



2018

TAXSUTRA - BUDGET ANALYSIS – DIRECT TAXES



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1. INCOME-TAX RATES FOR FINANCIAL YEAR 2018-19

Tax rates remain unchanged except for introduction of “Health and Education Cess” @ 4% in lieu of “Education Cess on income-tax” (2%) and “Secondary and Higher Education Cess on income-tax” (1%)

1. Individual



Sr. No	Individual/HUF/AOP/BOI/Artificial Juridical Person	Tax Rates
1.	Taxable Income upto Rs. 2.5 lakhs	No tax
2.	Rs 2,50,001 to Rs 5,00,000	5%
3.	Rs 5,00,001 – 10,00,000	20%
4.	More than Rs 10,00,000	30%

Sr. No	Senior Citizen	Tax Rates
1.	Taxable Income upto Rs. 3,00,000	No tax
2.	Rs 3,00,001 – 5,00,000	5%
3.	Rs 5,00,001 – 10,00,000	20%
4.	More than Rs 10,00,000	30%

Sr. No	Super Senior Citizen	Tax Rates
1.	Taxable Income upto Rs. 5,00,000	No tax
2.	Rs 5,00,001 – 10,00,000	20%
3.	More than Rs 10,00,000	30%
4.	Taxable Income upto ₹ 5,00,000	No tax

Surcharge:
10%, where income exceeds 50 lakhs but does not exceed 1 crore, and 15% where income exceeds 1 crore.
Education Cess
“Health and Education Cess” shall be levied @ 4% of income tax including surcharge (wherever applicable).
Rebate
Rebate u/s 87A if total income does not exceed Rs. 3,50,000. The amount of rebate shall be 100% of income-tax or Rs. 2,500, whichever is less.

2. Co-operative Society



Sr. No	Taxable Income	Tax Rates
1.	Taxable Income upto Rs. 10,000	10%
2.	Rs. 10,000 to Rs. 20,000	20%
3.	Above Rs. 20,000	30%
Surcharge:		
12% of tax where total income exceeds Rs. 1 crore		
Education Cess		
"Health and Education Cess" shall be levied @ 4% of income tax including surcharge (wherever applicable).		

3. Firm/Local Authority



Tax Rate: 30%
Surcharge:
12% of tax where total income exceeds Rs. 1 crore
Education Cess
"Health and Education Cess" shall be levied @ 4% of income tax including surcharge (wherever applicable).

4. Domestic Company



Tax Rate
Tax Rate:30%
Tax Rate:25%
If the total turnover or gross receipts of the previous year 2016-17 does not exceed Rs.250 crores
Surcharge:
7% where total income exceeds Rs. 1 crore and
12% where total income exceeds Rs. 10 crore
Education Cess
"Health and Education Cess" shall be levied @ 4% of income tax including surcharge (wherever applicable).

- **Rationalisation of Sec 115BA relating to certain domestic companies**
 - Sec 115BA 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 in relation thereto, or distribution of such article or thing manufactured or produced by it, shall, at its option, be taxed at 25% subject to certain conditions w.e.f. AY 2017-18.
 - However, there are certain incomes which are subject to a scheduler tax at a rate which is lower or higher than 25%. Accordingly, Sec 115BA is proposed to be amended so as to clarify that the provision is restricted to the income from the business of manufacturing, production, research or distribution referred to therein; and income which are at present taxed at a scheduler rate will continue to be so taxed
 - This amendment will take effect retrospectively from AY 2017-18

5. Foreign Company



Tax Rate: 40%
Surcharge:
2% where total income exceeds Rs. 1 crore and 5% where total income exceeds Rs. 10 crore
Education Cess
“Health and Education Cess” shall be levied @ 4% of income tax including surcharge (wherever applicable).



2. INTERNATIONAL TAXATION

- **Expanded scope of business connection u/s 9(1)**
It is proposed to enlarge the scope of business connection u/s. 9(1)(i) in accordance with modified PE Rule as per Multilateral Instrument (MLI). It is proposed that "Business connection" shall also include any business activities carried through a person who, acting on behalf of the non-resident, habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by the non-resident. It is further proposed that the contracts should be-
(i) in the name of the non-resident; or

- (ii) for the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that the non-resident has the right to use; or
- (iii) for the provision of services by that non-resident.

