

TSMT UPDATE

Union Budget Highlights - 2018

Presented in a comprehensive Q&A format

Modi Care!

The Government is set to bring out a flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families providing coverage upto 5 lakh rupees per family. This will be the world's largest government funded health care programme.

Block Chain Technology

The Finance Minister made it clear that the Government does not consider cryptocurrencies as 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

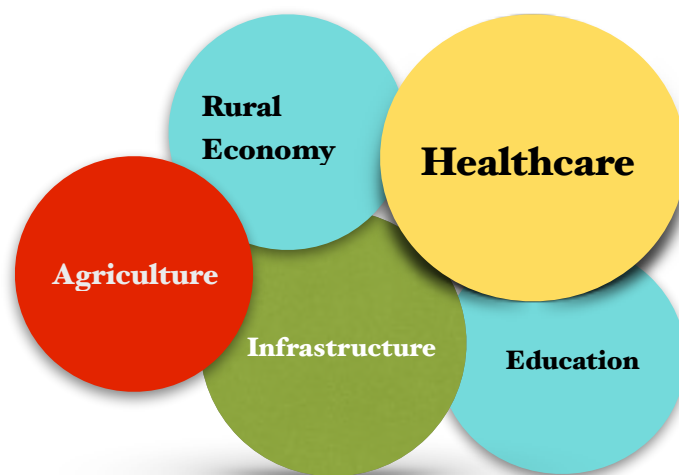
TSMT Rating

5/10



Foreword

The Union Budget 2018 marks the last full budget to be presented by the NDA Government before the upcoming elections and also the first budget after the implementation of the Goods and Services Tax (GST)



Namma Bengaluru

The Central Government has sanctioned Rs. 17,000 Crore to create a suburban network of approximately 160 km to cater to the growth of the Bengaluru metropolis

Women Empowerment

To incentivize employment of more women in the formal sector and to enable higher take home wages. The Government has reduced women employee's contribution to 8% for the first 3 years of their employment with no change in employer's contribution

Air Pollution

The Government to implement special scheme to support the efforts of the Governments of Haryana, Punjab, Uttar Pradesh and the NCT of Delhi to address air pollution



Q.1 Is there any change in the income tax slab rates for Individuals and HUF?

No. However, Health and Education Cess at the rate of 1% has been introduced resulting in total cess of 4% on tax and surcharge as against the existing Cess of 3%.

Q.2 Is there any additional tax benefit provided to salaried employees?

A standard deduction of Rs. 40,000/- has been introduced for salaried employees in lieu of transportation and medical expenses reimbursement of Rs. 34,200/-. This standard deduction can be claimed by an employee without submission of any proof.

Q.3 What are the changes in corporate tax rates?


The concessional tax rate of 25% has been extended to Companies with a turnover not exceeding Rs. 250 crore in the Financial Year 2016-17. Earlier, such concessional rate was applicable to companies with turnover not exceeding Rs. 50 crore

Q.4 What are the changes made in taxation of Capital Gains? 


Long Term Capital Gains tax has been re-introduced on gains arising on sale of listed securities i.e. Listed equity shares, equity oriented mutual funds and the tax rate is 10% (without indexation benefit). Such tax shall be levied if the gain exceeds Rs. 1,00,000/-. This tax will apply only for sale of securities made post 31st March 2018. Securities transaction tax continues to be applicable as before.

Did you know?

The first Union Budget of independent India was presented on November 26, 1947 by former finance minister RK Shanmukham Chetty

Q.5 How is the Long Term Capital Gain on sale of listed equity shares or units of equity oriented mutual funds calculated in a case where such securities are acquired prior to 1st February 2018? 

Gains accrued upto 1st February 2018 (based on the highest traded price on 1st February 2018) will not be taxed. Any further gains made during the period from 1st February 2018 till the date of sale will be taxable.

Q.6 What are the further changes in capital gain tax? 

Earlier, investments in bonds of National Highway Authority of India (NHAI) or Rural Electrification Corporation Limited (RECL) was allowed as deduction from capital gains arising on sale of any long term capital asset. However, now such benefit has been restricted to capital gains arising on sale of land or building or both only. This means benefit of investment in these bonds will not be available in respect of capital gains arising on sale of shares and other capital assets.

