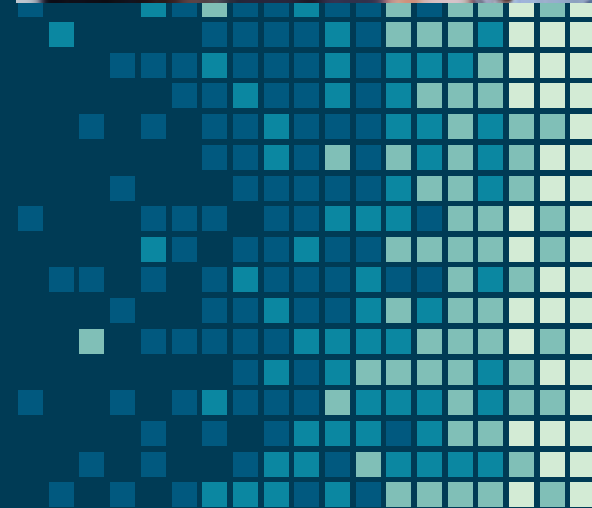


UNION BUDGET 2018-19 TAX ANALYSIS

BY
SHAH & VEJANI
CHARTERED ACCOUNTANTS



CONTENTS





INTRODUCTION

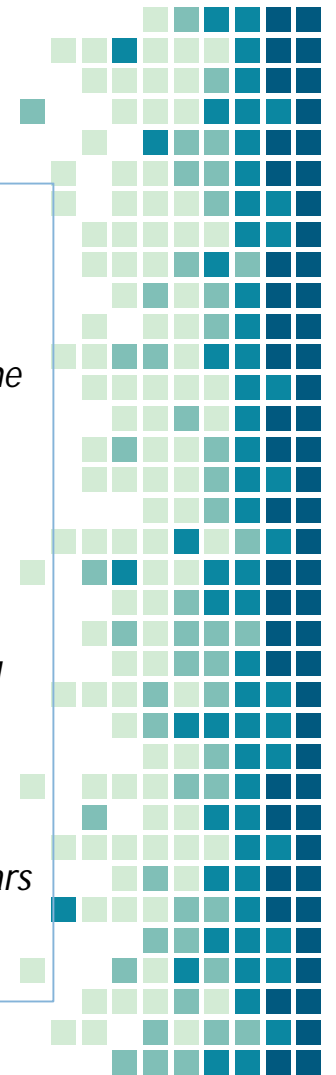


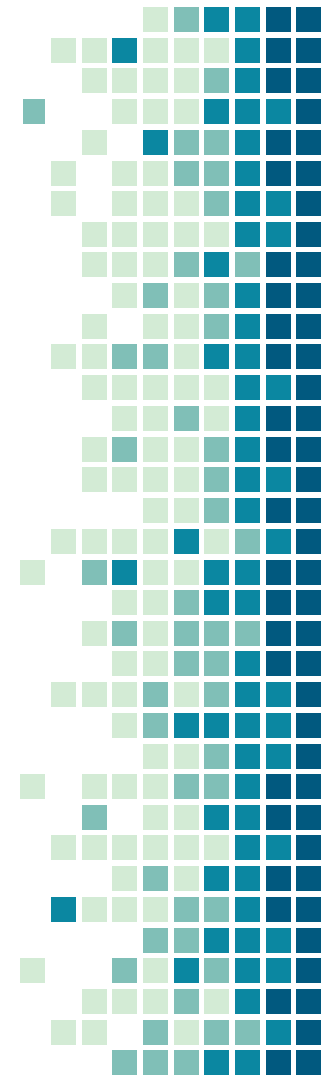
SHAH AND VEJANI

INTRODUCTION

Finance Minister Arun Jaitley presented the Union Budget 2018-19 in Parliament on February 1, 2018. This was the last full Budget of the Prime Minister Narendra Modi government ahead of elections to eight state Assemblies this year, and before the 2019 Lok Sabha polls. As expected, the thrust of the Budget was on the agricultural sector, rural economy, healthcare, MSMEs and infrastructure

On the Direct tax front, the Budget has benefitted the rural sector, senior citizens and micro, small and medium enterprises, by providing tax incentive. Since Changes under the GST laws are implemented through recommendation of GST council during their periodic meetings, the budget proposals were limited to Custom legislation. On the Customs duty front, India has after many years changed its peak customs duty rates to boost the 'Make in India' campaign of the Government