“Business connection” scope is further proposed to be expanded to include “Significant Economic presence”. “Significant economic presence” for this purpose shall mean any transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India if the aggregate of payments arising from such transaction or transactions during the previous year exceeds the amount as may be prescribed; or systematic and continuous soliciting of its business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means. This amendment will take effect from 1st April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent assessment years.

- **Exemption of income of Foreign Company from sale of leftover stock of crude oil on termination of agreement or arrangement [Sec.10(48B)]**

It is proposed to amend clause (48B) of section 10 to provide that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.

This amendment will take effect from 1st of April, 2019

- **Royalty and FTS payment by National Technical Research Organisation (NTRO) to a non-resident to be tax-exempt [Sec.10 & 195]**

It is proposed to amend section 10 so as to provide that the income arising to non-resident, not being a company, or a foreign company, by way of royalty from, or fees for technical services rendered in or outside India to, the NTRO will be exempt from income tax. Consequently, NTRO will not be required to deduct tax at source on such payments.



3. SALARIES

- **Standard deduction on salary income [Sec.16]**

It is proposed to allow a standard deduction upto 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. These amendments will take effect from 1st April, 2019.



4. INCOME FROM BUSINESS/PROFESSION

- **Taxability of compensation in connection to business u/s. 28**
It is proposed to amend Sec. 28 to provide that any compensation received or receivable, whether revenue or capital, 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. This amendment will take effect from 1st April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent assessment years.
- **Presumptive income scheme u/s. 44AE in case of goods carriage**
It is proposed to amend Sec. 44AE (which provides for presumptive income scheme in case of goods carriage) to provide that, in the case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would be deemed to be an amount equal to Rs. 1,000 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. These amendments will take effect 1st April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent assessment years.
- **Tax treatment of transactions in respect of trading in agricultural commodity derivatives [Sec.43(5)]**
The clause (e) to proviso to Sec.43(5) provides that trading in commodity derivatives carried out in a recognised stock exchange, which is chargeable to commodity transaction tax is a non-speculative transaction. It is proposed to amend the provisions of clause (5) of section 43 to provide that a transaction in respect of trading of agricultural commodity derivatives, which is not chargeable to CTT, in a registered stock exchange or registered association, will be treated as non speculative transaction.
These amendments will take effect from 1st April, 2019.
- **Rationalization of Sec43CA, Sec 50C and Sec 56**
At present, while taxing income from capital gains (Sec 50C), business profits (Sec 43CA) and other sources (Sec 56) arising out of transactions in immovable property, the sale consideration or stamp duty value, whichever is higher is adopted. The difference is taxed as income both in the hands of the purchaser and the seller.

 - It has been pointed out that this variation can occur in respect of similar properties in the same area because of a variety of factors, including shape of the plot or location.

- 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 5% of the sale consideration.
- Amendment to take effect from AY2019-20.

5. AMENDMENT IN RELATION TO ICDS

- Sec 145 empowers the Central government to notify ICDS. In pursuance, Central Government notified 10 ICDS effective from AY 2017-18 which are applicable to all assesseees (other than an individual or a HUF who are not subject to tax audit u/s 44AB) for the purposes of computation of income chargeable to income-tax under the head “Profits and gains of business or profession” or “Income from other sources”.
- However, Delhi HC in Chamber of Tax Consultants [\[TS-499-HC-2017\(DEL\)\]](#) had struck down certain provisions of ICDS. Finance Bill now proposes to —
 - Amend Sec 36 to provide that marked to market loss or other expected loss as computed in the manner provided ICDS shall be allowed deduction.
 - Amend Sec 40A to provide that no deduction or allowance in respect of marked to market loss or other expected loss shall be allowed except as allowable under newly inserted clause (xviii) of sub-section(1) of Sec 36.
 - Insert a new Sec 43AA to provide that, subject to the provisions of Sec 43A, 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.
 - Insert a new Sec 43CB 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 certain service contracts, and that the contract revenue shall include retention money, and contract cost shall not be reduced by incidental interest, dividend and capital gains
 - Amend Sec145A of the Act to provide that, for the purpose of determining the income chargeable under the head “Profits and gains of business or profession”
 - valuation of inventory shall be made at lower of actual cost or net realizable value computed in the manner provided in income computation and disclosure standards
 - 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.
 - 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

