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INDIA BUDGET 2018



 **O.P. RATHI & CO.**
CHARTERED ACCOUNTANTS



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Budget 2018-19 issued by The Union Minister for Finance and Corporate Affairs Shri Arun Jaitley reflects the Government's firm commitment to substantially boost investment in Agriculture, Social Sector, Digital Payments, Infrastructure and Employment Generation on the one hand and simultaneously stick to the path of fiscal rectitude by aiming for a reduction of Fiscal Deficit by 0.2% of GDP over Revised Estimate 2017-18. This is substantiated by increase in expenditure of Rs. 2,24,463 crores over Revised Estimate of 2017-18 while simultaneously keeping the fiscal deficit at 3.3% of GDP. Government says that growth in the second half is likely to remain between 7.2% to 7.5% and it is firmly on course to achieve high growth of 8% plus as manufacturing, services and exports are back on good growth path.

Prime Minister Shri Narendra Modi has always stressed importance of good governance, the Finance Minister said that such a vision has inspired Government agencies to carry out hundreds of reforms in policies, rules and procedures. He said Natural resources are now being allocated in a transparent and honest manner and there is a premium on honesty. This transformation is reflected in improvement of India's ranking by 42 places in last three years in the World Bank's 'Ease of Doing Business' with India breaking into top 100 for the first time.

Goods and Services Tax (GST) has given a new perspective of the Indian economy and new data has emerged. There has been a 50% increase in the number of indirect taxpayers. There has also been a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises wanting to avail themselves of input tax credits. Similarly, there has been an addition of about 18 lakh in individual income tax filers since November 2016.

The Finance Minister said that Government has taken up programmes to direct the benefits of structural changes and good growth to reach farmers, poor and other vulnerable sections of our society and to uplift the under-developed regions. He said, this year's Budget will consolidate these gains and particularly focus on strengthening agriculture and rural economy, provision of good health care to economically less privileged, taking care of senior citizens, infrastructure creation and working with the States to provide more resources for improving the quality of education in the country. He said, the Government has ensured that benefits reach eligible beneficiaries and are delivered to them directly and said that Direct Benefit Transfer mechanism of India is the biggest such exercise in the world and is a global success story.

To celebrate the 150 Birth Anniversary of Mahatma Gandhi, Father of the Nation from 2nd October 2019, the Budget set aside Rs.150 crore for the activities leading to the commemoration programme.

- * Budget guided by mission to strengthen agriculture, rural development, health, education, employment, MSME and infrastructure sectors.
- * Government says, a series of structural reforms will propel India among the fastest growing economies of the world. Country firmly on course to achieve over 8 % growth as manufacturing, services and exports back on good growth path.
- * MSP for all unannounced kharif crops will be one and half times of their production cost like majority of rabi crops: Institutional Farm Credit raised to 11 lakh crore in 2018-19 from 8.5 lakh crore in 2014-15.
- * 22,000 rural haats to be developed and upgraded into Gramin Agricultural Markets to protect the interests of 86% small and marginal farmers.
- * “Operation Greens” launched to address price fluctuations in potato, tomato and onion for benefit of farmers and consumers.
- * Two New Funds of Rs 10,000 crore announced for Fisheries and Animal Husbandry sectors; Re-structured National Bamboo Mission gets Rs. 1290 crore.
- * Loans to Women Self Help Groups will increase to Rs.75,000 crore in 2019 from 42,500 crore last year.
- * Higher targets for Ujjwala, Saubhagya and Swachh Mission to cater to lower and middle class in providing free LPG connections, electricity and toilets.
- * Outlay on health, education and social protection will be 1.38 lakh crore. Tribal students to get Ekalavya Residential School in each tribal block by 2022. Welfare fund for SCs gets a boost.
- * World’s largest Health Protection Scheme covering over 10 crore poor and vulnerable families launched with a family limit upto 5 lakh rupees for secondary and tertiary treatment.
- * Fiscal Deficit pegged at 3.5 %, projected at 3.3 % for 2018-19.
- * Rs. 5.97 lakh crore allocation for infrastructure.
- * 10 prominent sites to be developed as Iconic tourist destinations.
- * NITI Aayog to initiate a national programme on Artificial Intelligence(AI).
- * Centres of excellence to be set up on robotics, AI, Internet of things etc.
- * Disinvestment crossed target of Rs 72,500 crore to reach Rs 1,00,000 crore.