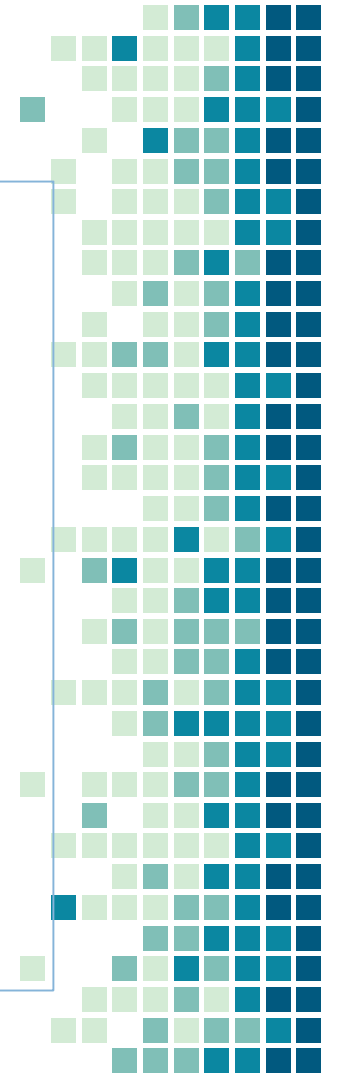
DIRECT TAX PROPOSALS

SHAH AND VEJANI

DIRECT TAX PROPOSALS

Rates/Slabs of Income Tax and applicable Surcharge and Cesses (Refer Annexure)

- There is no change in taxation of individuals, HUFs and firms
- For domestic companies the rate of income of income tax is unchanged except where total turnover/gross receipts in previous year 2016-17 does not exceed 250 crore rupees where the rate prescribed is reduced to 25%
- Surcharge charged remains unchanged
- Education Cess of 2% as well as Secondary and Higher Secondary Cess of 1% are replaced by Health and Education Cess of 4%
- Standard deduction of Rs. 40,000/- is provided for the salaried class whereby existing exemption on account of Conveyance allowance Rs. 19,200/- and medical allowance of Rs. 15,000/- has been withdrawn thus resulting into only net additional benefit of Rs.5,800/-



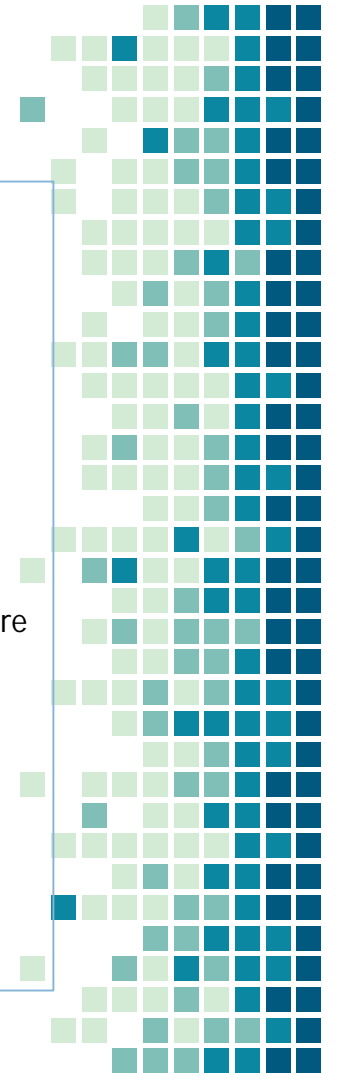
DIRECT TAX PROPOSALS

Definitions

- Deemed Dividend - New explanation 2A has been inserted to section 2(22) to enlarge the scope of term “accumulated profits” so as also include the accumulated profits of the amalgamating company. The insertion will be w.e.f. A.Y. 2018-19

Business

- Presumptive System of Taxation - Section 44AE is amended to provide that in case of heavy goods vehicle (more than 12MT GVW), the income would be deemed to be an amount equal to Rs. 1,000/- per ton of GVW per month or the amount actually earned by the assessee whichever is higher
- Transaction in respect of trading in agricultural commodity derivatives is not to be treated as speculative transaction even though CTT has not been paid on such transactions (Section 43(5))
- Section 28 has been amended to provide for levy of tax for conversion of stock-in-trade into capital asset