- 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 and for this purpose the comparison of actual cost and net realisable value shall be done category-wise.
 - Insert a new Sec 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.
 - 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.
 - income referred to in sub-clause (xviii) of clause (24) of section 2 shall be deemed to be the income of the previous year in which it is received, if not charged to income tax for any earlier previous year
- **Memorandum specifically notes that a large number of taxpayers have already complied with the provisions of ICDS for computing income for AY 2017-18.** In order to regularize the compliance with the notified ICDS by a large number taxpayers so as to prevent any further inconvenience to them, it is proposed to bring the amendments **retrospectively** with effect from AY 2017-18.



6. MINIMUM ALTERNATE TAX/ ALTERNATE MINIMUM TAX

- **Change in rate of AMT for units located in IFSC [Sec.115JC & JF]**

It is proposed to amend the section 115JC so as to 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 %. Consequential amendment in section 115JF is also proposed to be made.

This amendment will take effect, from 1st April, 2019.

- **Relief from liability of Minimum Alternate Tax (MAT) for insolvent companies [Sec.115JB]**

Under section 115JB, where the loss brought forward or unabsorbed depreciation is Nil, no deduction is allowed. 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.

This amendment will take effect from 1st April, 2018.

- **Non-applicability of MAT to foreign company earning presumptive income [Sec.115JB]**

A clarificatory amendment is proposed in section 115JB to provide that the provisions of section 115JB of the Act shall not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, if- its total income comprises solely of profits and gains from business referred to in section 44B or section 44BB or section 44BBA or section 44BBB and such income has been offered to tax at the rates specified in the said sections.

This amendment will take effect, retrospectively from 1st April, 2001.

DIVIDENDS



7. DIVIDEND DISTRIBUTION TAX

- **DDT on dividend payouts to unit holders in an equity oriented fund u/s. 115R**

It is proposed to amend Sec. 115R (which relates to tax on distributed income to unit holders) to provide that where any income is distributed by a Mutual Fund being, an equity oriented fund, the mutual fund shall be liable to pay additional income tax at the rate of 10% on income so distributed. This amendment will take effect from 1st April, 2018.

- **Imposition of DDT to Deemed Dividend[Sec.2(22)(e)]**

For bringing clarity and certainty in taxation of deemed dividends, it is proposed to delete Explanation to

Chapter XII-D occurring after section 115Q so as to bring deemed dividends also under the scope of dividend distribution tax u/ 115O. It is also proposed to tax such deemed dividend @ 30 % (without grossing up) in order to prevent camouflaging dividend in various ways such as loans and advances. This amendment will apply to transactions referred to in Sec. 2(22) (e) undertaken on or after April 1, 2018.



8. SET-OFF & CARRY FORWARD OF LOSSES

- **Benefit of carry forward and set off of losses for insolvent companies [Sec.79]**

The case of a company seeking insolvency resolution under Insolvency and Bankruptcy Code, 2016, involves change in the beneficial owners of shares beyond the permissible limit under section 79. It is proposed to relax the rigors of section 79 in case of such companies, whose resolution plan has been approved under the Insolvency and Bankruptcy Code, 2016, after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.

This amendment will take effect from 1st April, 2018.



9. CAPITAL GAINS

- **Measures to promote International Financial Services Centre (IFSC) [Sec.47]**

It is proposed to amend Sec.47 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:—

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

This amendment will take effect, from 1st April, 2019.

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- **Tax on Long term capital gains on stock market transactions [Sec.112A]**

It is proposed to withdraw exemption on long term capital gains (LTCG) on STT paid transactions in equity shares and equity oriented mutual fund u/s 10(38) and it is further proposed to introduce Sec. 112A to tax the same from AY 2019-20.

As per proposed Sec. 112A, LTCG tax to be levied @ 10% for capital gains exceeding Rs. 1 lakh.

Concessional 10% rate would be applicable when (i) in case of shares - STT is paid at the time of both acquisition as well as transfer of shares and (ii) in case of equity oriented MF/unit of business trust- STT is paid on transfer of such asset.

