

UNION BUDGET 2017

Highlights

AGARWAL ADVISORS

Tax for Individuals

Existing Slab Rates		Proposed Slab Rates	
0 to Rs.2.5 Lakhs	Nil	0 to Rs.2.5 Lakhs	Nil
> Rs.2.5 Lakhs to Rs.5 Lakhs	10%	> Rs.2.5 Lakhs to Rs.5 Lakhs	5%
> Rs.5 Lakhs to Rs.10 Lakhs	20%	> Rs.5 Lakhs to Rs.10 Lakhs	20%
> Rs.10 Lakhs	30%	> Rs.10 Lakhs	30%

income between Rs.50 Lakhs to Rs.1 Crore.

Tax for Individuals Contd...

- ▶ Rebate u/s.87A to individual assesses is reduced from Rs.5,000/- to Rs.2,500/- of the total income does not exceed Rs.3.5 Lakhs.
- ▶ Simple one page income tax return for the category of individuals having taxable income up to Rs.5 lakhs and not having business income.

Amendments in provisions of Profits & Gains from Business / Profession:

- ▶ To stimulate and make MSMEs more competitive, the Corporate Income Tax Rates for Domestic Companies with the total turnover or gross receipts in the previous year does not exceed Rs. 50 Crores is reduced to 25% from 30%.
- ▶ Time limit for carryforward and set off of Minimum Alternate Tax (MAT) Credit is extended from Ten year to Fifteen years.
- ▶ Provision for bad and doubtful debts u/s. 36(1)(vii) for Banks is increased from 7.5% to 8.5%. This will reduce the tax liability of the banks.

- ▶ Presumptive income taxable u/s. 44AD is reduced from the present 8% to 6% of the total turnover, provided the amount is received by way of account payee cheque / draft or using electronic clearing system through bank account. This benefit is available for AY 2017-18 also.
- ▶ Audit u/s. 44AB for the persons opting presumptive income scheme u/s. 44AD is increased from Rs.1 crore to Rs.2 crores.
- ▶ Threshold limit for maintenance of books of account u/s. 44AA for individuals and HUF increased from turnover of 10 lakhs to 25 lakhs OR income from 1.2 lakhs to 2.5 lakhs.

- ▶ Professionals opting for presumptive taxation u/s. 44ADA with receipt up to Rs.50 lakhs p.a. can pay the advance tax in one instalment instead of four instalments.
- ▶ Cash expenditure allowable as deduction u/s. 40A(3) limited to Rs.20000 in a day at present is proposed to be further limited to Rs.10,000.
- ▶ This applicable for capital expenditure incurred in cash also –amendment to Section 43 and to section 35 AD
- ▶ Provision of Domestic Transfer Pricing – is being restricted only if one of the entities involved in related party transaction enjoys specified profit-linked deduction.

- ▶ Conditions relaxed on Profit-linked income tax deduction for promotion of affordable housing u/s. 80-IBA:
 - Built-up area of the residential unit should not exceed 30 Sq. Mtrs. where the project is located in Chennai, Delhi, Kolkata and Mumbai and 60 Sq. Mtrs. any other place. Now the measurement should be on ***Carpet Area*** instead of ***Built-up area***.
 - The condition of 30 Sq. Mts., which was made applicable even for the areas covered within the 25 kms. of Chennai, Delhi, Kolkata and Mumbai is no more applicable. Hence the condition of 60 Sq. Mts. will be applicable in these cases.
 - The completion period of the project is extended from 3 years to 5 years.
 - For builders for whom constructed buildings are stock-in-trade, tax on notional rental income will only apply after one year of the end of the year in which completion certificate is received.

Benefits for Start-ups

- ▶ Profit linked deduction for “Start-ups” u/s.80-IAC is proposed to be made available for 3 years out of 7 years instead of 3 years out of 5 year.
- ▶ For the purpose of carry forward of the loss of a Start- up, the condition of holding 51% holding for tax exemption for Start-up is relaxed subject to the condition that the original promoters holding continues.

Secondary Transfer Pricing Adjustment

Inserts a new section 92CE to requiring assessee to carry out secondary adjustment; Secondary adjustment provisions not applicable if the amount of primary adjustment **does not exceed Rs. 1 Cr** or primary adjustment pertains to period prior to AY 2017-18; Secondary adjustment applicable where the primary adjustment to transfer price has been

- (i) made suo motu by the assessee in his return of income; or
- (ii) made by AO and accepted by assessee; or
- (iii) is determined in APA/MAP; or
- (iv) made as per safe harbor rules;

Provides where as a result of primary adjustment, there is an increase in the total income or reduction in the loss of the assessee, the excess money which is available with its AE, if not repatriated to India within the time as may be prescribed, shall be deemed to be an advance made by the assessee to such AE and the interest on such advance, shall be computed as the income of the assessee; Further, in order to reduce the compliance burden of taxpayers, expenditure in respect of which payment has been made by the assessee to a person referred to in under section 40A(2)(b) are to be excluded from the scope of section 92BA of the Act

Capital Gain provisions

- ▶ The holding period for the purpose of computing the Long term capital gain on immovable property being land or building or both is reduced from 3 years to 2 years.
- ▶ The base year for indexation is shifted from 01.04.1981 to 01.04.2001 for all classes of assets including immovable property. This will significantly reduce the capital gain tax liability.
- ▶ Capital gain for Individual / HUF on transfer of land or building or both under Joint Development Agreement or similar agreement - the liability to pay such capital gain tax will be in the year of completion of the project.