- * Comprehensive Gold Policy on the anvil to develop yellow metal as an asset class.
- * 100 percent deduction proposed to companies registered as Farmer Producer Companies with an annual turnover upto Rs. 100 crore on profit derived from such activities, for five years from 2018-19.
- * Deduction of 30 percent on emoluments paid to new employees Under Section 80-JJAA to be relaxed to 150 days for footwear and leather industry, to create more employment.
- * No adjustment in respect of transactions in immovable property where Circle Rate value does not exceed 5 percent of consideration.
- * Proposal to extend reduced rate of 25 percent currently available for companies with turnover of less than 50 crore (in Financial Year 2015-16), to companies reporting turnover up to Rs. 250 crore in Financial Year 2016-17, to benefit micro, small and medium enterprises.
- * Standard Deduction of Rs. 40,000 in place of present exemption for transport allowance and reimbursement of miscellaneous medical expenses. 2.5 crore salaried employees and pensioners to benefit.
- * Relief to Senior Citizens Proposed:-
 - ◇ No TDS on interest income upto INR 50,000 for senior citizens U/s 194A.
 - ◇ Hike in deduction limit for health insurance premium and/ or medical expenditure from Rs. 30,000 to Rs. 50,000 under section 80D.
 - ◇ Increase in deduction limit for medical expenditure for certain critical illness from Rs. 60,000 (in case of senior citizens) and from Rs. 80,000 (in case of very senior citizens) to Rs. 1 lakh for all senior citizens, under section 80DDB.
 - ◇ Proposed to extend Pradhan Mantri Vaya Vandana Yojana up to March, 2020. Current investment limit proposed to be increased to Rs. 15 lakh from the existing limit of Rs. 7.5 lakh per senior citizen.
- * It is proposed to amend section 115JB to provide that the aggregate amount of unabsorbed depreciation and loss brought forward (excluding unabsorbed depreciation) shall be allowed to be reduced from the book profit, if a company's application for corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 has been admitted by the Adjudicating Authority.

- * No Deduction under chapter VIA – C “Deductions in respect of certain incomes” would be admissible if return of income is not filed within prescribed due-date.
- * Relief from prosecution for failure to furnish return that was available for taxpayers whose tax liability determined under regular assessment did not exceed INR 3,000 would not be applicable to companies.
- * More concessions for International Financial Services Centre (IFSC), to promote trade in stock exchanges located in IFSC.
- * Disallowance of payment of cash exceeding INR 10,000 under section 40A(3) & 40A(3A) and disallowance of expenditure under section 40(a)(ia) for non-compliance with TDS provisions applicable to specified entities claiming exemption under section 10(23C) and section 11 of Income Tax Act. (Registered charitable entities).
- * Tax on Long Term Capital Gains (LTCG) exceeding Rs. 1 lakh at the rate of 10 percent, without allowing any indexation benefit. However, all gains up to 31st January, 2018 will be grandfathered.
- * Proposal to introduce tax on distributed income by equity oriented mutual funds at the rate of 10 percent.
- * It is proposed to include deemed dividend of section 2(22)(e) under the scope of section 115-O which results in taxation of such deemed dividend in the hands of company itself rather than the recipient. Further, such deemed dividend is to be taxed at 30 % (without grossing up).
- * Proposal to increase cess on personal income tax and corporation tax to 4 percent from present 3 percent.
- * Proposal to roll out E-assessment across the country to almost eliminate person to person contact leading to greater efficiency and transparency in direct tax collection.
- * It is proposed that following persons shall be mandatorily required to obtain Permanent Account Number (PAN):
 - ❖ Non-Individual entity entering into a financial transaction of INR 2,50,000 or more in a financial year.
 - ❖ In order to link financial transactions with the natural persons, Managing Director, Director, Partner, Trustee, author, founder, Karta, chief executive officer, principal officer or officer bearer or any person competent to act on behalf of such entities.

- * Proposed changes in customs duty to promote creation of more jobs in the country and also to incentives domestic value addition and Make in India in sectors such as food processing, electronics, auto components, footwear and furniture.
- * The Budget proposes to revise emoluments to Rs.5 lakh for the President, Rs 4 lakhs for the Vice President and Rs.3.5 lakh per month to Governor. These emoluments were last revised in 2006.

“Our emphasis is on generating higher incomes for farmers. We consider agriculture as an enterprise and want to help farmers produce more from the same land parcel at lesser cost and simultaneously realize higher prices for their produce”

The Finance Minister announced a slew of new schemes and measures, focus on rural sector will have a positive impact by reducing rural stress.

STEPS TAKEN BY GOVERNMENT ARE AS UNDER:

- * Doubling farmers’ Income: government keeps MSP of all hitherto unannounced Kharif crops at least at one and half times of production cost.
- * Finance minister announces raising institutional credit for agriculture sector to Rs.11 Lakh crore for 2018-19 from Rs.10 Lakh Crore in 2017-18.
- * Rs.500 Crore ‘operation greens’ announced to address price volatility of perishable commodities like potato, tomato and onion and benefit both producers and consumers.
- * Rs.200 Crore allocated to support organized cultivation of highly specialized medicinal and aromatic plants and associated industry.
- * 22,000 rural Haats to be developed and upgraded into Gramin agricultural markets (grams) for farmers to directly sell to consumers and bulk purchasers.
- * Rs.2000 Crore fund to be set up for developing and upgrading agricultural marketing infrastructure in the 22000 grams and 585 APMCS.
- * Doubling allocation for food processing sector to Rs.1400 Crore, government to promote establishment of specialized agro-processing financial institutions.
- * Facility of Kisan credit cards extended to fisheries and animal husbandry farmers to help them meet their working capital needs; Rs.10,000 Crore funds announced cumulatively for infrastructure development in the two sectors.
- * Rs.1290 Crore re-structured national bamboo mission announced to promote bamboo sector in a holistic manner.
- * Special scheme to be implemented to support haryana, Punjab, Uttar Pradesh and the Delhi to address air pollution and to subsidize machinery required for in-situ management of crop residue.