As per proposed Sec.112A(4), Central Govt can notify nature of transactions on which requirement of payment of STT at the time of transfer of equity shares would not apply. Further, in respect of MF and business trust units, requirement of STT payment is not applicable when transfer is undertaken on recognized stock exchange located in any International Financial Services Centre(IFSC) and consideration is receivable in foreign currency. It is proposed that indexation benefit and benefit of computation of capital gains in foreign currency for non-resident would not be available.

Further in case of LTCG for assets acquired before Feb 1st , 2018, capital gains earned till that date would be grandfathered. The cost of acquisition would be higher of (i) cost of acquisition and (ii) lower of fair market value or full value of consideration. In this regard, it is proposed that FMV for shares is to be taken at highest price quoted on stock exchange on Jan 31, 2018 while FMV for other assets is to be taken at NAV as on the same date. Lastly, it is proposed that the benefit of deduction under Chapter VIA and rebate u/s 87A will not be available on such capital gains.

However, it is to be noted that holding period for classification of long term and short term capital gains remains unchanged.

- **Taxation of long term capital in the case of FIIs [Sec.115D]**

Consequent to the proposal for withdrawal of long term capital gain ('LTCG') exemption u/s. 10(38), it is proposed to amend Sec. 115AD (relating to taxation of LTCG in case of Foreign Institutional Investor ['FIIs']) so as to provide that such LTCG will become taxable in the hands of FIIs also in respect of amount of gains exceeding Rs. 1 lakh. This amendment will take effect from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

- **Rationalization of provision relating to conversion of stock-in-trade into Capital Asset [Sec.28,49,2(42A).2(24)]**

- Sec 45, *inter alia*, 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.

- In order to provide symmetrical treatment and discourage the practice of deferring the tax payment by converting the inventory into capital asset, it is proposed to amend the following provisions w.e.f. AY 2019-20 –
 - o Sec 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
 - o Sec 2(24) so as to include such fair market value in the definition of income
 - o Sec 49 so as to provide that for the purposes of computation of capital gains arising on transfer of such capital assets, the fair market value on the date of conversion shall be the cost of acquisition
 - o Sec 2(42A) so as to provide that the period of holding of such capital asset shall be reckoned from the date of conversion or treatment.

- **Tax Neutral Transfers [Sec.47]**
 - Sec 47 provides for certain tax neutral transfers. Sec 56 also excludes income arising out of certain tax neutral transfers from its ambit. However, the transfers referred to in clause (iv) and clause (v) of Sec 47 [transfers between holding & subsidiary companies] have not been excluded from the scope of Sec 56.
 - In order to further facilitate the transaction of money or property between a wholly owned subsidiary company and its holding company, it is proposed to amend the section 56 so as to exclude such transfer from its scope
 - This amendment will apply in relation to the transaction made on or after April 1, 2018

- **Rationalization of the provisions of Sec 54EC**
 - It is proposed to restrict scope of Sec 54EC only to capital gains arising from long-term capital assets, being land or building or both and to make available funds at the disposal of eligible bond issuing company for more than 3 years.
 - Accordingly, Sec 54EC is proposed to be amended to provide that capital gain arising from the transfer of a long-term capital asset, being land or building or both, invested in the long-term specified asset at any time within a period of 6 months after the date of such transfer, the capital gain shall not be charged to tax subject to certain conditions specified in this section.
 - It is also proposed to provide that long-term specified asset, for making any investment under the Sec on or after April 1, 2018 shall mean any bond, redeemable after 5 years and issued on or after April 1, 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.
 - Amendment to take effect from AY2019-20.

- **Rationalization of Sec 43CA, Sec 50C and Sec 56**

At present, while taxing income from capital gains (Sec 50C), business profits (Sec 43CA) and other sources (Sec 56) arising out of transactions in immovable property, the sale consideration or stamp duty value, whichever is higher is adopted. The difference is taxed as income both in the hands of the purchaser and the seller.

- It has been pointed out that this variation can occur in respect of similar properties in the same area because of a variety of factors, including shape of the plot or location.
- 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 5% of the sale consideration.
- Amendment to take effect from AY2019-20.