DIRECT TAX PROPOSALS

Capital Gains

- New section 112A has been introduced w.e.f. 01.04.2018 to provide that long-term capital gains arising from transfer of a long-term capital asset being an equity share in a company or a unit of an equity-oriented fund or a unit of business trust be taxed at 10% of such capital gains exceeding one lakh
- Indexation benefit will not be available for computing such gains
- The cost of acquisition in respect of the equity shares or units being long term capital asset acquired by the assessee before 1/2/18 shall be worked out as prescribed
- The provisions of section 115AD has been amended to tax long term capital gains at 10% arising from transfer of equity shares and units of equity oriented mutual funds in the hands of Foreign Institutional Investors



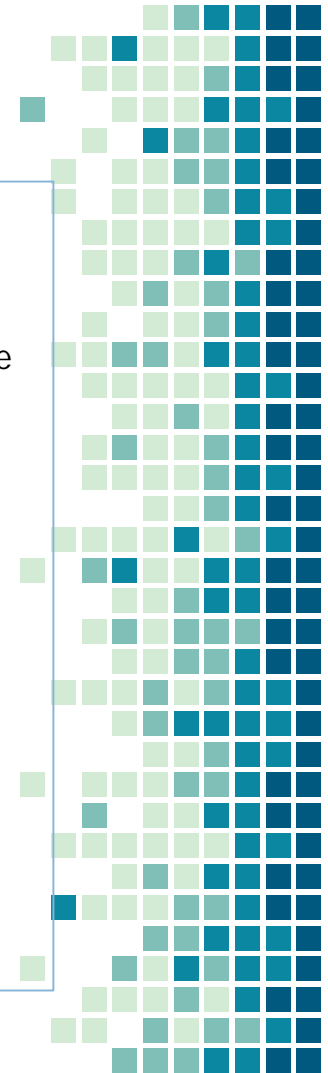
DIRECT TAX PROPOSALS

Real Estate Transactions

- No adjustments u/s 43CA (Business Profits), section 50C (sale of immovable property) and u/s 56 (Income from Other sources) would be done in a case where the variations between stamp duty value and the sale consideration is not more than 5% of the sale consideration

International Taxation

- Business Connection - Section 9 has been amended to provide that Business Connection shall now include any business activities carried through a person who acting on behalf of the non-residents, habitually concludes contracts or habitually plays the principle role leading to conclusion of the contracts by the non-residents
- Further it has been provided that "Business connection" to include "Significant Economic Presence", thus suitable amendment has been proposed in section 9



DIRECT TAX PROPOSALS

Chapter VI-A

- Deduction u/s 80D in respect of Mediclaim Premium of Senior Citizen is enhanced from existing Rs. 30,000/- to Rs. 50,000/-
- Deduction u/s 80DDB in respect of Medical treatment paid by senior citizens & very seniors citizens has been increased from existing Rs.60,000/- or Rs. 80,000/- to Rs.1,00,000/-
- A new deduction u/s 80TTB is introduced for Senior citizens in respect of Interest from Deposits held up to Rs. 50,000/- and in this connection no TDS to be deducted u/s 194A. However, person claiming benefit of this section will lose benefit of section 80TTA (Rs. 10,000/-)
- Benefits of deduction u/s 80JJA is extended to footwear and leather industry for certain number of employees



DIRECT TAX PROPOSALS

Dividend Distribution Tax ('DDT')

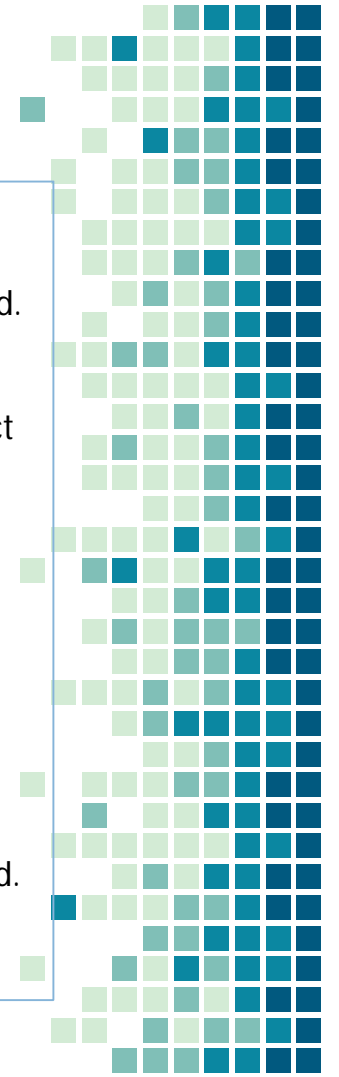
- Deemed Dividend brought under the ambit of DDT - Section 115-O has been proposed to be amended. Consequently, it may not be taxed in the hands of the recipient
- Section 115R has been amended to provide for payment of dividend distribution tax @ 10% in respect of all mutual funds

