

News Weekly

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HIGHLIGHTS OF UNION BUDGET 2018

The Hon'ble Finance Minister Shri. Arun Jaitley on 01.02.2018 presented his maiden Union Budget for the year 2018.

We are pleased to present Highlights of Indian Finance Bill 2018. For individuals and companies, there is no change in tax rates.

Here are the **highlights of the budget** presented by Finance Minister Shri. Arun Jaitley.

- ☞ FM purposes a Fiscal Deficit of 3.3% of GDP for 2018-2019.
- ☞ Employees Provident Fund Act to be amended to reduce contribution of woman to 8% from 12% with no change in employer's contribution.
- ☞ Contribution of 8.33% to EPF for new employee by the government for three years and 12% govt contribution to EPF in sectors employing large number of people.
- ☞ Government Makes PAN mandatory for any entities entering into a financial transaction of Rs. 2.5 Lacs or more.

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DIRECT TAX PROPOSALS

1) Rates of Taxes

a. There is No change in tax rates for companies, firms and other assesses.

b. Health and Education Cess

Education Cess increased from 3% to 4% to be known as Education and Health Cess.

c. In case of **Domestic Company**, having total turnover or gross receipts of the previous year 2015-16 does not exceed Rs.250 crore in FY 2016-2017 against present ceiling of Rs. 50 crore in Financial year 2015-16.

2) Personal Taxation [With Effect From A.Y 2018-19]

a. Salaried tax-payers to get a standard deduction of Rs. 40,000 in lieu of transport allowance and "reimbursement of medical expenses".

b. Section-80D: Deduction available to Senior Citizen in respect of payments towards annual insurance policy, or preventative health check up, or medical expenditure is raised up to Rs. 50,000/-

c. Section-80TTB: All senior citizens will now be able to claim benefit of a deduction of Rs. 50,000 for Interest income from any deposits.

d. Section 194A: No TDS on Payment of Interest to a Senior Citizen up to Rs. 50,000/-.

e. Section-80DDB: Deduction for senior citizens with critical illness raise to Rs 1 lakh.

f. Section 80AC: Deduction under heading "C-in respect of certain incomes" from 80I -80RRB in chapter VIA shall not to be allowed unless the return of income is filed within due date.

3) Capital Gains:

a. Long Term Capital Gain on sale of Equity Shares Taxable:

LTCG (STT paid on acquisition / transfer) will now be taxed @ 10% of such capital gains exceeding Rs. 100,000/- u/s 112A. The cost of acquisition will be taken as Fair Market Value of the listed shares as on 31.1.2018 being the HIGHEST traded price or actual cost whichever is higher. Further such tax will be liable for TDS.

Exemption u/s 10(38) for Long Term Capital Gain (LTCG) in respect of listed STT paid shares withdrawn w.e.f. 01.04.2018.

The Benefit of deduction of Chapter VIA shall be allowed from the gross total income as reduced by such capital gains. Similarly, the rebate u/s 87A shall be allowed from the income tax on the total income as reduced by tax payable on such capital gain.

b. Exemption under 54EC on Capital Gain on transfer of Land & Building or Both:

Section 54EC benefit of investment in Bonds to be restricted to Capital gain on land and building only. Further period of holding being increased from 3 years to 5 years.

c. Conversion of Stock in Trade into Capital Assets

Conversion of stock-in-trade to capital asset to be charged as business income in the year of conversion. The Fair Market Value of the inventory on the date of conversion shall be deemed to be full value of the consideration.

For Section 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**.

Clause (42A) of section 2 so as to provide that the **period of holding** of that capital assets shall be recognised from the date of conversion or treatment.

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)**.

5) Agriculture Income

- a. 100% tax deduction to companies with revenue of Rs 100 crore registered as farmer.
- b. Agriculture Commodity Derivative income /loss also not to be considered as speculative under section 43(5).

6) Deemed Dividend Tax

Deemed dividend to be taxed in the hands of the **Company** itself as Dividend Distribution of tax @ 30%.

7) Income Tax Return

- a. Penalty for non-filing financial return as required under Section 285BA being increased to Rs.500 per day/ Rs. 1,000/- per day.
- b. All companies irrespective of income to file return and in case it is not filed, such companies will be liable for prosecution irrespective of the fact whether it has tax liability of Rs 3,000 or not.
- c. No adjustment under Section 143(1) while processing on account of mismatch with 26AS and 16A.
- d. E-assessment Assessments to be E assessment under new **Section 143(3A)**.

8) Other Points

- e. Interest on compensation, enhanced compensation. Claim or enhancement claim and subsidy, incentives to be taxed in the year of receipt only as per new Section-145B.
 - f. Introduction of new Section 80-IAC to provide 100% deduction for three consecutive years out of five years, to profits of start-ups Company.
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