10. INCOME FROM OTHER SOURCES

- **Taxability of compensation in connection to employment u/s. 56**

It is proposed to amend Sec. 56 to provide that any compensation received or receivable, whether in the nature of revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its employment shall be taxable as 'income from other sources'. This amendment will take effect from 1st April, 2019 and will, accordingly, apply in relation to assessment year 2019-20 and subsequent assessment years.

- **Widening the scope of the term “accumulated profits” for deemed dividend [Explanation 2A to Sec.2(22)]**

Explanation 2 to Sec. 2(22) provides for definition of accumulated profits. with a view to prevent abusive arrangements wherein companies with large accumulated profits adopt the amalgamation route to reduce capital and circumvent the provisions of Sec. 2(22) (d), it is proposed to insert a new Explanation 2A in Sec. 2(22) to widen the scope of the term 'accumulated profits' so as to provide that in the case of an amalgamated company, accumulated profits, whether capitalised or not, shall be increased by the accumulated profits of the amalgamating company, whether capitalized or not, on the date of amalgamation. Amendment will take effect from April 1, 2018.

- **Rationalization of Sec43CA, Sec 50C and Sec 56**

At present, while taxing income from capital gains (Sec 50C), business profits (Sec 43CA) and other sources (Sec 56) arising out of transactions in immovable property, the sale consideration or stamp

duty value, whichever is higher is adopted. The difference is taxed as income both in the hands of the purchaser and the seller.

- It has been pointed out that this variation can occur in respect of similar properties in the same area because of a variety of factors, including shape of the plot or location.
- 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 5% of the sale consideration.
- Amendment to take effect from AY2019-20.



11. TRANSFER PRICING

- **Rationalization of CbCR provisions**

Section 286 of the Act contains provisions relating to Country by Country Reporting (CbCR) in respect of an international group. Following clarificatory amendments are proposed to be made so as to improve the effectiveness and reduce the compliance burden of such reporting w.e.f. AY 2017-18:

- Time allowed for furnishing CbCR in case of parent entity or Alternative Reporting Entity (ARE), resident in India, is proposed to be extended to 12 months from the end of reporting accounting year as against on / before return filing due date specified earlier
- Sec 286(4) if proposed to be amended to also providing for furnishing CbCR by constituent entity resident in India, having a non-resident parent if the parent entity outside India has no obligation to file the CbCR in the latter's country or territory
- Time allowed for furnishing the CbCR, in the case of constituent entity resident in India, having a non-resident parent, shall be 12 months from the end of reporting accounting year
- Sec 286(5) is proposed to be amended to state that due date for furnishing of CbCR by the ARE of an international group, the parent entity of which is outside India, with the tax authority of the country or territory of which it is resident, will be the due date specified by that country or territory as against on/ before return filing due date specified earlier
- Definition of 'Agreement' is proposed to be amended to include agreement for exchange of the report referred to in sub-section (2) [Filing by parent entity/ ARE resident in India] and sub-section (4) [Filing by constituent entity of international group resident in India under specified

circumstances] as may be notified by the Central Government in addition to agreement referred to in Sec 90(1) or Sec 90A(1)

- Definition of “reporting accounting year” is proposed to be amended to mean the accounting year in respect of which the financial and operational results are required to be reflected in the report referred to in sub-section (2) [Filing by parent entity/ ARE resident in India] as well as report referred to in sub-section (4) [Filing by constituent entity of international group resident in India under specified circumstances]



12. DEDUCTIONS/EXEMPTIONS

- **Deductions available to senior citizens in respect of health insurance premium and medical treatment [80D & 80DDB]**

Section 80D, inter-alia, provides that a deduction uptoRs 30,000/- shall be allowed to an assessee, being an individual or a Hindu undivided family, in respect of payments towards annual premium on health insurance policy, or preventive health check-up, of a senior citizen, or medical expenditure in respect of very senior citizen. It is proposed to amend section 80D so as to raise this monetary limit of deduction from Rs 30,000/- to Rs 50,000/.

Section 80DDB of the Act, inter-alia, provide that a deduction is available to an individual and Hindu undivided family with regard to amount paid for medical treatment of specified diseases in respect of very senior citizen uptoRs 80,000/- and in case of senior citizens uptoRs 60,000/- subject to specified conditions. 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. Further, it is proposed to omit the word very senior citizen.