MAT

- Section 115JB (MAT) has been amended to provide for set off unabsorbed business loss and unabsorbed depreciation against book profits provided that application has been admitted under Insolvency and Bankruptcy Code 2016

Method of accounting - ICDS

- To bring certainty as regards applicability of ICDS, various provisions of the I.T. Act, 1961 are amended. This is in view of recent judicial decision on ICDS



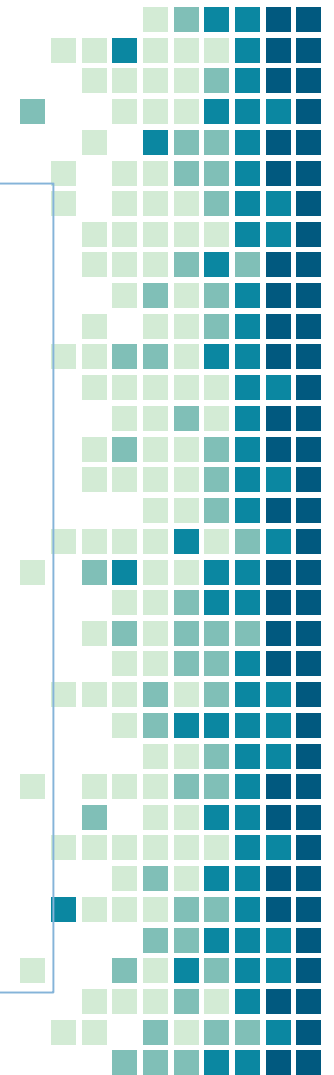
DIRECT TAX PROPOSALS

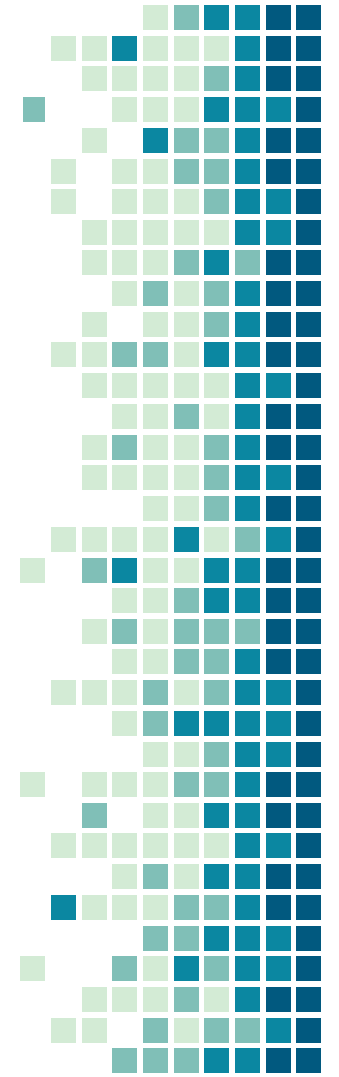
Charitable Trusts

- Provisions of section 40(a)(ia) as well as section 40A(3) and 40A(3A) are made applicable to institutions registered u/s 10(23C) and charitable trusts who are claiming exemption u/s 11 of the Income Tax Act 1961

Assessment Proceedings

- New scheme of scrutiny assessment u/s 143 of the Income Tax Act 1961 is proposed in which the interface between the Assessing Officer and the assessee is eliminated.
- Section 143(1) has been amended to insert new proviso to provide that no adjustment in respect of income appearing in form 26AS or Form 16A or Form 16 shall be made in respect of any return furnished for processing





