched Ujjwala Scheme to make 5 crore poor women free from the smoke of wood. Target is increased to 8 crore.
- It is now propose to treat education holistically without segmentation from pre-nursery

to Class 12.

- It is now proposed to commit Rs 1200 crore in budget for 1.5 lacs health care centers that will provide comprehensive health care which includes non-communicable disease, Maternal and diagnostic service.

Infrastructure

- Investments estimated to be in excess of Rs. 50 lacs crore in infrastructure to increase growth of GDP.
- Railways' Capex for the year 2018-19 has been pegged at Rs. 1,48,528crore.
- The Budget allocation on Digital India program is Rs. 3073crore in 2018-19.
- Redevelopment of 600 major railway stations is being taken up.
- For promoting tourism and emergency medical care, Government will make necessary framework for encouraging investment.
- Government hasrolled out two interlinked program – Smart Cities Mission and the AMRUT.
- Smart Cities Mission aims at building 100 Smart Cities with state of- the- art amenities with an outlay of outlay of Rs. 2.04 lacs crore.
- Projects worth `2350 crore have been completed and works of Rs. 20,852crore are under progress.
- It is proposed to develop ten prominent tourist sites into Iconic Tourism destinations.
- Mumbai's local train network will have 90 kilometers of double line tracks at a cost of over Rs.11, 000crore.
- It is proposed to expand the airport capacity more than five times to handle abillion trips a year under a new initiative - NABH Nirman.

- Connectivity scheme of UDAN (Ude Deshka Aam Nagrik) is initiated to connect 56unserved airports and 31 unserved helipads.
- Under the Bharatmala Pariyojana, about 35000 kms road construction approved in Phase-I at an estimated cost of Rs.5,35,000crore.
- NITI Aayog will initiate a national program to direct efforts in artificial intelligence.
- Private investment will be opened up in defense production which includes FDI.
- Measures are being undertaken to develop two defense industrial production corridors in the country.

Fiscal Situation

- Total expenditure for the fiscal year 2018-19 is estimated to be over Rs 24.42 lacs crore.
- Total Revised Estimates for expenditure in 2017-18 are Rs. 21.57lacs crore (net of GST compensation transfers to the States)
- Fiscal Deficit was brought down to 4.1% in 2014-15 to 3.9% in 2015-16, and to 3.5% in 2016-17.
- Revised Fiscal Deficit estimates for 2017-18 are Rs. 5.95 lacs crore at 3.5% of GDP.
- FM projects a Fiscal Deficit of 3.3% of GDP for the year 2018-19.

Divestment

- Target of RS 72,500 Crore has been exceeded and expected receipt is Rs. 100000 Crores in 20017-18.
- Divestment target is RS 80000 Crores for 2018-19.
- Three Public Sector Insurance companies will be merged into a single insurance entity.
- Comprehensive Gold Policy will be formulated to develop gold as an asset class.

Direct Tax Proposals

Tax Rates

There is no change in tax slab rate for Assessment year 2019-20120

(A) Individual/ HUFs/ AOPs/ BOI/ Artificial Juridical person

(I) The Tax Slab for individual / HUF/AOPs/BOI, whether incorporated or not, or every artificial juridical person:

Slab Rates	
Income	**Tax Rate**
Upto Rs. 2,50,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%
Rs. 10,00,001 to 50,00,000	30%

Rs. 50,00,001 to 1,00,00,000	30% plus Surcharge @ 10%
Above Rs. 1,00,00,000	30% plus surcharge @ 15%

(II) In case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year:

Slab Rates	
Income	**Tax Rate**
Upto Rs. 3,00,000	Nil
Rs. 3,00,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%
Rs. 10,00,001 to 50,00,000	30%
Rs. 50,00,001 to 1,00,00,000	30% plus Surcharge @ 10%
Above Rs. 1,00,00,000	30% plus surcharge @ 15%

(III) In case of very individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year:

Slab Rates	
Income	**Tax Rate**
Upto Rs. 5,00,000	Nil
Rs. 5,00,001 to Rs. 10,00,000	20%
Rs. 10,00,001 to 50,00,000	30%

Rs. 50,00,001 to 1,00,00,000	30% plus Surcharge @ 10%
Above Rs. 1,00,00,000	30% plus surcharge @ 15%

(B) Co-operative Societies:

In case of Co-operative Societies, the rates of income-tax are as given below. The rates will be continued to be same as those specified for Assessment Year 2018-19.

Slab Rates	
Income	**Tax Rate**
Upto Rs. 10,000	10%
Above Rs. 10,000-Rs. 20,000	20%
Above 20,000	30%

(C) Firms:

In the case of firms, the rate will continue to be the same as that specified for Assessment Year 2018-19. The rate of income-tax in case of firm is @ 30% which will further be increased by "Health and Education Cess on Income Tax" @ 4% .

(D) Local Authorities:

In the case of Local Authorities, the rate will continue to be the same as that specified for Assessment Year 2018-19. The rate of income-tax in case of local authority is @ 30% which will further be increased by Health and Education Cess on Income Tax" @ 4%.

The amount of income-tax computed in accordance with all above (B), (C) & (D) provisions shall be increased by a surcharge at the rate of twelve percent of such income-tax in case of all the above assesses having a total income exceeding one Crore rupees.
However, the total amount payable as income-tax and surcharge on total income exceeding Rs. 1 Crore shall not exceed the total amount payable as income-tax on a total income of one Crore rupees by more than the amount of income that exceeds Rs. 1 Crore

(E) Companies:

Income Tax Slab Rate		**Surcharge Rate**	
Income	**Tax Rate**	**Total Income**	**Rate**
In Case of Domestic Company (where its total turnover or the gross receipt in the previous year 2016-17 does not exceed 250 crore rupees)	25%	Above 1 Crore but not exceed 10 Crore	7%
		Above 10 Crore	12%
In Case of Domestic Company (where its total turnover or the gross receipt in the previous year 2014-15 exceed 250 crore rupees)	30%	Above 1 Crore but not exceed 10 Crore	7%
		Above 10 Crore	12%
In case of Company other than a domestic company	40%	Above 1 Crore but not exceed 10 Crore	2%
		Above 10 Crore	5%

- In other cases (including sections 115-O, 115QA, 115R, 115TA or 115TD) the surcharge shall be levied at the rate of twelve percent.