- * It is proposed to increase the target of providing free LPG connection to 8 crore poor women under Prime Minister's Ujjwala Scheme to make poor women free from the smoke of wood.
- * An amount of Rs 16,000 crore is being spent under Prime Minister Saubhagya Yojana for providing electricity to 4 crore households of the country free of charge.
- * Government has already constructed more than 6 crore toilets under Swachh Bharat Mission and is planning to further construct around 2 crore toilets.
- * Under Prime Minister Awas Scheme rural houses planned in 2017-18 is 51 lakhs and 51 lakhs houses during 2018-19 which is more than 1 crore houses will be constructed exclusively in rural areas. In urban areas the assistance has been sanctioned to construct 37 lakh houses.
- * An amount of Rs. 2,600 crore is allocated for Ground Water Irrigation Scheme under Prime Minister Krishi Sinchai Yojana- Har Khet ko Pani will be taken up in 96 deprived irrigation districts where less than 30% of the land holdings gets assured irrigation presently.
- * It is proposed to establish a dedicated Affordable Housing Fund (AHF) in National Housing Bank, funded from priority sector lending shortfall and fully serviced bonds authorized by the Government of India.
- * It is anticipated that the loans to SHGs will increase to Rs 75,000 crore by March,2019. Substantially an increase in allocation of National Rural Livelihood Mission to Rs 5,750 crore in 2018-19 is proposed.

ENTERPRISES (MSMEs) & EMPLOYMENT

Benefit of reduced rate of 25% to companies who have reported turnover up to Rs.250 crore in the Financial Year 2016-17. "This will benefit the entire class of micro, small and medium enterprises which accounts for almost 99% of companies filing their tax returns,"

- * The Budget has given a big thrust to Medium, Small and Micro Enterprises (MSMEs) to boost employment and economic growth.
- * A sum of Rs. 3794 crore has been provided for giving credit support, capital and interest subsidy and for innovations. In addition, allocated Rs. 3,794 crore for credit support, capital and interest subsidy to MSMEs.
- * MUDRA Yojana launched in April, 2015 has led to sanction of Rs.4.6 lakh crore in credit from 10.38 crore MUDRA loans.
- * 76% of loan accounts are of women and more than 50% belong to SCs, STs and OBCs.
- * It is proposed to set a target of Rs.3 lakh crore for lending under MUDRA for 2018-19 after having successfully exceeded the targets in all previous years.
- * "Online loan sanctioning facility for MSMEs will be revamped for quick decision making by the banks" as, out of a total outstanding credit of Rs. 26,041 billion as in November 2017, 82.6% of the amount was lent to large enterprises. The MSME sector received only 17.4% of the total credit outstanding. The government will also announce measures to address the issues of non-performing assets and stressed accounts of MSMEs.

EMPLOYMENT GENERATION

- * 70 lakh formal jobs will be created this year.
- * Government will contribute 12% of the wages of the new employees in the EPF for all the sectors for next three years.
- * Reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution.
- * The Budget proposed an outlay of Rs.7148 crore for the textile sector in 2018-19 as against Rs.6,000 Crore in 2016.

"Investment in excess of Rs. 50 lakh crore is needed to increase growth of GDP and connect the nation with a network of roads, airports, railways, ports and inland waterways"

- * The budgetary and extra budgetary expenditure for the Sector has been Rs.5.97 lakh crore in 2018-19.
- * An all time high allocation of Rs 1,34,572 crore has been made for the transport sector
- * Allocation of Rs. 60 crore to develop disaster resilient infrastructure.
- * Using online monitoring system of PRAGATI alone, projects worth 9.46 lakh crore have been facilitated and fast tracked.
- * In the Road sector, the recently approved Bharatmala Pariyojana aims to develop about 35,000 km of highways at a cost of Rs. 5,35,000 crore in Phase I.
- * The National Highways Authority of India (NHI) will consider organizing its road assets into Special Purpose Vehicles and use innovative monetizing structures like Toll, Operate and Transfer (TOT) and Infrastructure Investment Funds (InvITs) for raising funds.
- * To further boost tourism, the Budget proposes to develop 10 prominent tourist sites into Iconic Tourism destinations by following a holistic approach involving infrastructure and skill development, development of technology, attracting private investment, branding and marketing.
- * Railways' Capex for the year 2018-19 has been pegged at Rs.1,48,528 crore.
- * 18,000 kilometers of doubling, third and fourth line works and 5000 kilometers of gauge conversion would augment capacity and transform almost the entire network into Broad Gauge.
- * 4000 kilometers of electrified railway network is slated for commissioning during 2017-18.
- * Work on Eastern and Western dedicated Freight Corridors is in full swing.
- * Adequate number of rolling stock – 12000 wagons, 5160 coaches and approximately 700 locomotives are being procured during 2018-19.
- * Over 3600 kms of track renewal is targeted during the current fiscal.
- * Redevelopment of 600 major railway stations is being taken up.