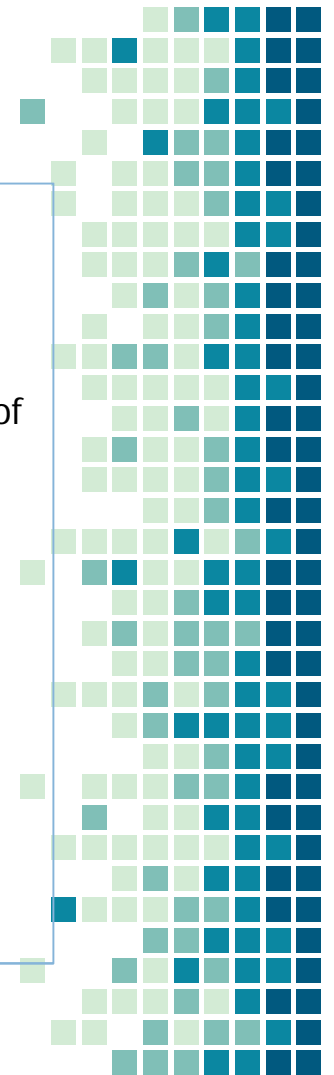
INDIRECT TAX PROPOSALS

SHAH AND VEJANI

INDIRECT TAX PROPOSALS

CHANGES TO CUSTOMS ACT, 1962

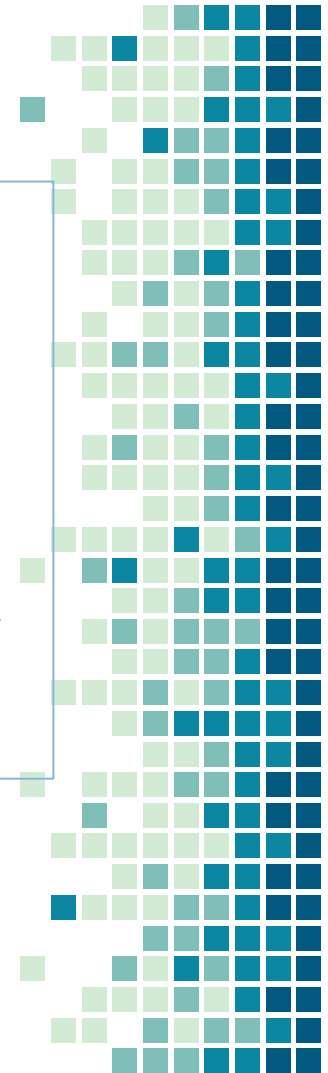
- Central Government is empowered to exempt Customs Duty:
 - On goods imported for repair, further processing or manufacture ['Inward Processing of Goods']
 - On re-import of goods after export for repair, further processing or manufacture ['Outward Processing of Goods']
- The proper officer is empowered to conduct audit of assessment of imported goods or export goods or of an auditee either in his office or in the premises of the auditee
- The scope of provisional assessment is proposed to be widened to cover export consignments



INDIRECT TAX PROPOSALS

CHANGES TO CUSTOMS ACT, 1962

- A new Chapter VIIA namely “Payments through Electronic Cash Ledger” with governing provisions under Section 51A is proposed to be inserted to have provisions for payment of duties, taxes, fee, interest, and penalty through electronic cash ledger
- A proviso is proposed to be inserted to Section 124 to enable issuance of supplementary show cause notice under the circumstances and in manner to be prescribed



INDIRECT TAX PROPOSALS

LEVY OF SOCIAL WELFARE SURCHARGE ('SWS')

- To finance education, health and social security, Social Welfare Surcharge is levied on imported goods subject to certain exemptions
- SWS shall be in addition to any other duties of Customs or tax or Cesses chargeable on imported goods
- SWS shall be at the rate of ten per cent of the aggregate of duties, taxes and Cesses
- Levy of SWS on Integrated Tax and GST Compensation Cess is exempted

ABOLITION OF EDUCATION CESS AND SECONDARY and HIGHER EDUCATION CESS

- Education Cess and Secondary and Higher Education Cess leviable on imported Goods are abolished



INDIRECT TAX PROPOSALS

CHANGES IN CUSTOMS DUTY RATES

- To incentivize the domestic value addition and Make in India in sectors like food processing, electronics, auto components, footwear and furniture; custom duty on many increased. Few are as under:

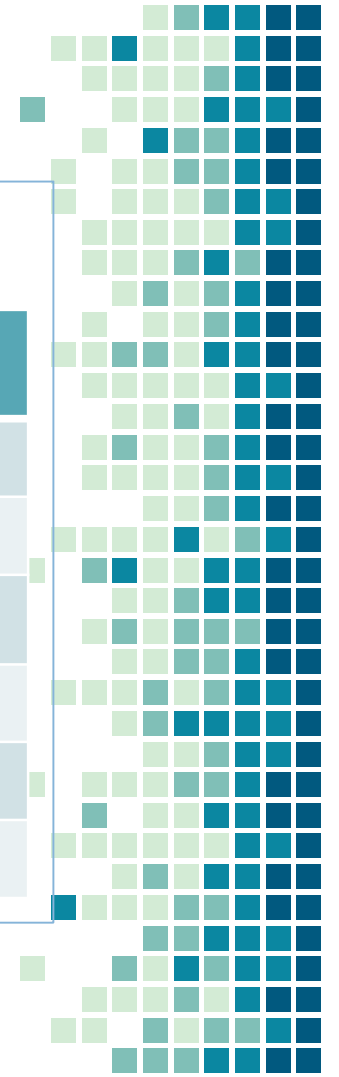
Chapter	Goods	Existing Rate (%)	New Rate (%)
2009 21 00 to 2009 91 00	Fruit juices and vegetable juices including cranberry juice	30%	50%
3303	Perfumes and toilet waters	10%	20%
6401, 6402, 6403, 6404, 6405	Footwear	10%	20%
6406	Parts of footwear	10%	15%
7117	Imitation Jewellery	15%	20%



INDIRECT TAX PROPOSALS

CHANGES IN CUSTOMS DUTY RATES

Chapter	Goods	Existing Rate (%)	New Rate (%)
8517 12	Cellular mobile phones	15%	20%
8517 62 90	Smart watches / wearable devices	10%	20%
8529 10 99 8529 90 90	LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	7.5%/10%	15%
9101, 9102	Watches and Clocks	10%	20%
9004 10	Sunglasses	10%	20%
5007	Silk Fabrics	10%	20%



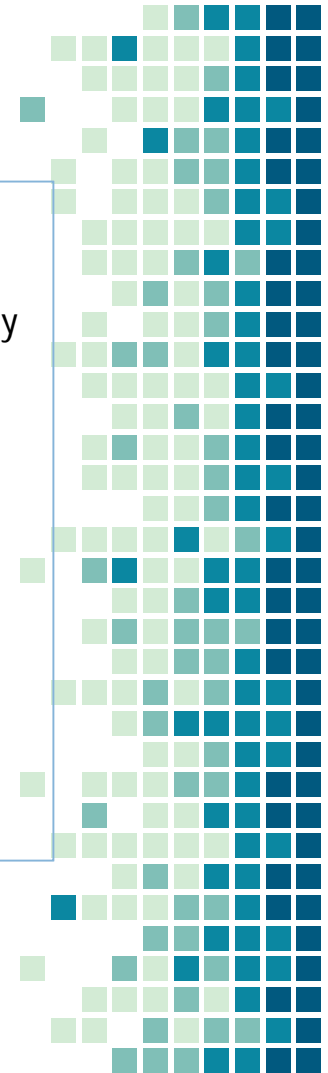
INDIRECT TAX PROPOSALS

EXCISE DUTY

- Road and Infrastructure Cess is levied as an Additional Duty of Excise on motor spirit commonly know as petrol and high speed diesel
- Basic Excise Duty on motor spirit (both branded and unbranded) is reduced

MISCELLANEOUS

- Name of 'Central Board of Excise and Customs' is being changed to 'Central Board of Indirect Taxes and Customs'





20

CONTACT US



SHAH AND VEJANI

// *Shah & Vejani*

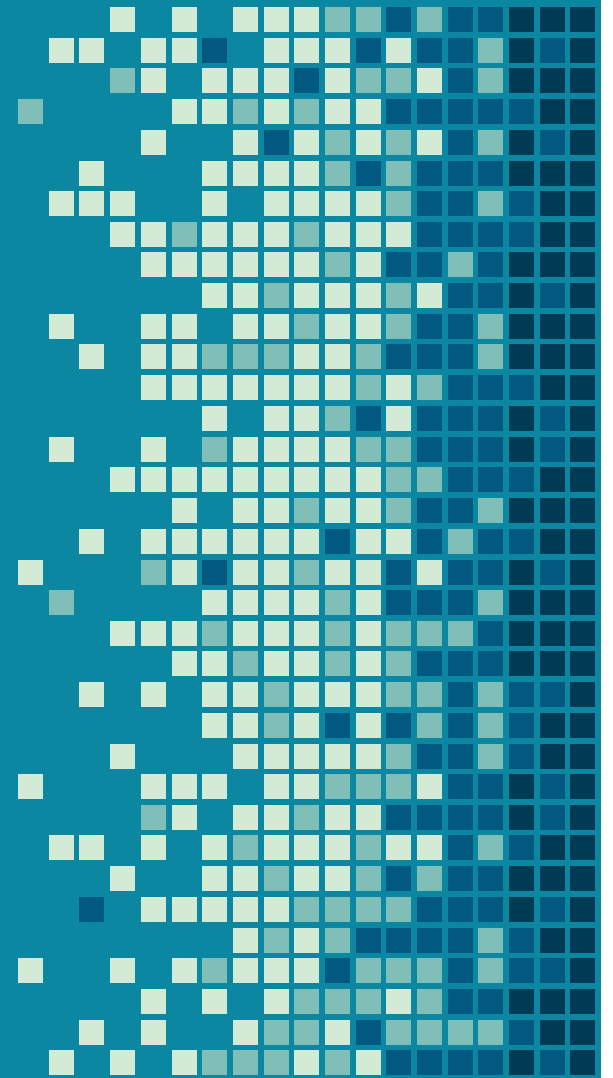
*Office No 5, Sai Sadan,
Roshan Nagar,
Off Chandawarkar Lane,
Borivali West,
Mumbai-92*