For Financial year 2018-19, additional surcharge called the "Health and Education Cess on income-tax" shall be levied at the rate of 4% respectively, on the amount of tax computed (as specified in sub-sections (4) to (10)), inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such Cess.

- Rebate available under the provision of section 87 A has been decreased from existing Rs. 5000 to Rs. 2500, in case of individual resident in India whose total income does not exceeds Rs. 3.5 Lacs.

Table to understand tax liability of individual Assessee

S. N.	If Income is	Tax Rate (Before Bud.)	Tax Rs. (Before Bud.)	Tax Rate (After Bud.)	Tax Rs. (After Bud.)	Benefit to Assessee
1	Rs. 2,50,000	0%	-	0%	-	0
2	Rs. 3,00,000	10%	-	5%	-	0
3	Rs. 3,50,000	10%	5,000.00	5%	2,500.00	2,500.00
4	Rs. 5,00,000	10%	20,000.00	5%	12,500.00	7,500.00
5	Rs. 8,00,000	20%	85,000.00	20%	72,500.00	12,500.00
6	Rs. 10,00,000	20%	1,25,000.00	20%	1,12,500.00	12,500.00
7	Rs. 12,00,000	30%	1,85,000.00	30%	1,72,500.00	12,500.00
8	Rs. 20,00,000	30%	4,25,000.00	30%	4,12,500.00	12,500.00

Note:

1. In above table both before and after budget impact Rebate u/s 87A of IT Act is considered.

2. Income tax rebate is applicable for those who earns upto Rs 3.5 lacs. For them, thus income upto 3 lacs is tax free. Also, this 3 lacs income is considered after the various exemptions.

Widening of scope of Accumulated Profits for the purposes of Dividend

Section 2 (22)

Existing Provision: Insertion of **New Explanation 2A**

Proposed Provision:
In the case of an amalgamated company, the accumulated profits, 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.

Implications:
Expanded the scope of Accumulated Profits for the purposes of Dividend. With a view to prevent the companies with large accumulated profits from adopting the amalgamation route to reduce capital and circumvent the provisions of sub-clause (d) of clause (22) of section 2 of the Act.

W.E.F.: 1st April 2018

Rationalisation of provision relating to conversion of stock-in-trade into Capital Asset

Section 2 (24)

Existing Provision: Insertion of **New Sub Clauses (xiia)**

Proposed Provision:
Section 45 of the Act, provides that capital gains arising from a conversion of capital asset into stock-in-trade shall be chargeable to tax. However, in cases where the stock in trade is converted into, or treated as, capital asset, the existing law does not provide for its taxability.

Section 28 so as to provide that any profit or gains arising from conversion of inventory into capital asset or its treatment as capital asset shall be charged to tax as business income. It is also proposed to provide that the fair market value of the inventory on the date of conversion or treatment determined in the prescribed manner, shall be deemed to be the full value of the consideration received or accruing as a result of such conversion or treatment;

Implications:
Symmetrical treatment and discouragement of the practice of deferring the tax payment by converting the inventory into capital asset.

W.E.F.: 1st April 2018

Taxability of compensation in connection to business or employment

Section 2 (28)

Existing Provision:
Under the existing provisions of the Act, certain types of compensation receipts are taxable as business income under section 28. However, a large segment of compensation receipts in connection with business and employment is out of the purview of taxation.

Proposed Provision:

It is proposed to provide that any compensation received or receivable 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. If it's relating to its employment shall be taxable under the head of "Income from Other Sources"

Implications:

To bring a large segment of compensation receipts in connection with business and employment in the purview of taxation to avoid base erosion and revenue loss.

W.E.F.: 1st April 2018

Non residents business connection in India

Sec 9(1) (i)

Proposed Provision	**Implication**
The proposed provision states that for the purpose of defining business connection in India which specifies that any business activity carried out in the name of non resident by a person authorised or one who plays a vital role in conclusion of contracts in the nature of transfer of ownership, grant of rights to use the property or provision of services by the non resident shall also be considered as income accrue or arise in India.	A person who carry out the business activity on behalf of non resident whether authorised or in his own capacity will also considered as having business connection in India and such income shall be deemed to accrue or arise in India.
Income from transactions carried out by non resident in respect of any goods, services or property including provision of download of data or software in India, solicitation of business activities through digital means shall be deemed to accrue or arise in India irrespective of the place of service provider or provision of services.	Business activities carried out in India by non resident through digital means shall be considered as significant economic presence. **W.E.F:** 1st April 2018

Exemption facility on proceeds from NPS trust available to all assessee

Sec10 Clause 12A

Existing Provision:
Any payment from the National Pension System Trust to an employee on closure of his account or on his opting out of the pension scheme referred to in section 80CCD, to the extent it does not exceed forty per cent of the total amount payable to him at the time of such closure or his opting out of the scheme;";

Proposed Provision
Payment from NPS trust to any assessee on account of closure or opting out of his scheme to the extent does not exceed to the prescribed limit shall not form part of his total income.

Implication: Exemption facility on proceeds from NPS trust available to all assessee subject to prescribed limits.

W.E.F 1st day of April, 2018

TDS and manner of payment in respect of certain exempt entities- charitable or religious trusts or institutions

Section 11 (1) & 10

Existing Provision:
It contains provisions relating to income from property held for charitable or religious purposes. Further it provides for exemption in respect of income of the said entities in a case where such income is applied or accumulated during the previous year for certain purposes in accordance with the relevant provisions.
At present, there are no restrictions on payments made in cash by charitable or religious trusts or institutions. There are also no checks on whether such trusts or institutions follow the provisions of deduction of tax at source under Chapter XVII-B of the Act.

Proposed Provision:
It is proposed to insert a new Explanation to the section 11 that for the purposes of determining the application of income under the provisions of sub-section (1) of the said section, that the certain expenses disallowed on the base of non-deduction of TDS (Section 40 (a)(ia)), and expenses disallowed on the base of Cash payment exceeding Rs 20,000/- (Section 40A(3)).

Implications:
Restrictions on payments made in cash by charitable or religious trusts or institutions to Rs. 20,000. Violation of the same leads to disallowance of expenses or the payments.
W.E.F.: 1st April 2018

Standard Deduction of Rs 40,000 on Salary Income

Section 16

Existing Provision: Newly Inserted Section 16(IA)

Proposed Provision:
It deals with certain deduction in computing income chargeable under the head "Salaries". It is proposed to allow a standard deduction up to Rs 40,000/- or the amount of salary received, whichever is less. Consequently the present exemption in respect of Transport Allowance (except in case of differently abled persons) and reimbursement of medical expenses is proposed to be withdrawn.