- * Mumbai's local train network will have 90 kilometers of double line tracks at a cost of over Rs.11,000 crore.
- * 150 kilometers of additional suburban network is being planned at a cost of over Rs.40,000 crore, including elevated corridors on some sections.
- * A suburban network of approximately 160 kilometres at an estimated cost of Rs.17,000 crore is being planned to cater to the growth of the Bengaluru metropolis.
- * Foundation for the Mumbai - Ahmedabad bullet train project, India's first high speed rail project was laid on September 14, 2017. An Institute is coming up at Vadodara to train manpower required for high speed rail projects.
- * In the Civil Aviation Sector, the Budget 2018-19 announced a new initiative NABH Nirman to expand airport capacity by more than five times to handle a billion trips in a year.
- * Domestic air passenger traffic has grown at 18% per annum
- * The regional connectivity Scheme UDAN, will connect 56 unserved airports and 31 unserved helipads across the country. Operations have already started at 16 airports.

- * India's defence budget for the coming financial year 2018-19 has been increased by 7.81 per cent to Rs 2.95 lakh crore over last year's Rs 2.74 lakh crore allocation.
- * Out of total outlay of Rs 24,42,213 crore, 12.10% i.e. Rs 2,95,511.41 crore has been earmarked for defence.
- * The defence outlay works out to about 1.58% of the GDP for 2018-19,
- * For defence pension, an amount of Rs. 1,08,853.30 crore has been provided in Budget Estimates 2018-19.

- * The government has, for the first time in India's history, beaten its own disinvestment target, raising about Rs 92,000 crore by selling its stake in state run companies as against the budgeted Rs. 72,500 crore, assuming the receipts of Rs. 1,00,000 crore in 2017-18.
- * Further, Disinvestment target for 2018-19 is Rs. 80,000 crore (10.3% increase).
- * Approved listing of 14 CPSEs, including 2 insurance companies, on the stock exchanges.
- * Initiated the process of strategic disinvestment in 24 CPSEs. It includes strategic privatization of Air India.
- * Three public sector general insurance companies National Insurance Company Ltd., United India Assurance Company Limited and Oriental India Insurance Company Limited will be merged into a single insurance entity and will be subsequently listed.
- * The Government introduced Exchange Traded Fund Bharat-22 to raise Rs. 14,500 crore, which was over-subscribed in all segments.
- * Bank recapitalization program has been launched with bonds of Rs. 80,000 .
- * Banks to lend additional credit of Rs. 5 lakh Crore.
- * Gold Monetization Scheme will be revamped to enable people to open a hassle-free Gold Deposit Account.

PROTECTION

“India cannot realize its demographic dividend without its citizens being healthy.”

“The Government is steadily but surely progressing towards the goal of universal Health coverage.”

- * Budgetary expenditure on health, education and social protection by Rs. 1.38 lakhs crore for 2018-19.
- * Announced the world’s largest “National Health Protection Scheme” to cover over 10 crore, providing coverage upto 5 lakh rupees per family per year.
- * Setting up 24 new Government Medical Colleges and Hospitals by upgrading existing district hospitals in the country.
- * To educate more than 50% ST population and at least 20,000 tribal persons, government have initiated an Ekalavya Model Residential School.
- * To step up investments in research and related infrastructure to launch a major initiative named “Revitalising Infrastructure and Systems in Education (RISE) by 2022” with a total investment of Rs 1,00,000 crore in next four years.
- * Under “Prime Minister’s Research Fellows (PMRF)” Scheme 1,000 best B.Tech students each year from premier institutions will be selected and will be provided with facilities to do Ph.D in IITs and IISc, with a handsome fellowship.

- * Rs 3,800 crore for Deendayal Upadhyaya Gram Jyoti Yojna (DUGJY) and Rs 4,900 crores for Integrated Power Development Scheme (IPDS) has been allocated.
- * The government has also allocated Rs 16,000 crore for the Sahaj Bijli Har Ghar Yojana (Saubhagya) to enable last mile connectivity for rural households.
- * The government has also allocated Rs 4,200 crore for capacity addition in wind power, solar power and green energy corridor project.
- * Over 280 million LED bulbs were distributed to consumers in India by Energy Efficiency Services Limited (EESL) under Unnati Jyoti by Affordable LEDs for All (UJALA) as on December 19, 2017 and 524.3 million LED bulbs were sold by private players till October 2017.
- * The Government of India is going to promote coal gasification to convert high ash coal into methanol.

- * The growth rate of direct taxes upto 15th January, 2018 is 18.7%.
- * 85.51 lakhs new taxpayers filed their returns of income as against 66.26 lakhs in the immediately preceding year.
- * The number of effective tax payer base increased from 6.47 crores at the beginning of the F.Y.14-15 to 8.27 crores at the end of F.Y.16-17.
- * E-assessment had been introduced on a pilot basis in 2016 and extended to 102 cities in 2017. Now announced a proposal to roll out E-assessment across the country.
- * No adjustment would be made while processing of return of income on account of mismatch of income appearing in Form 26AS or Form 16 or Form 16A and return of income, from A.Y.2018-19 onwards.
- * The scope of appealable orders before the ITAT to be expanded to include penalty orders imposing penalty on the accountant, merchant banker or registered valuer for furnishing incorrect information in any report or certificate. This provision to take effect from AY 2018-19.
- * All companies including shell companies and companies holding 'benami' properties to be liable for prosecution for willful failure to furnish a return of income even if the tax payable does not exceed the prescribed threshold. This provision to take effect from AY 2018-19.
- * Section 115BBE is amended w.e.f. from AY 2017-18 to provide that no expenditure or allowance or set off of any loss shall be allowed in respect of undisclosed income determined by the Assessing Officer U/s 68, 69, 69A, 69B, 69C or 69D.
- * Any compensation received on termination/ modification of the terms and conditions of any contract relating to a taxpayer's business to be taxable as business income.
- * In case of a unit of a Partnership firm or LLP located in IFSC, AMT to be charged at the rate of 9 per cent.
- * MAT is levied at 9 per cent of adjusted book profit for companies having units located in an IFSC which derives income solely in convertible foreign exchange where income tax payable on the total income (according to the normal provisions of the Act) is less than 9 per cent of the adjusted book profit.
- * Companies set up and registered on or after 1st March 2016 engaged solely in the business of manufacture or production of article or thing may at their option be taxable at 25 per cent provided they do not claim specified benefits or deductions.
- * Special method for computation of total income of insurance companies. The rate of tax on profits from life insurance business is 12.5 per cent.

