



HIGHLIGHTS - UNION BUDGET 2018

1 Reduction in Corporate Tax Rate.

Corporate tax rate reduced to 25 % in case of companies having annual turnover of INR 250 crores or less for the year ended 31st March 2017.

2 Long-term capital gains on sale of equity shares / equity oriented mutual funds – Now Taxed !

Long term capital gains arising from sale of listed equity shares or a unit of an equity oriented fund (including long term capital gains earned by Foreign Institutional Investors) shall be taxed at 10 per cent in respect of gains exceeding one lakh rupees

Cost of acquisitions in respect of the same acquired before the 1st February, 2018, shall be deemed to be the higher of:

- the actual cost of acquisition of such asset; and
- the fair market value of such asset on 31st January, 2018;

3 Prosecution for failure to furnish return by a corporate entity:

If a corporate entity fails to file its return of income in specified time, prosecution can be launched.

4 New Scheme of E-Assessments

a new scheme for the purpose of making assessments by eliminating the interface between the Assessing Officer and the assessee by introduction of E- assessment.

5 Deduction in respect of income of Farm Producer Companies

The existing benefit of 100% deduction to Co-operative society who provide assistance to member engaged in primary agriculture activities has been extended to farm Producer Companies (FPC), having a total turnover upto INR 100 Crores subject to fulfillment of specified conditions.

6 Deductions / Benefits available to senior citizens

Health Insurance Premium and Medical Treatment deduction increased to INR 50,000 and to INR 1,00,000 for critical illness.

Additional deduction of INR 50,000 in respect of Interest Income from Deposits introduced.

7 Standard deduction on Salary income

It is proposed a standard deduction of INR 40,000/- instead of presently allowed travel/conveyance allowance and medical reimbursement.

8 Cess on Tax

“Health and Education Cess on income-tax” shall be levied at the rate of 4% on the amount of tax computed, inclusive of surcharge in all cases.

9 Rationalization of taxation on difference between ready reckoner value and agreement value in case of sale of land or building or both

At present, gains /profits arising out of transactions in immovable property, the sale consideration or stamp duty value, whichever is higher is adopted. No adjustments shall be made in a case where the above difference is not more than five percent of the sale consideration.

10 Dividend distribution tax on dividend payouts in an equity oriented fund

Any income distributed by an equity oriented fund, the fund shall be liable to pay additional income tax at the rate of 10% on income so distributed.

11 Exemption u/s 54EC of capital gain invested in specified bonds

The gain arising only on sale of land or building or both will be eligible for exemption and not all assets. Further the lock in period of these specified bonds has been increased to 5 years instead 3.

12 Various amendments in relation to notified Income Computation and Disclosure Standards (ICDS) has been proposed

13 Penalty for failure to furnish statement of financial transaction or reportable account increased from one hundred rupees to five hundred rupees and from five hundred rupees to one thousand rupees, for each day of continuing default

14 Various Measures to promote start-ups have been proposed on fulfillment of specified conditions

15 Inclusion of “Significant Economic presence” as Business connection for the purpose of establishing “Income deemed to accrue or arise in India”

“Significant economic presence” has now been defined and as much of income as is attributable to such transactions or activities shall be deemed to accrue or arise in India and shall be taxed. This is irrespective of whether or not the non-resident has a residence or place of business in India or renders services in India subject to relevant amendment in DTAA.

16 Taxation of Compensation received / receivable

Any compensation, whether in the nature of revenue or capital, in connection with the termination or in connection with the modification of the terms and conditions of any contract relating to business or employment shall be taxable.

17 Various measures are proposed to promote International Financial Services Centre (IFSC)

18 Royalty and FTS payment by National Technical Research Organization (NTRO) to a non-resident to be tax-exempt

Income arising to non-resident / foreign company by way of royalty or fees for technical services for services rendered in or outside India to NTRO will be exempt from tax in India.

19 Provision relating to conversion of stock-in-trade into Capital Asset :-

In cases where the stock in trade is converted into, or treated as, capital asset, the provision to tax the same and methodology of arriving at gain and its taxation has now been introduced.

20 Deemed Dividend:

In the case of an amalgamated company, accumulated profits shall be increased by the accumulated profits of the amalgamating company to arrive at “Accumulated profits”.

Deemed dividend is proposed to be taxed at the rate of 30 % without grossing up under section 115-O.

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