Implication:
Although the Standard deduction of Rs. 40000 is allowed but on another hand government has withdrawn the Transport Allowance and reimbursement of medical expenses. The ultimate benefit in the hands of assesses is only Rs. 5800 i.e. Rs. 40000 less Rs. 15000 (max cap for exemption of reimbursement of medical expenses & Transport Allowance Rs. 19200 (Rs. 1600 pm)).

W.e.f. :- 1st April 2018

Withdrawal of deduction of Rs. 15000 as Medical Exp (Now it's taxable)

Section 17

Existing Provision:
Section 17(2)(viii)(v) Any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family other than the treatment referred to in clauses (*i*) and (*ii*); so, however, that such sum does not exceed 15,000 rupees in the previous year;

Proposed Provision:
This Section has been omitted by Finance Act 2018

Implication:
The reimbursement of medical expenses from employer up to Rs. 15000 which was excluded from the net of perquisites and not taxable in the hand of employees, is become taxable and now onwards treated as Taxable in the hand of employee as perquisites.

W.e.f.
1st April, 2018

Taxability of compensation in connection to business or employment

Section – 28

Existing Provision:
Under the existing provisions of the Act, certain types of compensation receipts are taxable as business income under section 28.

Proposed Provision:
Newly inserted Sub-clause "(e)"in clause (ii)
Income arising out of any compensation received in connection with the termination or the modification of the terms and conditions of any contract relating to his business shall be taxable as business income.

The following clause shall be inserted, stating that any profit or gains arising from conversion of inventory into capital asset at fair market value shall be charged to tax as business income.

Implications:
Widening the scope of chargeability of compensation received on account of business contract termination or /and modification

W.E.F: 1st day of April, 2018.

Allowance of Expected losses & Marked to Market transaction

Section 36

Existing Provision: Newly inserted provision

Proposed Provision:
Deduction allows for market loss or other expected loss as computed in accordance with the income computation and disclosure standards notified under sub-section (*2*) of section 145.

Implication:
To encourage the share market operation and intraday trading government has been allowed losses and expected losses as deductions while computation of income chargeable under the head of business and profession the condition has also attached that the computation of loss or expected loss has to compute as per Income computation disclosure standard as issued under Section 145 (2).
W.e.f. :- 1st April,2017

Section 40A

Existing Provision: Newly inserted provision

Proposed Provision:
No deduction or allowance shall be allowed in respect of any marked to market loss or other expected loss, except as allowable under clause (*xviii*) of sub-section (*1*) of section 36.

Implication:
To encourage the share market operation and intraday trading government has been allowed losses and expected losses as deductions while computation of income chargeable under the head of business and profession the condition has also attached that the computation of loss or expected loss has to compute as per Income computation disclosure standard as issued under Section 145 (2).

W.e.f. :- 1st April,2017
Tax treatment of transactions in respect of trading in agricultural commodity derivatives

Section 43

Existing provisions
Clause (5) of section 43 defines speculative transactions. The proviso to the said clause, however, stipulates certain transactions to be of non-speculative nature even though the contracts are settled otherwise than by the actual delivery or transfer of the commodity or scraps

Proposed Provision:

For Trading in agricultural commodity derivatives, the requirement of chargeability of commodity transaction tax under Chapter VII of the Finance Act, 2013 shall not apply."

Implications:

To encourage participation in trading of agricultural commodity derivatives, but trading in agricultural commodity derivatives which is not chargeable to CTT, in a registered stock exchange or registered association, will be treated as non-speculative transaction.

W.E.F. 1st day of April, 2018

Relating to taxation of foreign exchange fluctuation

Section : 43AA

Existing provision: Newly inserted provision

Proposed provision:

1) Any gain or loss arising on account of effects of changes in foreign exchange rates in respect of specified foreign currency transactions shall be treated as income or loss, which shall be computed in the manner provided in ICDS as notified under sub-section (2) of section 145.

2) Following transaction are include in foreign currency transactions,

- Monetary items and non-monetary items;
- Translation of financial statements of foreign operations;

- Forward exchange contracts;
- Foreign currency translation reserves.

Implication

Foreign transaction losses and gains due to changes in rates of currency will be the part of computation of Income.

W.E.F: 1st April, 2018

Special provision for computing profits and gains of business of plying, hiring or leasing goods carriages

Section 44AE

Existing Provision-

The profits and gains shall be deemed to be an amount equal to 75000 per month or part of a month for each goods carriage or the amount claimed to be actually earned by the assessee, whichever is higher.

Proposed Provision-

Newly inserted Proviso (a) in sec 44AE(1) In the case of heavy goods vehicle, the income would deemed to be an amount equal to 1000 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.

In the explanation , for clause(a) , the following clauses shall be substituted, namely

- "Good carriage", "gross vehicle weight", and "unladen weight" shall have the respective meanings assigned to them in section 2 of the motor vehicle Act,1998
- ''Heavy good carriage" means any good carriage , the gross vehicle weight of which exceeds 12000 Kg.

Implication:
Give benefit to small transporters in order to reduce their compliance burden.

W.E.F : 1st April 2018

Full value of consideration for transfer of assets other than capital assets in certain cases

Section - 43CA

Existing Provision:
If the consideration received or accruing as a result of the transfer by an assessee of an asset (other than a capital asset), being land or building or both(i.e. Sales consideration), is less than the value adopted or assessed or assessable by any authority of a State Government for the purpose of payment of stamp duty(i.e. Stamp duty value), than the Stamp duty value shall be taken , for the purposes of computing profits and gains from transfer of such asset, be deemed to be the full value of the consideration received or accruing as a result of such transfer.
The provisions of sub-section (3) shall apply only in a case where the amount of consideration or a part thereof has been received by any mode other than cash on or before the date of agreement for transfer of the asset, the words "by way of an account Payee cheque or an account Payee bank draft or by using electronic clearing system through a bank account shall be substituted.

Proposed Provision:

Newly inserted Proviso (a) in sec 43CA(1) If the Difference in the consideration received or accruing as a result of the transfer by an assessee of an asset (other than a capital asset), being land or building or both and the value adopted or assessed or assessable by any authority of a State Government for the purpose of payment of stamp duty in respect of such transfer is not more than five percent of the sale consideration than the Sales consideration will only be taken for the purposes of computing profits and gains from transfer of such asset, be deemed to be the full value of the consideration received or accruing as a result of such transfer.