* **FOR FOREIGN COMPANIES**

- ◇ Foreign companies are taxable at 40 per cent.
- ◇ Presumptive tax regime applies to foreign companies engaged in certain sectors/certain activities.
- ◇ Tax rates further need to be increased by the applicable surcharge and cess.

* **SECURITIES TRANSACTION TAX**

- ◇ STT in the range of 0.05 per cent to 0.125 per cent is payable by purchaser/seller as the case may be on the value of taxable securities transactions.

* **EQUALISATION LEVY**

- ◇ Equalisation levy at 6 per cent is applicable on the amount of consideration for online advertisement, any provision for digital advertising space or any other facility or service for the purpose of online advertisement. Tax rates further need to be increased by the applicable surcharge and cess.

INDIVIDUALS / SENIOR CITIZENS

INDIVIDUAL

(Upto 60 years)

INCOME	TAX RATE
Upto 2,50,000	NIL
2,50,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

SENIOR CITIZEN

(60-80 Years)

INCOME	TAX RATE
Upto 3,00,000	NIL
3,00,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

VERY SENIOR CITIZEN

(80+ Years)

INCOME	TAX RATE
Upto 5,00,000	NIL
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

Surcharge: @ 10% in case of income between 50 lacs to 1 crore and @ 15% in case of income is more than 1 crores

Cess: Health & Education cess @ 4%.

- * Standard deduction of 40,000/- in lieu of the present exemption in respect of transport allowance and reimbursement of miscellaneous medical expenses.

- * However, transport allowance at enhanced rate is proposed to be continued for differently-able persons.
- * Exemption of up to 40 per cent on withdrawal of NPS to be extended to non-salaried assessees.

KEY RATES FOR NON-RESIDENTS :

NATURE OF INCOME	RATE
Interest received on loans given in foreign currency to Indian concern or Government of India	20%
Royalty for agreements entered into on or after 1 April 1976	10%
FTS for agreements entered into on or after 1 April 1976	10%

PARTICULARS	STCG	LTCG
Sale transactions of listed equity shares(b)/unit of an equity oriented fund(c)/unit of business trust(c)	15%	10% (d)
<i>Sale transaction other than mentioned above(e)</i>		
Individuals (Resident and Non-Residents)	Progressive	20%
	Slab Rate	10% (f)
Resident Companies	30%	—
Overseas financial organisations specified in section 115AB	40% (corporate)	10%
	30% (non-corporate)	—
FII's	30%	10%
Foreign Companies	40%	20% / 10% (f)

- a. These rates further need to be increased by the applicable surcharge and cess.
- b. Provided STT is paid both on acquisition and transfer (other than those notified).
- c. Provided STT is paid on transfer.
- d. Rate of 10 per cent applies to LTCG exceeding INR100,000 without benefit of indexation and foreign currency fluctuation.
- e. Rate of 20 per cent with indexation and 10 percent without indexation applies in respect of listed securities and zero coupon bonds (other than units).
- f. Rate of 10 per cent applies to LTCG of non residents/foreign companies from transfer of unlisted securities or shares of a company, not being a company in which the public are substantially interested, without benefit of indexation and foreign currency fluctuation

INCOME FROM BUSINESS OR PROFESSION

- * Conversion of stock into capital asset shall be charged to tax as business income by considering fair market value of stock on the date of conversion as sales consideration. Further, for the purpose of capital gains, cost shall be the fair market value on date of conversion and period of holding shall be reckoned from the date of such conversion.
- * Section 43(5) to be amended to provide that transaction in respect of trading of agriculture commodity derivatives, which is not chargeable to CTT, over a registered stock exchange or registered association, will not be treated as speculative transaction.
- * It has been provided under section 28(ii)(e) that any compensation received or receivable whether capital or revenue in connection with the termination or modification of the terms and conditions of any contract relating to business shall be taxable as business income.

DIVIDEND

- * Provisions of section 115-0 relating to DDT extended to deemed dividend under section 2(22)(e) which deems payment made by way of advance/loan to specified shareholders as dividend. DDT shall be applicable at 30% (Without Grossing Up)
- * DDT on dividend payout by equity oriented mutual fund at the rate of 10%.
- * The accumulated profits/losses shall be increased by the accumulated profits of the amalgamating company on the date of amalgamation.
- * Dividends earned by an Indian company from a foreign company in which it holds 26 per cent or more equity shares shall be taxable at the rate of 15 per cent (plus applicable surcharge and cess) on gross amount of such dividends.