Q.7 Are there any changes in the provisions applicable to Charitable Trusts? 

Yes, there are two major changes:

- Any cash payment in excess of Rs. 10,000/- shall be disallowed and taxed as income; and
- Non deduction of tax at source (TDS) on payments shall result in disallowance of 30% of such payments.

Q.8 What are the benefits extended to senior citizens?

Benefit	Earlier	Now
Exemption on interest from deposits with banks and post offices - u/s 80TTA	Rs. 10,000	Rs. 50,000
Deduction for health insurance premium / any medical expenses - u/s 80D	Rs. 30,000	Rs. 50,000
Deduction in case of medical expenditure in certain critical illness to senior and super senior citizens - u/s 80DDB	Rs. 60,000 - Senior Citizens Rs. 80,000 - Super Senior	Rs. 1,00,000

Q.9 What are the changes applicable to startups?

The existing provisions provide certain tax benefits to Startups and Startups were those businesses which are technology and innovation oriented. The definition of Startup has now been enlarged to include any business with a high potential of employment generation or wealth creation.

Did you know?

Vote on Account - Every Budget presented by the Government provides the Income and Expenditure of the Government for the Fiscal Year. But in case of the year of elections, the Government presents only the expenditure of the Government until their tenure

Q.10 What happens to transaction where the sale consideration received on sale of immovable property is at variance with the stamp duty valuation?


The Finance Bill 2018 now permits the variance of 5 % with respect to value adopted or assessed for stamp duty purposes vis-a-vis the consideration received.

Q.11 What are the changes in dividend distribution tax? 

Dividend distribution tax now includes in its ambit, deemed dividend, which shall be taxed at the rate of 30%. Further, the tax shall now be borne by the Company as against the recipient, as is the case currently.

Did you know?

The highest number of budget presentations have been made by former finance minister Morarji Desai. He presented 10 union budgets, followed by P Chidambaram's 9 and Pranab Mukherjee's 8

Q12. What are the additional compliances with respect to transactions requiring mandatory quoting of PAN? 

Any person other than an individual, having any financial transactions aggregating to two lakh fifty thousand or more in a financial year, is required to mandatorily obtain PAN. Further, Managing Director, Director, Partner, Trustee, Karta, Author, Founder, CEO, Principal Officer or Office Bearer or any person competent to act on behalf of such entity are also required to mandatorily obtain PAN.

Q13. What is the change in Assessment Proceedings? 

For better efficiency, transparency and accountability, e-assessment proceedings will now be applicable across board, eliminating the interface between the Assessing Officer and the Assessee and thereby improving transparency and reducing harassment.

Q14. Is dividend distribution tax also applicable to equity oriented mutual funds? 

Yes, the finance bill has proposed to introduce a dividend distribution tax at the rate of 10% on the dividends declared by the equity oriented mutual funds.

Indirect Tax

Q.1 - Is there any changes in rate of cess for import of Goods? 

Yes, the finance bill withdraws levy of Education Cess and Secondary Higher Education Cess on import of goods. However, a new Social Welfare surcharge has been introduced at 10% on the aggregate duties of customs.

Income Tax Rates - Ready Reckoner AY 2019-20**Individuals**

Income*	Individual (60 < Years)	Individual (60 > Years)	Individual (80 > Years)
Upto to Rs. 2,50,000	Nil	Nil	Nil
Rs. 2,50,00 - Rs. 3,00,000	5%	Nil	Nil
Rs. 3,00,00 - Rs. 5,00,000	5%	5%	Nil
Rs. 5,00,000 - Rs. 10,00,000	20%	20%	20%
Above Rs. 10,00,000	30%	30%	30%

*Cess at 4% is applicable on tax and surcharge

Surcharge

Income	50 Lacs to 1 Crores	1 Crore to 10 Crores	Exceeding 10 Crores
Individuals / HUF	10%	15%	15%
Firm/ Local Authority	Nil	12%	12%
Domestic Company	Nil	7%	12%
Foreign Company	Nil	2%	5%
Co-operative Society	Nil	12%	12%

Corporates

Particulars	Rate
Firm/ Local Authority	30%
Domestic Company (Turnover not exceeding 250 Crores)	25%
Other Domestic Company	30%
Foreign Company	40%

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