The provisions of sub-section (3) shall apply only in a case where the amount of consideration or a part thereof has been received by way of an account Payee cheque or an account Payee bank draft or by using electronic clearing system through a bank account on or before the date of agreement for transfer of the asset.

Implication:

In order to minimize hardship in case of genuine transactions in the real estate sector, it is proposed to provide that no adjustments shall be made in a case where the variation between stamp duty value and the sale consideration is not more than five percent of the sale consideration.

W.E.F: 1st April 2018

Profit & Gain arising from construction contraction or Service Contracts

Section - 43CB

Existing Provision - Newly inserted

Proposed Provision:
Insert a new section 43CB in the Act to provide that profits arising from a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method except for following service contracts.

Contracts, where duration is not more than 90 days, in this case profit arising from service contract shall be determined on the basis of projection completion method. Contracts, which involve indeterminate number of acts over specific period of time, in this case profit arising from service contract shall be determined on the basis of Straight line method.

For the purpose of percentage of completion method ,Project completion method or Straight Line method Contract revenue shall include retention money. Contract cost shall not be reduced by incidental interest, dividend and capital gains.

W.E.F: 1st April 2017

Transactions not regarded as transfer.

Section 47(viiab)

Existing Provision: This section inserted newly in section 47(viia).

Proposed Provision:
It is proposed to amend the section 47 of the Act so as to provide that transactions in the following assets, by a non-resident on a recognized stock exchange located in any International Financial Services Centre shall not be regarded as transfer, if the consideration is paid or payable in foreign currency

- bond or Global Depository Receipt referred to in sub-section (1) of section 115AC; or
- rupee denominated bond of an Indian company; or
- derivative

Implication:
To promote the development of world class financial infrastructure in India,

W.E.F. : 1st April, 2018

Cost of acquisition for inventory converted into capital assets

Section : 49

Existing provision: Sub section (9) inserted newly in section 49

Proposed provision:
The capital gain arising from transfer of a capital assets referred to in clause (via) of section 28, i.e. **inventory converted to capital assets and will be treated as capital assets**] cost of acquisition of such assets shall be deemed the **fair market value** on the date of conversion.

Implication:
Now the ambiguity regarding cost of acquisition for inventory converted into capital assets has been cleared.

W.E.F : 1st April, 2018

Full value of consideration for transfer of immovable Property (Not exceeding 105% of valuation by stamp authority)

Section :- 50(C)

Existing provision:- A provision is newly inserted.

Proposed provision:
Provided that where the value adopted **or** assessed **or** assessable by the stamp valuation authority does not exceed **one hundred and five percent** of consideration received **or** accruing as a result of the transfer & also the consideration received in result of the transfer shall be deemed as **full value of consideration** for the purpose of **section 48** [**Mode of computation**].

Implication:
In order to minimize hardship in case of genuine transactions in the real estate sector,
it is proposed to provide that no adjustments shall be made in a case where the variation between stamp duty value and the sale consideration is not more than five percent of the sale consideration.

W.E.F :-1st April, 2018

Increase in holding period for redeemable bond to 5 year & encompass the capital gain generated from Land and Building assets u/s 54EC

Section 54EC

Existing Provision

Capital gain to the extent of Rs. 50 lacs arising from the transfer of a long-term capital asset shall be exempt if the assesse invests the whole or any part of capital gains in **any bond redeemable** after **three years** and issued on or after the 1st day of April, 2007 by the National Highways Authority of India or by the Rural Electrification Corporation Limited; or any other bond notified by the Central Government in this behalf.

Proposed Provision

It is proposed that capital gain arising from the transfer of a long-term capital asset, **being land or building or both**, invested in above-mentioned redeemable bond. It is also proposed to provide that long-term specified asset, for making any investment under the section on or after the 1st day of April, 2018, shall mean any bond, redeemable **after five years** and issued on or after 1st day of April, 2018 by the National Highways Authority of India or by the Rural Electrification Corporation Limited or any other bond notified by the Central Government in this behalf

Implication:

The scope of this section has widened with the inclusion of capital gain arising from land and building. On the flip side, some funds are locked in for at least five years.

W.E.F: 1st April 2018.

Benefit of carry forward and set off of losses in case of seeking for Insolvency

Section 79

Existing Provision:

Section 79 of Act provides that carry forward and set off of losses in a closely held company shall be allowed only if there is continuity in the beneficial owner of the shares carrying not less than 51 percent. of the voting power, on the last day of the year or years in which the loss was incurred.

An eligible start-up registered as Pvt Ltd Company as per section 80 -IAC of this Act shall be eligible to carry forward and set off, if all the share holders holding the shares on the last day of the previous year

1. continue to hold those shares on the last day of such previous year in which loss was being incurred and
2. Such loss incurred during the period of seven years beginning from the year in which such company is incorporated.

Proposed Provision:

It is proposed that carry forward and set off of losses in a closely held company shall be allowed even in case of company seeking insolvency resolution under Insolvency and Bankruptcy Code, 2016, , after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.

Implication:

Such company will be benefited in respect of case of carry forward and set off of losses in case of seeking insolvency resolution under Insolvency and Bankruptcy Code, 2016.

W.E.F 01/04/2018

Deduction limit increased to 30,000 in respect of Medical Insurance Premium for Senior citizen.

Section 80D

Existing Provision:
Under Section 80D deduction upto Rs 25,000/- shall be allowed to an assessee, being an individual or a Hindu undivided family and upto Rs 30,000/- to a senior citizenin respect of payments towards annual premium on health insurance policy or preventive healthcheck-up.

Proposed Provision:
It is proposed to increase the amount of deduction available to senior citizen (including very senior citizen) from Rs 30,000/- to Rs 50,000.

Implication:
This section will provide an additional assistance to old age people by increasing their deduction limit and reducing tax burden.

W.E.F.: 1st April 2018

Enhanced deduction to senior citizens up to Rs 1,00,000 for medical treatment of specified diseases

Section 80DDB

Existing Provision:
Under section 80DDB, deduction is available to an individual and Hindu undivided family with regard to amount paid for medical treatment of specified diseases of Rs 40,000,Rs60,000 and Rs 80,000 for individual, senior citizens and very senior citizen respectively.

Proposed Provision:
It is proposed to amend the provisions of section 80DDB of the act so as to raise this monetary limit of deduction to Rs 1,00,000/- for both senior citizens and very senior citizens.