ICDS

- * In order to bring certainty in the wake of recent judicial pronouncements on the issue of applicability of ICDS, it is proposed to insert new sections and amend existing sections retrospectively with effect from 1 st April 2017 to provide legal backing to the provisions of income computation and disclosure standards. Following are the important changes:
 - ◇ Section 36(1)(xviii) inserted to allow marked to market loss or other expected loss as computed in accordance with ICDS

- ◇ section 40A(13) inserted to restrict deduction or allowance of any marked to market loss or other expected loss except as computed in accordance with ICDS
- ◇ Section 43AA inserted to provide that any gain or loss arising on account of any change in foreign exchange rates shall be treated as income or loss, as the case may be and it shall be computed as per ICDS and it shall be in respect of all foreign currency transactions including those relating to monetary and non-monetary items, translation of financial statements of foreign operations, forward exchange contracts and foreign currency translation reserves.
- ◇ Section 43CB inserted to provide that profits & gains arising from construction contract or a contract for services shall be determined on the basis of percentage of completion method (except for service contracts of less than 90 days duration where project completion method can be used. Contract revenue to include retention money and contract costs not to be reduced by any incidental interests, dividend or capital gains.
- * Profits and gains of business and profession to be computed using ICDS provisions as under
 - ◇ Section 145A and 145B have also been amended to specify the treatment of inventories, interest on compensation, income from subsidy, duty drawbacks etc. The valuation of inventory to be at lower of cost or NRV (as prescribed in ICDS) irrespective of the method of accounting employed
 - ◇ In line with the valuation of purchases and sales of goods and inventory, Income from services also to be adjusted to include taxes, duties, cess or fee paid or incurred
 - ◇ Valuation of inventory being securities not listed on a recognised stock exchange or listed but not quoted on recognised stock exchange, to be actual cost initially recognised in manner provided under ICDS
 - ◇ Valuation of any other securities to be lower of cost or NRV in manner provided in ICDS and comparison of securities to be done category-wise.
- * Interest received on compensation or on enhanced compensation to be regarded as income of the year in which it is received.
- * The claim for escalation of price in a contract or export incentive to be regarded as income in the year in which reasonable certainty of its realisation is achieved.
- * Government subsidy / incentive to be taxed on receipt basis if it is not been charged to tax in earlier year.

CAPITAL GAIN

* Long Term Capital Gains exceeding Rs. 1 lakh at the rate of 10 percent, without allowing any indexation benefit. However, all gains up to 31st January, 2018 will be grandfathered.

* Long Term Capital Gain = Sale Price (-) Presumed purchase price

Presumed cost of acquisition,

◇ Price as on 31st January and Selling price, whichever is lower

◇ Ans (i) and actual cost of purchase, whichever is higher.

* No adjustment shall be made under section 50C, 43CA or 56 in respect of transactions in immovable property, where the Circle Rate value does not exceed 5 percent of the consideration.

* Long Term Capital Gains tax exemption on transaction of sale of listed equity shares and units of equity oriented funds and units of business trust undertaken on stock exchange and subject to STT is withdrawn.

* LTCG in excess of INR 1,00,000/- would also to be taxed in respect of Foreign Institutional Investors (FII) U/s 115AD @ 10%.

* Lock-in-period for investment made under section 54EC is increased from 3 to 5 years.

* Dividend Distribution Tax @ 10% on income distributed by equity oriented mutual funds.

* Sale of Bond, GDR, Rupee denominated bonds of Indian company or a derivative, by a non-resident on a recognised stock exchange located in IFSC not to be regarded as transfer provided the consideration is paid or payable in foreign currency

* LTCG exceeding Rs. 1.00 Lacs arising to FPI's from transfer of equity shares in a company or units of equity oriented mutual fund or units of a business trust (REITs/InvITs) to be taxed at the rate of 10%.

* Inventory converted into capital asset to be taxed as business income basis the FMV to be determined in prescribed manner prevailing on the date of conversion. In this case, the period of holding for the purposes of classification into a short-term or long-term capital asset to be calculated from the date of conversion.

- * In respect of sale of immovable property held either as capital asset or stock-in-trade, no adjustment to be made to the sale consideration in case the stamp duty value does not exceed the sale consideration by 5 per cent. Similarly, for the purchaser, no addition to be made to the total income, if the variation between the stamp duty value and the sale consideration does not exceed INR50,000 or 5 per cent of the sale consideration.
- * The trading in agricultural commodity derivatives on a recognised stock exchange not to be considered as speculative even when not subject to commodities transaction tax.