shah.vejani@gmail.com

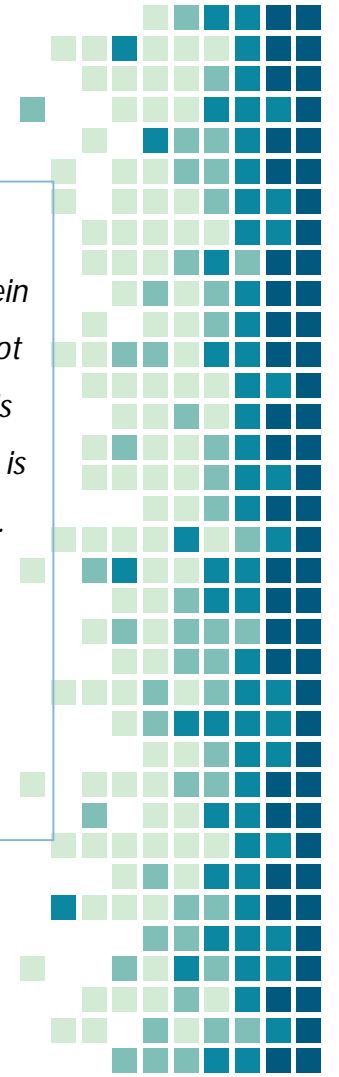


+91-9833442951/9769268037

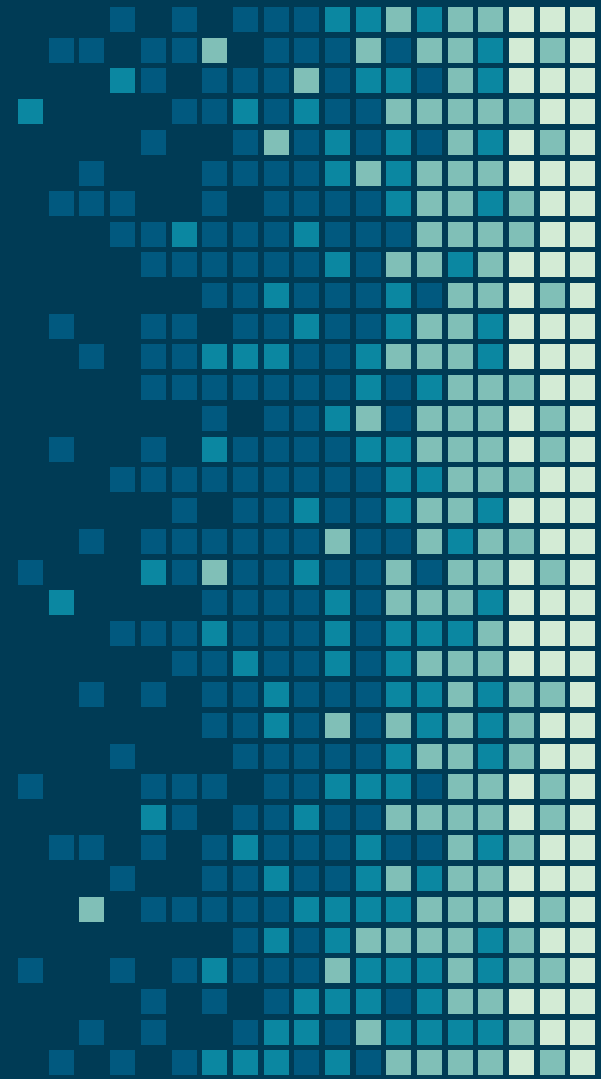


DISCLAIMER

- *This publication contains general information which is provided on an “as is” basis without warranties of any kind, express or implied and is not intended to address any particular situation. The information contained herein may not be comprehensive and should not be construed as specific advice or opinion. This publication should not be substituted for any professional advice or service, and it should not be acted or relied upon or used as a basis for any decision or action that may affect you or your business. It is also expressly clarified that this publication is not intended to be a form of solicitation or invitation or advertisement to create any adviser-client relationship.*
- *Whilst every effort has been made to ensure the accuracy of the information contained in this publication, the same cannot be guaranteed. We accept no liability or responsibility to any person for any loss or damage incurred by relying on the information contained in this publication.*



ANNEXURE

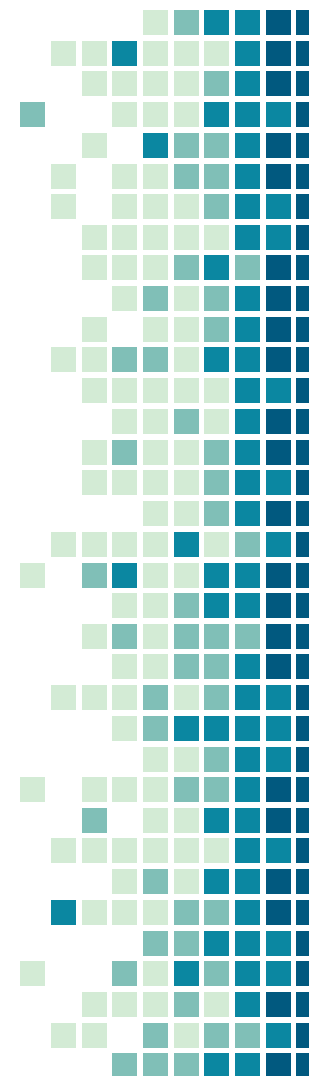


SLAB RATES FOR INDIVIDUALS AND HUFS FOR F.Y. 2018-19

Total income	Person less than 60 years	Person less than 80 years and more than 60 years	Person more than 80 years
Upto to INR 2,50,000	NIL	NIL	NIL
INR 2,50,000-INR 300,000	5%	NIL	NIL
INR 3,00,000-INR 5,00,000	5%	5%	NIL
INR 5,00,000-INR 10,00,000	20%	20%	20%
INR 10,00,000 and more	30%	30%	30%