Implication:
Increase in deduction will act as a boon for senior citizen suffering from various critical healths issues and helps them to avail a quality treatment.

W.E.F. 1st April 2018

Extend the time limit of incorporation to 1-April-2021 for business started u/s 80IAC (scheme for promoting start ups in India)

Section 80IAC

Existing Provision:
Where the gross total income of an assesse being an eligible start-up incorporated on or after 01-April-2016 but before 01-April-2019 includes income derived from an eligible business, the assessee then can claim for a deduction for an amount equal to 100% of the profits and gains of such eligible business for three consecutive assessment years. Moreover, the assessee can claim for any three consecutive assessment years out of the seven years beginning from the year in which the eligible start-up was incorporated.

Proposed Provision:
It is proposed to extend the time limit of incorporation to 01-April-2021 from 01-April-2019.Further the definition of eligible business has been expanded to provide that the benefit would be available if it is engaged 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.

Implication:
As the time period for incorporation has been increased from five years to seven years, time span for availing this benefit will widen and it will promote more start up in India. Further amendment in definition of eligible business would boost employment creation.

W.E.F: 1st April 2018.

Reduction in minimum employment period of 150 days from 240 days, extending such relaxation to footwear and leather industry too.

Section 80JJAA

Existing Provision:
A deduction of 30% is allowed in addition to normal deduction of 100% in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year.

Proposed Provision:
It is proposed to relax the minimum period of employment to 150 days in the case of apparel industry. Moreover it is proposed to extend this relaxation to footwear and leather industry.

Implication:
Apart from additional benefit to assessee, Reduction in number of minimum days to 150 days will accelerate employment generation in footwear, leather industry and apparel industry.

W.E.F: 1st April 2018.

100% Deduction in respect of income of Farm Producer Companies

Section 80 PA

Existing Provision : Newly Inserted section

Proposed provision:
In addition to 80P new section named 80PA is introduced.80P provides for 100 percent deduction in respect of profit of cooperative society which provides assistance to its members engaged in primary agricultural activities.
80PA is newly proposed to extend similar benefit to **Farm Producer Companies (FPC)**, having a total turnover up to Rs 100 Crore, whose gross total income includes any income from

(i) The marketing of agricultural produce grown by its members, or

(ii) The purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose ofsupplying them to its members, or

(iii) The processing of the agricultural produce of its members

The benefit shall be available for a period of five years from the financial year 2018-19.

Implication:

The budget being farmer friendly, this additional deduction to Farm Producer Companies will boost income generation in agricultural sector. Further this will increase investment in agriculture and allied sectors.

W.E.F: 1st April, 2018

Deduction In respect of Interest income to Senior Citizens

Section 80TTB

Existing Provision:

A deduction up to Rs 10,000/- is allowed under section 80TTA to an assessee in respect of interest income from savings account.

Proposed provision:

Under section 80TTB so as to allow a deduction up to Rs 50,000/- in respect of interest income from deposits held by **senior citizens**. These Savings Deposits should be maintained in a Banking Company,

Cooperative Society and Post offices. No separate deduction under section 80TTA of Rs.10,000 shall be allowed for these who opted for 80TTB.
In align with above provision 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/-.

Implication:
Additional deduction of Rs 40,000 (Diff of 50,000 less 10,000) amount will reduce the taxburden of senior citizen.

W.E.F: Deduction of Such Int. Income (80TTB) – from 1st April, 2018
TDS omn Such Int. Income (194A) –from 1st April, 2018

New regime for taxation of Long term capital gain @10% on sale of Equity shares
Section 112 A

Existing Provision: Under the existing regime, long term capital gains arising from transfer of long term capital assets, being equity shares of a company or an unit of equity oriented fund or an unit of business trusts , is exempt from income-tax under clause (38) of section 10 of the Act.

Proposed Provision: It is proposed that Long term capital gain arising from Sale of Equity shares in case of a company, or a unit of equity oriented fund or a unit of Business Trust shall be taxed @ 10% on which STT (Securities Transaction Tax) has been paid, if the gain exceeds Rs. 100000.
Further sub-section (4) of the new section 112A empowers the Central Government to:
A) To exempt the requirement of payment of STT in case of Transfer of Equity shares.

B) To exempt the requirement of payment of STT in case of Transfer of Units of Equity oriented fund and Business Trust if the transfer is through a recognized stock exchange which is located in International Financial Services Centre (IFSC) and money received from such transfer is received or to be received in foreign currency.
The long term capital gains will be computed without considering impact of inflation indexation in respect of cost of acquisitions and cost of improvement, if any. 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 –
a) The actual cost of acquisition of such asset; and
b) the lower of – (I) the fair market value of such asset; and (II) the full value of consideration received or accruing as a result of the transfer of the capital asset.

Implication: It increases hardship on part of assessee by withdrawing the exemption provided in sec 10(38) and imposing tax liability on holders of Equity shares of a company and units of Equity oriented funds and Business trust securities wherein the capital gain exceeds ONE LACS Rupees.

W.E.F: 1ST April, 2018

Extension of Taxability on Equity Oriented Securities and Business Trusts in respect of Foreign Institutional Investor:
Section 115 AD (iii):
Existing Provision: Where long term capital gain arises from securities being Equity oriented fund or units of Business trust, is exempt form liability of paying any income tax.
Proposed Provision: It is proposed to amend clause (iii) of section 115 AD to made Foreign Institutional investors also liable for paying income tax @10% if their income from Equity oriented fund or units of Business trust exceeds Rs. 100000.

Implication: It increases hardship of assessee being FII holding Equity oriented securities and Business trust securities making them liable for paying tax in case their long term capital gain exceeds Rs. 100000.
W.E.F: 1ST April, 2018

Clarification of tax applicable @25% on specified income u/s 115BA

Section 115BA

Existing provision:-. Section 115BA of the Act provides that the **total income** of a newly set up domestic company engaged in business of manufacture or production of any article or thing and research, distribution, manufactured or produced, shall be taxed (Subject to fulfillment of specified condition) at the rate of 25 per cent.

Proposed Provision:
It is proposed that the concessional rate of 25% shall be restricted only to the **income from the business of manufacturing Production, research or distribution**. However the other incomes will be continued to taxed at scheduler rates.

Implication:
Only Income from manufacturing, production, research or distribution shall be Taxed at concessional rate of 25%.