EXEMPTION & DEDUCTIONS

- * For senior Citizens Exemption (u/s 80TTB) of interest income on deposits with banks and post offices to be increased from 10,000/- to 50,000/-
- * No TDS is required to be deducted on such income, under section 194A.
- * All senior citizens can claim benefit of deduction upto 50,000/- per annum in respect of any health insurance premium and/or any general medical expenditure incurred.
- * Under section 80DDB, deduction limit for medical expenditure for certain critical illness increases from Rs. 60,000 (in case of senior citizens) and from Rs. 80,000 (in case of very senior citizens) to Rs. 1 lakh for all senior citizens.
- * No Deduction under heading ‘C-Deductions in respect of certain incomes’ of Chapter VIA would be admissible if return of income is not filed within prescribed due-date.
- * Beneficial provision of minimum employment of 150 days instead of 240 days for additional 30% deduction U/s 80JJAA in case of emoluments paid to new employees proposed to be extended to footwear and leather industry. Further, It is proposed to allow the deduction in respect of new employees who do not satisfy the minimum employment period criteria in the first year but satisfy it in the subsequent year.
- * Any compensation or payment due to or received by any person in connection with the termination of his/her employment or the modification of its terms and conditions expressly to be made taxable.
- * Funding by the Government of employer contribution of 12 per cent of wages in relation to new employees to EPF for employers in specified sectors to be extended to all sectors for the next three years under a scheme to be notified.

- * Under a new scheme to be notified, employee contribution to EPF by new women employees to be reduced from 10/12 percent to 8 percent of wages for the first three years of employment with employer contribution remaining unchanged.
- * Pradhan Mantri Vaya Vandana Yojana under which limit on investment of 7.5 lakh per senior citizen is being enhanced to Rs. 15 lakh.
- * 100% deduction U/s 80PA for 5 years extended to Farm producer companies having turnover upto 100 Crores whose income is derived from its members by marketing/ processing of their agricultural produce or from purchase of agricultural implements/ other articles for agriculture for purpose of supplying to its members.
- * 100% deduction of profit, u/s 80IAC extended for start-ups being incorporated between 1st April 2019 to 1st April 2021.

FOR TRUST

- * Payments exceeding Rs. 10,000 in cash made by trusts and institutions shall be disallowed. It has been proposed to disallow all expenses in cash exceeding Rs.10,000/- in terms of section 40A(3) and 40A (3A) from the amount of application of income.
- * To improve TDS compliance by these entities, non deduction of tax (TDS), 30 percent of the amount shall be disallowed and would be taxed.

FOR START UPS

- * Taxation regime of start-ups to be modified as under:
 - ◇ The sunset date of incorporation for eligible start-ups to be extended from 31st March, 2019 to 31st March, 2021
 - ◇ The requirement of total turnover to not exceed Rs. 25 Crores would apply to seven previous years commencing from the date of incorporation as against earlier period ending on 31st March, 2021.

- ✧ The definition of eligible business to be amended to mean innovation, development or improvement of product or processes or service or scalable business model with a high potential of employment generation or wealth creation. The requirement of new product or service driven by technology or intellectual property is done away with.

CORPORATES TAXATION

- * Reduction in corporate tax rate to 25% to companies who have reported turnover upto 250 crore in the F.Y.2016-17.
- * The concessional corporate tax rate of 25 percent eligible to certain domestic companies carrying out specific business activities to apply only to income from those activities and not to any other income.
- * Deduction of 30 percent Under Section 80-JJAA with a further relaxation to 150 days in the case of the apparel industry, has been extended to the footwear and leather industry.
- * It is proposed to amend section 115JB to provide that the aggregate amount of unabsorbed depreciation and loss brought forward (excluding unabsorbed depreciation) shall be allowed to be reduced from the book profit, if a company's application for corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 has been admitted by the Adjudicating Authority.
- * Carry forward and set-off of losses to be allowed irrespective of change in shareholding beyond the permissible limit in case of closely held companies whose resolution plan has been approved by the Adjudicating Authority after giving a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner. The provision is applicable from AY 2018-19.
- * The return of income to be verified by the Insolvency Professional in respect of a company where an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority.
- * Taxability of deemed dividend in case of loans and advances shifted from recipient to the distributing domestic company and made subject to DDT at the rate of 30% (without grossing up).

- * Transfer of property or money between wholly owned subsidiary company and its holding company to be excluded from the scope of taxation of the recipient as income from other sources.
- * 'Options in commodity futures' would now be subject to commodities transaction tax.
- * Relief from prosecution for failure to furnish return that was available for taxpayers whose tax liability determined under regular assessment did not exceed INR 3,000 would not be applicable to companies.

TRANSFER PRICING

- * Scope of dependent agent PE under section 9(1)(i) widened to include agent playing principal role in concluding the contracts on behalf of non-resident. This is in line with Multi-lateral Convention related to Tax Treaty matters.
- * Section 9(1)(i) amended to provide that 'significant economic presence' in India shall also constitute 'business connection'. Significant economic presence to be determined on the basis of aggregate payments received or interaction with users. CBDT shall prescribe the value of payments and number of users to attract this.
- * Time Limit for country by country (CBC) reporting by parent entity or alternate reporting entity resident in India would be 12 months from the end of reporting accounting year. Earlier it was the due date of filing of return of income U/s 139(1).
- * Further in case the parent entity is resident out-side India, then the due date for CBC reporting would be the due date specified by that country or territory where the parent entity is resident.

PENALTY

- * The penalty for failure to furnish the SFT to be enhanced as under:
 - ◇ From INR100 per day to INR500 per day during which the failure continues
 - ◇ From INR500 per day to INR1000 per day during which the failure continues post issue of relevant notice.
- * This amendment to take effect from AY 2018-19.