Note: In addition to tax, surcharge shall be charged at applicable rates if total income is more than 50 lakh rupees or 1 crore as the case may be. Further 4% Health and Education Cess shall be levied on tax and surcharge.

SHAH AND VEJANI



RATES FOR DOMESTIC COMPANY FOR F.Y. 2018-19

A) For a domestic company having total turnover/ gross receipts in the previous year (2016-17) **not exceeding** INR 250 crore:

Particulars	Taxable income < INR 1 crore	INR 1 crore < taxable income < INR 10 crore	Taxable income > INR 10 crore
Corporate tax	25.00%	25.00%	25.00%
Surcharge	-	7.00%	12.00%
Corporate tax + surcharge	25.00%	26.75%	28.00%
Education cess	4.00%	4.00%	4.00%
Effective tax rate	26.00%	27.82%	29.12%

SHAH AND VEJANI



RATES FOR DOMESTIC COMPANY FOR F.Y. 2018-19

B) For a domestic company having total turnover/ gross receipts in the previous year (2016-17) **exceeding** INR 250 crore:

Particulars	Taxable income < INR 1 crore	INR 1 crore < taxable income < INR 10 crore	Taxable income > INR 10 crore
Corporate tax	30.00%	30.00%	30.00%
Surcharge	-	7.00%	12.00%
Corporate tax + Surcharge	30.00%	32.10%	33.60%
Education cess	4.00%	4.00%	4.00%
Effective tax rate	31.2%	33.38%	34.94%

SHAH AND VEJANI



RATES FOR FOREIGN COMPANY FOR F.Y. 2018-19

Particulars	Taxable income < INR 1 crore	INR 1 crore < taxable income < INR 10 crore	Taxable income > INR 10 crore
Corporate tax	40.00%	40.00%	40.00%
Surcharge	-	2.00%	5.00%
Corporate tax + Surcharge	40.00%	40.80%	42.00%
Education cess	4.00%	4.00%	4.00%
Effective tax rate	41.60%	42.43%	43.68%

SHAH AND VEJANI