W.E.F. Retrospectively 1ST April, 2017

Clarification regarding set off losses and deducting expenses against income unexplained cash credit or undisclosed income

Section 115BBE

Existing Provision:-
Income tax shall be calculated at 60% where the total income of assesse includes unexplained cash credit or undisclosed income (u/s 68 & 69) whether reflected in the return of income furnished under Section 139; or determined by the Assessing Officer.

Proposed Amendment:
It is proposed that no deduction in respect of any expenditure or allowance shall be allowed to the assesse in computing his income in both the case i.e. whether reflected in the return of income furnished under Section 139; or determined by the Assessing Officer instead of earlier mentioned "reflected in the return of income furnished under Section 139".

Implication:
The assesse paying tax on income derived as determined by Assessing Officer, may have extra tax burden as set off loss or deduction of expenditure is not allowed.

W.E.F
Retrospectively 1ST April 2017

Relief from liability of Minimum Alternate Tax (MAT) for the company applying for insolvency resolution

Section 115JB

Existing provision: - This section is relating to the levy of a minimum alternate tax (MAT) on the "book profits" of a company. In computing the book profit, deduction allows in respect of the said amount (Whichever is lower- loss brought forward or unabsorbed depreciation) as per books of account. At the end, where the loss brought forward or unabsorbed depreciation is Nil, no deduction is allowed.

Proposed provision: - Above-mentioned non-deduction is a barrier to companies seeking insolvency resolution. So It is proposed 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.

This amendment will not be applicable to foreign company, profits and gains from business referred in section 44B or 44BB or 44BBA or 44BBB and such income has been offered to tax at the rate specified in those sections.

Implications:
Aggregate amount of unabsorbed depreciation and loss brought forward is allowed for deduction rather than minimum amount of it, in case of company is applying for insolvency resolution

W.E.F.: Retrospectively from 1st April, 2001

Reduction the rate of MAT from 18.50% to 9% in case of Non-corporate person
Section 115 JC

Existing provision:-Section 115JC of the Act provides for alternate minimum tax at the rate of 18.50 percent of adjusted total income in the case of a non-corporate person.

Proposed provision:- Section 115JC provide that in case of a unit located in an International Financial Service Center, the alternate minimum tax under section 115JC shall be charged at the rate of 9 percent.

Implications:

Give the promotion in development of world class financial infrastructure in India.

W.E.F.: 1st April 2018

Application of Dividend Distribution Tax to Deemed Dividend

Section:115-O (1) & 115-O (1B)

Existing Provision:

Notwithstanding anything contained in any other provision of this Act and subject to the provisions of this section, in addition to the income-tax chargeable in respect of the total income of a domestic company for any assessment year, any amount declared, distributed or paid by such company by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2003, whether out of current or accumulated profits shall be charged to additional income-tax (hereafter referred to as tax on distributed profits) at the rate of **fifteen per cent**.

Proposed Provision:

As per the amendments in the finance bill, Dividend distribution will taxed @ **30%** instead of 15% also be levied on deemed dividend arising from transactions referred to in Section 2(22)(e) & 115 O 1 (b) has been newly inserted.

Implication:

The taxability of deemed dividend in the hands of recipient has posed serious problems of the collection of the tax liability and has also been the subject matter of extensive litigation. This amendment will resolve these problems.

W.E.F: 1st April, 2018.

Reduction of Alternate Minimum Tax from 18.5% to 9%

Section: 115-JF (b)

Existing Provision:

(b) "Alternate minimum tax" means the amount of tax computed on adjusted total income at a rate of 18.5%.

Proposed Provision:

In the Proposed amendment the scope of definition of AMT has been widened by including the following :

(*i*) In case of a unit located in an International Financial Service Center, the AMT under section 115JC shall be charged at the rate of 9 %.

(*ii*) In any other assessee it shall be charged at the rate 18.5%.

Implication:
It will promote the development of world class financial infrastructure in India.

W.E.F: 1st April, 2018.

Tax on Distributed Income by MF to its unit holder

Section 115R
Existing Provision:
(i) 25% on income distributed to any person being an individual or a Hindu undivided family by a money market mutual fund or a liquid fund;
(ia) 30%on income distributed to any other person by a money market mutual fund or a liquid fund
(ii) 25% per cent on income distributed to any person being an individual or a Hindu undivided family by a fund other than a money market mutual fund or a liquid fund; and
(iii) 30% on income distributed to any other person by a fund other than a money market mutual fund or a liquid fund

Proposed Provision:
(i) 25% on income distributed to any person being an individual or a Hindu
undivided family by a money market mutual fund or a liquid fund;
(ii) 30% on income distributed to any other person by a money market mutual fund ora liquid fund;
(iii) 10% on income distributed to any person by an equity oriented fund;

(iv) 25% on income distributed to any person being an individual or a Hindu
undivided family by a fund other than a money market mutual fund or a liquid fund or an equity
oriented fund; and
(v) 30% on income distributed to any other person by a fund other than a money
market mutual fund or a liquid fund or an equity oriented fund.

Implications:

Amendment : Widen the scope of taxation on equity unit holder.

W.E.F. – 1st April 2018

Reduction in limit to 250000 Rupees to Apply for PAN in Certain Cases

Section 139A (1)

Existing Provisions:

Carrying on any business or profession whose total sales, turnover or gross receipts exceed five lacs rupees in any previous year.

Proposed Provision:-

As per the amendments made to the Finance Bill, following persons are also required to apply to the assessing officer for Permanent Account Number.

1. Not being an individual (Like Partnership Firm, Company, Trust, HUF, Co-operative Society, etc.), which

enters into a financial transaction (Sale, provision of service,) of an amount aggregating to Rs. 2,50,000.00 or more in a financial year; or

2. Who is the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of the person covered in the point no. 1, or any person competent to act on behalf of the person covered in the point no. 1

Implications: -

With introduction of above amendment in section 139A(1) all the person mentioned above now require to have PAN compulsorily.

W. E. F. 1st April 2018

Lesser involvement of Assessing Officer directly in the assessment of return filed under section 139

Section - 143,

Existing Provision:

As per section 143(1)(a)(vi) the total income or loss shall be computed after addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return filed earlier

Proposed Provision:

No adjustment under sub-clause (vi) of the said clause shall be made in respect of any return furnished on or after the assessment year commencing on the first day of April, 2018.