CUSTOM DUTIES

- * There is no change in Basic Custom Duty (BCD).
- * It is proposed to reduce customs duty on raw cashews from 5% to 2.5% to help the cashew processing industry
- * Increased custom duty on mobile phones from 15% to 20%, on some of their parts and accessories to 15% and on certain parts of TVs to 15% to promote creation of more jobs in the country.
- * Abolish the Education Cess and Secondary and Higher Education Cess on imported goods, and in its place, imposing a Social Welfare Surcharge at the rate of 10% of the aggregate duties of customs, on imported goods.
- * Following changes are made in the rates of duty of specific items:

Automobiles- Specified Radial Tyres(bus and Truck), Specified parts of motor vehicles, CKD Parts of motorized four & two wheelers	BCD increased from 10% to 15%
Diamond and Precious Stones- Specified Diamond and Colored Gemstones	BCD increased form 2.5% to 5%
Cellular Mobile Phones	BCD increased from 15% to 20%
Smart Watches, Video Games, Watches and clocks including stop watches and alarm clocks	BCD increased from 10% to 20%
FOOTWEAR Specified Footwear Specified parts of footwear	BCD changed from 10% to 20% 10% to 15%
ELECTRONIC GOODS PCBA for chargers of Mobile Phones Silica (used for Optical fibre cables) Solar tempered glass for Manufacturing of Solar cells Specified Inputs for Manufacture of CNC Machine Tools	BCD changed from Nil to 10% Nil to 5% 5% to NIL 7.5% to 2.5%

AMENDMENT (EFFECTIVE FROM ENACTMENT OF FINANCE BILL, 2018)

- * Scope of Indian Customs law expanded to cover any offence or contravention committed thereunder outside India by any person. Also, the limit of 'Indian Customs Waters' extended from 'Contiguous Zone of India' to the 'Exclusive Economic Zone' of India.
- * The Government to be empowered to sign agreements with other countries, on reciprocal basis, for exchange of information, trade facilitation, verification of compliance, prevention of offences, etc.
- * Customs authorities empowered to examine or test goods on submission of bill of entry and shipping bill.
- * Central Government empowered to grant exemption from Custom duty on goods imported for repair, further processing or manufacture and re-export or goods reimported after repair abroad, subject to conditions.
- * Process of pre-consultation introduced before issuance of demand notices. Customs authorities empowered to issue supplementary demand notices.
- * Time limit prescribed for completion of adjudication within six months/one year from the date of demand notice or as may be extended. Non-adherence to time limit would make demand notice null and void.
- * Scope of advance ruling enlarged to cover all importer or exporter of goods from/to India. Also, time limit of conclusion of Advance ruling reduced from six months to three months.
- * Facility of electronic cash ledger, similar to GST law, introduced.
- * Central Government empowered to take measures or prescribe separate procedure or documentation for a class of importers/ exporters for trade facilitation.
- * Notices under Customs law may be given on e-mail or through newspaper or by affixation as well.
- * In case of in-bond sale of goods, IGST would be charged on import value or sale value, whichever is higher.

EXCISE

- * Basic Excise Duty on manufacture of Motor Spirit and HSD reduced by INR 2 per litre.
- * Road Cess of INR 6 per litre on petroleum products abolished.
- * Road & Infrastructure Cess (R & I Cess) on petroleum products of Rs.8 per litre introduced.

SERVICE TAX

- * It is proposed to provide retrospective exemption from service tax to services provided by the Goods and Services Tax Network (GSTN) to the Central Government /State Governments / Union territory during the period from the 28th March 2013 to the 30th June 2017.
- * It is proposed to provide retrospective exemption from service tax to consideration paid to Government in the form of Government's share of profit petroleum in respect of services provided by Government by way of grant of license or lease to explore or mine petroleum crude or natural gas or both, during the period from the 1st April 2016 to the 30th June 2017.
- * It is proposed to provide exemption from service tax to life insurance services provided by the Naval Group Insurance Fund to personnel of Coast Guard, retrospectively, during the period from the 10th September 2004 up to the 30th June 2017.

- * Sukanya Samridhi Account Scheme launched in January 2015 has been a great success. Until November, 2017 more than 1.26 crore accounts have been opened across the country in the name of girl child securing an amount of Rs 19,183 crore.
- * The Government does not consider crypto-currencies legal tender or coin and will take all measures to eliminate use of these crypto-assets in financing illegitimate activities or as part of the payment system.
- * A total of 187 projects have been sanctioned under the Namami Gange programme for infrastructure development, river surface cleaning, rural sanitation and other interventions at a cost of Rs.16,713 crore.
- * All 4465 Ganga Grams – villages on the bank of river - have been declared open defecation free.
- * Corpus for Digital India Programme is doubled to Rs. 3073 crore in 2018-19.
- * A Scheme will be launched called as Galvanizing Organic Bio-Agro Resources Dhan (GOBAR-DHAN) for management and conversion of cattle dung and solid waste in farms to compost, fertilizer, bio-gas and bio-CNG.
- * With the roll out of GST, it is proposed to change the name of Central Board of Excise and Customs [CBEC] to Central Board of Indirect Taxes and Customs (CBIC).



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