Further, u/s 80D, in case of single premium health insurance policies having cover of more than one year, it is proposed that the deduction shallbe allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specifiedmonetary limit.

These amendments will take effect, from 1st April, 2019.

- **Deduction u/s 80TTB for interest income**

It is proposed to insert a new section 80TTB so as to allow a deduction upto Rs. 50,000/- in respect of interest income from deposits held by senior citizens. However, no deduction under section 80TTA shall be allowed in these cases.

This amendment will take effect from 1st April, 2019.

- **Deduction in respect of income of Farm Producer Companies [Sec.80P]**

100% deduction u/s 80P is proposed to be extended to Farm Producer Companies (FPC), having a total turnover upto Rs 100 Crore, whose gross total income includes any income from-

- the marketing of agricultural produce grown by its members, or
- the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or
- 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. This amendment will take effect from 1st April, 2019.

- **Measures to promote start-ups [Sec.80-IAC]**

- The benefit of deduction u/s 80-IAC would also be available to start ups incorporated on or after the 1st day of April 2019 but before the 1st day of April, 2021;
- The requirement of the turnover not exceeding Rs 25 Crore would apply to seven previous years commencing from the date of incorporation;
- 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.

The amendment will take effect from 1st April, 2018.

- **Incentive for employment generation [Sec. 80-JJAA]**

- At present, a deduction of 30% is allowed u/s 80-JJAA 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. However, the minimum period of employment is relaxed to 150 days in the case of apparel industry. In order to encourage creation of new employment, it is proposed to extend this relaxation to footwear and leather industry.
- Further, it is also proposed to rationalize this deduction of 30% by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.

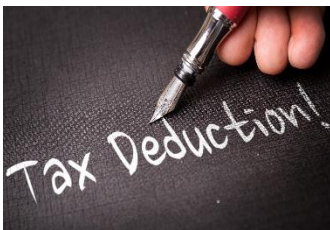
This amendment will take effect, from 1st April, 2019.

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- **Extending the benefit of tax-free withdrawal from NPS to non-employee subscribers [Sec.10(12A)]**

Under Sec 10(12A), an employee contributing to the NPS is allowed an exemption in respect of 40% of the total amount payable to him on closure of his account or on his opting out. However, this option is not available to non-employee subscribers. In order to provide a level playing field, it is proposed to amend Sec 10(12A) to extend the said benefit to all subscribers w.e.f. AY 2019-20.

- **Deductions in respect of certain incomes not to be allowed unless return is filed by the due date [Sec.80AC]**
 - Sec 80AC currently provides that no deduction would be admissible u/s 80IA, 80IB, 80IC, 80ID or 80IE unless the return of income by the assessee is furnished on or before the due date specified u/s 139(1). This burden is not cast upon assesses claiming deductions under several other similar provisions.
 - Accordingly, it is proposed to extend scope of Sec 80AC to provide that the benefit of deduction under the entire class of deductions under the heading “C.—Deductions in respect of certain incomes” in Chapter VIA like Sec 80P [Deduction in respect of income of Co-operative Societies], Sec 80RRB [Deduction in respect of royalty on patents]etc. shall not be allowed unless the return of income is filed by the due date.
 - Amendment to take effect from AY 2018-19



13. TDS/TCS/ADVANCE TAX

- **Deduction in respect of interest income to senior citizen [Sec.194A]**

It is 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/-. This amendment will take effect, from 1st April, 2018.

- **TDS on 7.75% GOI Savings (Taxable) Bonds, 2018 [Sec.193]**
 - Government has decided to discontinue the existing 8% Savings (Taxable) Bonds, 2003 with a new 7.75% GOI Savings (Taxable) Bonds, 2018. The interest received under the new bonds will continue to be taxable like in the case of the 2003 bonds.

- Accordingly, Sec 193 is proposed to be amended to allow for deduction of tax at source at the time of making payment of interest on such bonds to residents. However, no TDS will be deducted if the amount of interest is less than or equal to Rs. 10,000 during the financial year.