Section 143(3A) The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of making assessment of total income or loss of the assesses under sub-section (3) so as to impart greater efficiency, transparency and accountability by— (a) eliminating the interface between the Assessing Officer and the assesses in the course of proceedings to the extent technologically feasible;

Implication:
With the introduction of this section the central Government going to form a new scheme for lesser involvement of Assessing Officer directly in the assessment procedure which leads to more transparency during proceeding of Income tax Scrutiny.

Penalty for Non Filing of Return

Section 276CC,

Existing Provision:
Section 276CC of the Act provides that if a person wilfully fails to furnish in due time the return of income which he is required to furnish, he shall be punishable with imprisonment for a term, as specified therein, with fine.

Proposed Provision:
Earlier as per section 276CC of the act, relief were given to all assessee in case of the tax payable by him on the total income determined on regular assessment, as reduced by the advance tax, if any, paid, and any tax deducted at source, does not exceed three thousand rupees, now this relief is withdrawn from the company assessee.

Implication:
As per new amendment company assessee can be prosecuted without any limit of tax liability under this section if he fails to file Return.

Reduction in rate of Interest on Government Bond

Section - 193

Existing Provision:
This section is applicable to interest on certain specific securities. Government of India introduced 8% Savings (Taxable) Bonds, 2003 in the year of 2003.

Proposed Provision:
Government has now decided to discontinue the existing 8% Savings (Taxable) Bonds, 2003 with a new 7.75% GOI Savings (Taxable) Bonds, and 2018.

Implication:
Interest rate reduction leads to lesser interest income to investors by the 0.25%.

w.e.f. 1st April 2018.

Reduction of Tax in respect of interest income on deposit (Applicable on senior citizen only)

Section 194A

New Proposed Section:

It is proposed 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**. (60 years or above) However, no deduction under section 80TTA shall be allowed in these cases.

Implication:

Now with introduction of new section of 80TTB the section 80TTA is not applicable for senior citizen. However, more benefit to senior citizens **w.e.f.** 1st April 2018.

Penalty in case annual reporting

Section - 271FA

Existing Provision:

"271FA. If a person who is required to furnish an annual information return, as required under sub-section (1) of section 285BA, fails to furnish such return within the time prescribed under that sub-section, the income-tax authority prescribed under the said sub-section may direct that such person shall pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.".

Proposed Provision:

In Proposed section 271FA of the Income-tax Act,—

(a) for the words “one hundred rupees”, the words “five hundred rupees” shall be substituted;

(b) for the words “five hundred rupees”, the words “one thousand rupees” shall be substituted.

Implication:
Assessed is now liable to pay penalty under this section by higher amount.

W.E.F. – 1st April 2018

Valuation of Inventory according to ICDS

Section 145A,

Proposed Provision:
Substitute section 145A of the Act to provide that, for the purpose of determining the income chargeable under the head "Profits and gains of business or profession,—

(a) the valuation of inventory shall be made at lower of actual cost or net realizable value computed in the manner as provided in income computation and disclosure standards notified under (2) of section 145.

(b) the 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 by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation.

(c) inventory being securities not listed, or listed but not quoted, on a recognised stock exchange, shall be valued at actual cost initially recognised in the manner provided in income computation and disclosure standards notified under (2) of section 145.

(d) inventory being listed securities, shall be valued at lower of actual cost or net realisable value in the manner provided in income computation and disclosure standards notified under (2) of section 145 and for this purpose the comparison of actual cost and net realisable value shall be done category-wise.

The Income will be taxable in the year in which it will be receive

Section 145 B (Newly Inserted)

Proposed Provisions

(a) insert a new section 145B in the Act to provide that, interest received by an assessee on compensation or on enhanced compensation, shall be deemed to be the income of the year in which it is received.

(b)the claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realisation is achieved.

(c). income referred to in sub-clause (xviii) of clause (24) of section 2 shall be deemed to be

Implication : To establish clarity on taxation of various sources of income which are always part of dispute for point of taxation the Finance Bill 2018 provide clarity on the same.

Indirect Tax Proposals

AMENDMENTS IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

A	Amendments affecting rates of BCD [to be effective from 02.02.2018]	Rate of Duty	
S. No.	**Commodity**	**From**	**To**
	Food Processing		
1	Fruit juices and vegetable juices including cranberry juice	30%	50%
	Perfumes and toiletry preparations		
2	Perfumes and toilet waters	10%	20%
3	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or suntan preparations; manicure or pedicure preparations	10%	20%
4	Preparations for use on the hair	10%	20%
5	Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual retail packages	10%	20%
6	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included, prepared room deodorizers, whether or not perfumed or having disinfectant properties	10%	20%
	Automobile parts		
7	Truck and Bus radial tyres	10%	15%
8	Specified parts/accessories of motor vehicles, motor cars, motor cycles	7.5%/10%	15%
9	Footwear	10%	20%
10	Parts of footwear	10%	15%

	Jewellery		
11	Imitation Jewellery	15%	20%
	Electronics / Hardware		
12	Cellular mobile phones	15%	20%
13	Specified parts and accessories including lithium ion battery of cellular mobile phones	7.5%/10%	15%
14	Smart watches / wearable devices	10%	20%
15	LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	7.5%/10%	15%
	Furniture		
16	Seats and parts of seats [other than aircraft seats and their parts]	10%	20%
17	Other furniture and parts	10%	20%
18	Mattresses supports; articles of bedding and similar furnishing	10%	20%
19	Lamps and lighting fitting, illuminated signs, illuminated name plates and the like [except solar lanterns or solar lamps]	10%	20%
	Watches and Clocks		
20	Wrist watches, pocket watches and other watches, including stop watches	10%	20%
21	Clocks with watch movements	10%	20%
22	Other clocks, including alarm clocks	10%	20%
	Toys and Games		
23	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; puzzles	10%	20%
24	Video game consoles and machines, articles for funfair, table or parlor games and automatic bowling alley equipment	10%	20%
25	Festive, carnival or other entertainment articles	10%	20%

