Budget 2018

-**Highlights pertaining to Direct Taxes**

(1) INDIVIDUAL TAXATION

- **No change in slab and tax rates.**

  Present rate continuous for the next financial year 2018-19. However, it is proposed to increase the education cees of 3% to 4% under the new name of “Health & Education Cess”.

- **Salaried employees**

  Standard Deduction of Rs.40,000 for salaried employees. However benefit of transport allowance of Rs.1600 p.m. and medical reimbursement of Rs 15,000 p.a. under Section 17(2) are being withdrawn.

- **For Senior Citizens**

  (i) **Sec.80D** – Deduction limit for health insurance premium and/ or medical expenditure increased from Rs 30,000/- to Rs 50,000/- for senior citizens.

  (ii) **Sec.80DDB** – Deduction limit for medical expenditure on critical illness increased to Rs. 100,000/- for senior citizens and very senior citizens.

  (iii) **Sec.80TTB** – Deduction increased from Rs. 10,000/- to Rs. 50,000/- in respect of interest income from deposit held by senior citizen.

  (iv) **Sec.194A** – No TDS deduction on interest income for senior citizens on amount up to Rs. 50,000/-.

- **Withdrawals from NPS**

  40% of the withdrawals from National Pension System (NPS) was tax exempt for employees. This has now been extended to all assesses.

(2) CORPORATE TAX

- Corporate tax rates reduced to 25% for company with turnover upto Rs.250crore in the financial year 2016-17. This will be increased by surcharge of 7% in case income exceeds Rs. 1 crore and 12% in case income exceeds by Rs. 10 crore. Further, it is proposed to increase the education cess of 3% to 4% in the new name of “Health & Education Cess”.

- **Dividend and dividend distribution tax**

  (i) Deemed dividend in the nature of loans and advances given by closely held companies shall be subject to Dividend Distribution Tax at 30%.

  (ii) Equity Oriented Mutual funds to be liable to pay tax at the rate of 10% on income distributed to unit holders.

- PAN to be obtained by all entities including HUF other than individuals in case aggregate of financial transaction in a year is Rs.2,50,000 or more. All directors, partners, members of such entities also to obtain PAN.

- **Facilitating insolvency resolution**

  (i) Losses of companies under insolvency now allowed to be carried forward and set-off despite change in shareholding by more than 49%.

  (ii) For the purpose of computing book profits, aggregate of unabsorbed depreciation and loss brought forward shall be reduced for companies under insolvency (the rule of lower of unabsorbed loss or unabsorbed depreciation relaxed).

  (iii) Going forward return of income of company under insolvency to be verified by an insolvency professional appointed by the Adjudication Authority under the Insolvency and Bankruptcy Code 2016.

(iv) The provisions of section 115JB would not be applicable when the income is computed on presumptive basis in terms of the provisions of section 44B, section 44BB, section 44BBA or section 44BBB.

(3) CAPITAL GAIN

- No more exemption in capital gain arising from listed equity shares under section 10(38) of the Act. As per the new section, long term capital gain arising from transfer of an equity share or unit of equity oriented fund or a unit of business trust, shall be taxed at 10% of such capital gain. Tax on capital gain will be levied in excess of Rs.1,00,000. However, this concessional rate of 10% will be applicable if STT has been paid on both acquisition and transfer of equity shares and STT paid at the time of transfer in case of unit of equity oriented fund of business trust.

  No indexation benefit would be available. Further, it has been clarified that cost of acquisition of listed equity shares acquired by the tax payer before 1st February 2018 shall be deemed to be higher of the following

  (a) The actual cost of acquisition of such assets; or
  (b) Fair market value of such shares or actual sale consideration accruing on its transfer, whichever is lower.

  Further, it has been clarified that fair market value of listed equity shares shall mean its higher price quoted at stock exchange on 31st January 2018. If there is no trading in such shares on such stock exchange on 31st January 2018, then the higher price of such asset on such exchange on the date immediately preceding 31st January 2018.

- **Tax on transfer of immovable property**
  No adjustments to sale consideration, in respect of transfer of immovable property, will be required if the difference between the stamp duty value and sale consideration on transfer of immovable property is not more than 5%.

- **Sec.50EC**
  The period of lock-in for specified bonds for investment of capital gains under section 54EC is increased to 5 years from 3 years. For thispurpose, long term capital assets are now limited to Land, Building or both.

(4) CHARITABLE TRUST

Provision of section 40(ia) and 40A(3) and 40A(3A)are being made applicable to Charitable Trust . Hence expenditure incurred without deduction of tax and in cash will not be eligible as application of income under section 10(23C) and section 11(1)(a).[w.e.f. 1st April, 2019].

(5) MISCELLANEOUS

- **Start ups**
  Tax benefit to start-ups modified

  - Benefit available to start-ups incorporated before 1 April 2021.
  - Turnover not exceeding Rs.25 crores applicable for 7 years.
  - Definition of eligible business expanded to include innovation, development or improvement of products or processes or services or a scalable business model with high potential of employment generation or wealth creation.

- **Deduction under chapter VI-A**
  No deduction under chapter VI-A Part C in respect of certain income to be allowed unless a return of income is furnished for such assessment year on or before the due date specified under section 139(1) of the Act. [w.e.f. 1st April, 2018]

- Penalty for non-filing financial return as required under section 285BA being increased to Rs 500 per day.

- Prosecution proceedings under section 276CC are been initiated against the companies who failure to furnish return of income within the due date specified under section 139(1) of the Act. [w.e.f. 1st April, 2018]

- **Sec 143(1) – Intimation / Summary Assessment.**

While generating intimation, adjustment shall not be made of the income found in Form 26AS/ Form 16A/16 which is not included in return. [w.e.f. 1st April, 2018]

- **Sec 143(3) – Scrutiny Assessment**
  Assessments to be E assessment under new section 143(3A). It is proposed to prescribe a new scheme for the purpose of making assessments so as to impart greater transparency and accountability, by eliminating the interface between the assessing officer and the assessee, optimal utilization of resources, and introduction of team-based assessment.
  Procedure for E-Assessment across the nation shall be notified soon.[w.e.f. 1st April, 2018]