14. TAX RETURNS/REFUNDS/ INTEREST

- **Widening Tax Base [Sec.139A]**

It is proposed to amend Sec. 139A to provide that every person, not being an individual, which enters into a financial transaction of an amount aggregating to Rs. 2,50,000 or more in a FY shall be required to apply to the AO for allotment of PAN. It is also proposed that the MD, director, partner, trustee, author, founder, karta, CEO, principal officer or office bearer or any person competent to act on behalf of such entities shall also apply to the AO for allotment of PAN. The amendment will take effect from April 1, 2018



15. ASSESSMENTS/APPEALS

- **Verification of return of insolvent company [Sec. 140]**

It is proposed to amend section 140 of the Act so as to provide that during the resolution process under the Insolvency and Bankruptcy Code, 2016, the return shall be verified by an insolvency professional appointed by the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016.

This amendment will take effect from 1st April, 2018.

- **Enabling e-assessment [Sec. 143]**

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 AO and the assessee, optimal utilization of the resources, and introduction of team-based assessment.

Therefore, it is proposed to amend the section 143, by inserting a new sub-section (3A), enabling the Central Government to prescribe the aforementioned new scheme for scrutiny assessments, by way of notification in the Official Gazette.

It is further proposed to insert sub-section (3B) in the said section, enabling the Central Government to direct, by notification in the Official Gazette, that any of the provisions of this Act relating to assessment shall not apply, or shall apply with such exceptions, modifications and adaptations as may be specified therein. However, no such direction shall be issued after the 31st March 2020.

It is also proposed to insert sub-section (3C) in the said section, to provide that every notification issued under the sub-section (3A) and sub-section (3B), shall be laid before each House of Parliament, as soon as may be.

These amendments will take effect from 1st April, 2018.

- **Rationalisation of prima-facie adjustments during processing of return of income [Sec. 143(1)]**

Sub-clause (vi) of Sec. 143(1)(a) provides for adjustment in respect of 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. With a view to restrict the scope of adjustments, it is proposed to insert a new proviso to the said clause to provide that 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.

This amendment will take effect from 1st April, 2018

- **Amendments to the structure of Authority for Advance Rulings**

- In view of the proposed constitution of new Customs Authority for Advance Ruling under section 28EA of the Customs Act, it is proposed to amend Sec 245O (that deals with the constitution of an Authority for Advance Rulings and constitution of its benches for giving advance rulings) so as to provide that such Authority shall cease to act as an Authority for Advance Rulings, and shall act as an Appellate Authority for the purpose of Chapter V of the Customs Act, 1962 from the date of appointment of Customs Authority for Advance Rulings
- It is further proposed that such Authority shall not admit any appeal against any ruling or order passed earlier by it in the capacity of Authority for Advance ruling after the date of appointment of Customs Authority for Advance Rulings

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- In order to avoid overlapping, it is also proposed that where the Authority is dealing with an application seeking advance ruling in the matters of the Act, the Revenue Member shall be the Member referred to in sub-clause (i) of clause (c) of sub-section (3) [a revenue Member from the Indian Revenue Service, who is a Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General]
 - Amendment to take effect from April 1, 2018
- **Appeal against penalty imposed by Commissioner (Appeals) u/s 271J**
 - It is proposed that order passed by Commissioner (Appeals) u/s 271J is added to subsection (1) of Section 253 that names the orders against which assessee may appeal before Appellate Tribunal if aggrieved.
 - Amendment to take effect from April 1, 2018



16. PENALTIES & PROSECUTION

- **Rationalisation of section 276CC relating to prosecution for failure to furnish return**

The sub-clause (b) of clause (ii) of proviso to the section 276CC provides that a person shall not be proceeded against under the said section for failure to furnish return for any assessment year commencing on or after the 1st day of April, 1975, if 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. In order to prevent abuse of the said proviso by shell companies or by companies holding Benami properties, it is proposed to amend the provisions of the said sub-clause so as to provide that the said sub-clause shall not apply in respect of a company.

This amendment will take effect from 1st April, 2018.

- **Increase in Penalty for failure to furnish statement of financial transaction/reportable account on time [Sec.271FA]**
 - Sec 271FA of the Act provides that if a person who is required to furnish the statement of financial transaction or reportable account fails to furnish such statement within the prescribed time u/s 285BA(1), he shall be liable to pay penalty of Rs.100 for every day of default.