26	Articles and equipment for sports or outdoor games, swimming pools and paddling pools [other than articles and equipment for general physical exercise, gymnastics or athletics]	10%	20%
27	Fishing rods, fishing-hooks and other line fishing tackle; fish landing nets, butter fly nets and similar nets; decoy birds and similar hunting or shooting requisites	10%	20%
28	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses, traveling menageries and travelling theatres	10%	20%
	Miscellaneous items		
29	Candles, tapers and the like	10%	25%
30	Kites	10%	20%
31	Sunglasses	10%	20%
32	Date, sealing or numbering stamps, and the like	10%	20%
33	Cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks.	10%	20%
34	Scent sprays and similar toilet sprays, and mounts and heads therefor; powder-puffs and pads for the application of cosmetic or toilet preparations.	10%	20%
B.	**Amendments not affecting rates of duty [to be effective from 02.02.2018]* [Clause 101(a) of the Finance Bill, 2018]**		
1	Tariff rate of BCD on Lithium-ion batteries [The effective rate of import duty on Lithium-ion batteries [except those for cellular mobile phones will, however, remain unchanged at 10%.] Tariff rate of BCD on Lithium-ion batteries	10%	20%
2	Tariff rate of BCD on medical devices [The effective rates of BCD on such medical devices will, however, remain unchanged.]	7.50%	10%

C.	**Technical amendment not affecting rates of duty [Clause 101(b) of the Finance Bill, 2018]**	
1	Bifurcate the tariff item 0713 31 00 to create separate tariff items each for Moong Dal and Urad Dal.	
2	Omit tariff item 0904 22 12 and entries relating thereto and create new tariff item 1209 91 70, in relation to chilly seed of genus capsicum.	
3	Amend the tariff item 2917 39 20 to specify the isomers it covers.	

AMENDMENTS IN THE SECOND SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment		
A	**Amendments not affecting rates of Export duty**	**Rate of Duty**	
		From	**To**
1.	To insert a new Note to specify Nil rate of duty in respect of all other goods which are not covered under column (2) of the Schedule. [Clause 102 (a) of the Finance Bill, 2018]	**--**	**--**
2	Electrodes of a kind used for furnaces [Clause 102 (b) of the Finance Bill, 2018]* [Introduction of 20% Tariff rate of Export Duty on Electrodes of a kind used for furnaces (8545 11 00). The effective rate of Export duty on such electrodes will, however, remainNil]	--	20%

OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES

S.No.	Commodity	From	To
	Food processing		
1	Cashew nuts in shell [Raw cashew]	5%	2.50%
2	Orange fruit juice	30%	35%

3	Cranberry Juice	10%	50%
4	Miscellaneous Food preparations (other than soya protein)	30%	50%
	Textiles		
5	Silk Fabrics	10%	20%
	Capital goods and Electronics		
6	Printed Circuit Board Assembly (PCBA) of charger/adapter and moulded plastics of charger/adapter of cellular mobile phones	Nil	10%
7	Inputs or parts for manufacture of: a) PCBA, or b) moulded plastics of charger/adapter of cellular mobile phones of cellular mobile phones	Applicable Rate	Nil
8	Ball screws, linear motion guides, CNC systems for manufacture of all types of CNC machine tools falling under headings 8456 to 8463	7.50%	2.50%
9	Solar tempered glass or solar tempered [anti-reflective coated] glass for manufacture of solar cells /panels/modules	5%	Nil
10	Preform of silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables	Nil	5%
11	12 specified parts for manufacture of LCD/LED TV panels	Nil	10%
	Automobile and automobile parts		
12	CKD imports of motor vehicles, motor cars, motor cycles	10%	15%
13	CBU imports of motor vehicles	20%	25%
	Diamonds and Precious stones		
14	Cut and polished colored gemstones;	2.50%	5%
15	Diamonds including lab grown diamonds-semi processed, half-cut or broken; non-industrial	2.50%	5%

	diamonds including lab-grown diamonds (other than rough diamonds), including cut and polished diamonds		
	Medical Devices		
16	Raw materials, parts or accessories for the manufacture of Cochlear Implants	2.50%	Nil
	Rationalization in Customs duty rates		
	Edible oils of vegetable origin		
17	Crude edible vegetable oils like Ground nut oil, Olive oil, Cotton seed	12.50%	30%
	oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil,		
	Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils.		
18	Refined edible vegetable oils, like Ground nut oil, Olive oil, Cotton seed oil, Safflower seed oil, Saffola oil, Coconut oil, Palm Kernel/Babassu oil, Linseed oil, Maize corn oil, Castor oil, Sesame oil, other fixed vegetable fats and oils, edible margarine of vegetable origin, Sal fat; specified goods of heading 1518	20%	35%
	Refractory Items		
19	Other articles of stone containing magnesite, dolomite or chromite	10%	7.50%
20	Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earths	10%	7.50%
21	Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths	5%	7.50%
22	Other refractory ceramic goods	5%	7.50%

Levy of Social Welfare Surcharge, as a duty of Customs on imported goods [Clause 108 of the Finance Bill, 2018]:

S. No.	Description	From	To
1	Levy of Social Welfare Surcharge on imported goods to finance education, housing and social security [clause 108 of Finance Bill, 2018]	--	10% of aggregate duties of customs
2	Abolition of Education Cess and Secondary and Higher Education Cess on imported goods [clause 106 of Finance Bill, 2018]	3% of aggregate duties of customs	Nil
3	Motor spirit commonly known as petrol and high speed diesel oil	--	3% of aggregate duties of customs
4	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of aggregate duties of customs
5	Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form	--	3% of aggregate duties of customs
6	Specified goods hitherto exempt from Education Cess and Secondary and Higher Education Cess on imported goods	--	Nil

Levy of the Road and Infrastructure Cess [Clause 109 of the Finance Bill, 2018]

S. No.	Description	From	To
1	Levy of Road and Infrastructure Cess on imported motor spirit commonly known as petrol and high speed diesel oil	--	Rs. 8 per litre
2	Exemption from additional duty of customs leviable under section 3(1) of the Customs Tariff Act, 1975 in lieu of the proposed Road and Infrastructure cess on domestically produced motor spirit commonly known as petrol and high speed diesel oil	--	Nil
3	Abolition of Additional Duty of Customs [Road Cess] on imported motor spirit commonly known as petrol and high speed diesel oil	Rs. 6 per litre	Nil
4	Additional duty of customs under sections 3(1) of the Customs Tariff Act, 1975 in lieu of basic excise duty		
	(i) Motor spirit commonly known as petrol	Rs. 6.48per litre	Rs. 4.48 per litre
	(ii) High speed diesel oil	Rs. 8.33per litre	Rs. 6.33 per litre

Thanking you…

THE MAKING OF THIS BOOK

FEW GLIMPSES

SURAT MUMBAI NEW DELHI JAIPUR HYDERABAD AHMEDABAD KOLKATA BENGALURU VAPI