Capital Gain provisions

- ▶ Capital gain for Individual / HUF on transfer of land or building or both, held as on 02.06.2014 (the date on which the State of Andhra Pradesh was reorganised) under the land pooling scheme for creation of capital city of Andhra Pradesh is exempt from tax.
- ▶ Conversion of preference shares of a company into equity shares not be regarded as transfer.
- ▶ Amendment to Section 49 so as to provide that cost of acquisition of shares of Indian company referred to in Sec 47(vic) in the hands of foreign company shall be the same as it was in the hands of demerged foreign Company.

Transparency in Electoral Funding:

- Maximum amount of cash donation that a political party can take is Rs.2000 from one person.
- Political parties entitled to receive donation by cheque or digital mode.
- RBI Act will be amended to enable the issuance of Electoral bonds. Donor will purchase bonds by cheque or digital payments, these will be redeemable only in the designated account of the political party.
- Political parties to file the return of income as per Income Tax Act.
- Exemption under income tax act will be available subject to the fulfillment of the above conditions.

Other Provisions

Filing of revised returns:

- Sec.139(5) relating to filing of belated returns has been amended w.e.f. 01.04.2018 –
- Earlier the extended period of time for filing of revised returns was one year from the end of relevant assessment year.
- As per the amended provision- the extended time allowed for filing of revised returns is restricted to the end of the relevant assessment year.
- Amendment in MAT computation process due to introduction of IND AS.
- Deduction u/s 10AA restricted to total income.
- Penalty of 10,000 on professionals for providing misleading information.

Other Provisions

- ▶ Corporate Income tax leviable on domestic companies having turnover less than 50 Crore reduced to 25%
- ▶ Time limit for completion of Scrutiny Assessment is further reduced from 21 months to 18 months for AY 2018-19 and further to 12 months for AY 2019-20 onwards.
- ▶ No person shall receive an amount of Rs.3 Lakhs or more from a person in a day or in respect of single transaction by Cash. Violation of this provision will attract penalty.
- ▶ New Sec. 234F is inserted levying penal fee for not filing the return within the due date u/s. 139(1)
 - Rs.5,000/- if the return is not filed on or before 31st December of the Assessment year
 - Rs.10,000/- in other cases
 - If the total income does not exceed Rs.5 lakhs the fee shall not exceed Rs.1,000/-

Other Provisions

- ▶ Deduction u/s. 80G is not allowed if the donation is made in cash for more than Rs.2000.
- ▶ Concessional withholding rate of 5% on interest earned by Foreign entities in external commercial borrowings or in bonds and Government securities is extended to 30.06.2020
- ▶ This benefit is also extended to rupee denominated(Masala)bonds
- ▶ Penalty on professionals for furnishing incorrect information in statutory report or certificate
- ▶ Set off of House property loss u/s 71 restricted to 2 Lakhs with other heads of Income.

Proposed amendments in TDS provisions

Sl. No.	Section	Nature	Pre-amendment	Post amendment
1.	194IB	Rent payable by an individual or HUF not covered u/s. 194I	New provision	Threshold limit Rs.50,000/- per month. TDS to be deducted @ 5%
2.	194IC	Payment of Consideration (not being in kind) under Joint Development Agreement or other similar agreement	New Provision	Threshold limit Rs. Nil TDS to be deducted @ 10%
3.	194J	Payment to Professionals	TDS Rate 10%	TDS rate will be 2% if the payee is engaged in the business of operation of call centre

Indirect Tax Amendments

- ▶ Basic Customs Duty on LNG is reduced to 2.5% from 5%.
- ▶ To promote digital payments it is proposed to exempt the following devices to be exempt from Basic Customs Duty (BCD), Excise / Countervailing Duty (CVD) and Specific Additional Duty (SAD)
 - Miniaturized POS card reader for m-POS (other than mobile phones or tablet computers),
 - Micro ATM standards version 1.5.1,
 - Finger Print Readers / Scanners and Iris Scanners and on their parts and components

Indirect Tax Amendments

- ▶ Retrospective amendment to Rule 2A of Service tax (Determination of Value) Rules, 2006
- ▶ The amended Rule 2A now provides for valuation mechanism in case of works contract involving transfer of goods and land or undivided share of land.
- ▶ Earlier valuation mechanism did not provide for valuation of works contract where land value was included in the contract.
- ▶ With this it is now clear that Service tax will be applicable on under construction flats.
- ▶ In light of upcoming GST implementation, no major changes in indirect taxes are done.

Thank you

In case you have any further query please write to us at advisorsagarwal@gmail.com