- The proviso to the Sec further provides that in case such person fails to furnish the statement of financial transaction or reportable account within the period specified in the notice issued u/s 285BA(5) he shall be liable to pay penalty of Rs.500 for every day of default.
- In order to ensure compliance of the reporting obligations u/s 285BA, it is proposed to amend Sec 271F as to increase the penalty leviable from Rs.100 to Rs.500 and from Rs.500 to Rs.1000, for each day of continuing default.
- Amendment to take effect from April 1, 2018

17. CHARITABLE TRUST

- It is proposed to insert a new Explanation to Sec. 11 to provide that for the purposes of determining the application of income for Trusts/Charitable institutions, the provisions of Sec. 40(a)(ia) [i.e. disallowance for TDS default] and of Sec. 40A(3)/(3A) [i.e. disallowance for payments made in cash] shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head “Profits and gains of business or profession”. It is also proposed to insert a similar proviso in Sec. 10(23C) so as to provide similar restriction as above on the entities exempt thereunder in respect of application of income. These amendments will take effect from 1st April, 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent years.

18. MISCELLANEOUS

- **Rationalisation of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015**

It is proposed to provide that the Joint Director shall also be vested with the power to approve an order imposing a penalty. It is also proposed to include reference to the Assistant Director and Deputy Director therein.

It is proposed to empower the Principal Director General or the Director General also to issue instructions or directions to the tax authorities.

- **Rationalisation of the provisions relating to Commodity Transaction Tax**

The existing clause (7) of section 116 of the Finance Act, 2013 provides the definition of “taxable commodities transaction” to mean a transaction of sale of commodity derivatives in respect of

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commodities, other than agricultural commodities, traded in recognised association. It is proposed to amend the clause (7) of section 116 so as to include “options in commodity futures” in the definition of “taxable commodities transactions”.

The applicable CTT rate would be as under:

Taxable commodities transaction	Rate	Payable by
Sale of a commodity derivative	0.01 per cent.	Seller
Sale of an option on commodity derivative	0.05 per cent.	Seller
Sale of an option on commodity derivative, where option is exercised.	0.0001 per cent	purchaser

It is further proposed to amend the provisions of section 117 so as to prescribe the rate at which sale of an option on commodity derivative, where option is exercised, shall be chargeable and such tax shall be payable by the purchaser.

- **Exemption to specified income to a class of Body, Authority, Board, Trust or Commission in certain cases**
 - It is proposed to amend Sec 10(46) to enable the Central Government to exempt, by notification, specified income of a class of such body or authority or Board or Trust or Commission (by whatever name called). This is a shift from the existing provision that resulted in considerable delays in approval process as it required the Central Government to notify each case separately even if they belong to the same class of cases.
 - Amendment to take effect from April 1, 2018
- **Rationalization of the provisions of Sec 115BBE**
 - Section 115BBE provides for tax on income referred to in Sec 68 or Sec 69 or Sec 69A or Sec 69B or Sec 69C or Sec 69D at a higher rate of 60%. Further, Sec 115BBE(2) provides that no deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed to the assessee under any provision of the Act in computing his income referred to in Sec 115BBE(1)(a).
 - In order to rationalize Sec 115BBE, it is proposed to amend the said sub-section (2) so as to also include income referred to in Sec 115BBE(1)(b) [which is determined by AO and includes any income referred to in Sec 68 or Sec 69 or Sec 69A or Sec 69B or Sec 69C or Sec 69D, if such income is not covered under Sec 115BBE(1)(a)]
 - Amendment to apply retrospectively from AY 2017-18

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The editorial team of Taxsutra comprises of experienced professionals with media and consulting background. Taxsutra Founder and Group Editor Arun Giri is considered among the premier financial reporters in India, with special focus on tax. He has around 14 years of journalistic experience, including as a broadcast journalist with leading business news channels – CNBC TV18 and Bloomberg UTV and continues to be known for consistently breaking the biggest stories in the financial/tax world (Tax, M&A, Corporate law litigations). Taxsutra Co-Founder and Executive Editor Ameya Kunte specialises in Indian income tax, international tax and exchange control laws. Ameya, has worked in international consulting firms such as Ernst & Young (E &Y) and PricewaterhouseCoopers (PwC) and has been a tax advisor to many Indian and multinational companies.

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