

**KEY BUDGET HIGHLIGHTS**

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The thrust of tax proposals this year falls in following categories:

- Moving towards non-cash economy
- Measures to boost growth and employment generation.
- Incentivizing domestic value addition to help Make in India.
- Measures for promoting affordable housing.
- Additional resource mobilization for agriculture, rural economy and clean environment.
- Reducing litigation and providing certainty in taxation.
- Simplification and rationalization of taxation.

### **1. Corporate tax reduced:**

The corporate tax for small companies having total turnover or the gross receipt in the financial year upto Rs.50 crores has been proposed to be reduced from 30% to 25%.

### **2. Reduction of rate for Presumptive scheme of taxation:**

Under scheme of presumptive income for small and medium tax payers whose turnover is upto 2 crores, the present, 8% of their turnover which is counted as presumptive income is reduced to 6% in respect of turnover which is by non-cash means.

Only business entities who opt for presumptive income scheme and has turnover exceeding 2 crores needs to get their accounts audited and not others.

Under scheme for presumptive taxation for professionals with receipt upto Rs. 50 lakhs p.a., it is proposed that advance tax can be paid in one installment instead of four.

### **3. Personal income tax:**

Existing rate of taxation for individual assesses between income of Rs. 2.5 lakhs to 5 lakhs is proposed to be reduced to 5% from the present rate of 10%.

It is proposed to levy surcharge of 10% of tax payable on categories of individuals whose annual taxable income is between Rs. 50 lakhs and Rs. 1 crore.

### **4. Move in line with demonetization: Reduce Cash transactions:**

It is proposed that the limit for disallowance of expenses in respect of cash payments has been reduced from Rs.20K to Rs.10K.

It is proposed to provide that no person shall receive payment or aggregate of payments of an amount of 3 lakh rupees or more from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion. A penalty is proposed in case of contravention of this provision.

## **5. FIPB abolished but reform to continue:**

It is proposed that the Foreign Investment Promotion Board (FIPB) will be abolished in the year 2017-18 and a new framework will be created.

The FIPB offered a single window clearance for applications on FDI in India that are under the approval route.

Further liberalisation of the FDI policy is under consideration and necessary announcements will be made in due course.

## **6. Domestic Transfer pricing:**

Scope of domestic transfer pricing reduced substantially and is proposed to be restricted to specified entities only.

## **7. Goods and Services Tax:**

The GST Council has finalised its recommendations on almost all the issues based on consensus on the basis of 9 meetings held

Preparation of IT system for GST is also on schedule.

The extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 to make them aware of the new taxation system.

## **8. Capital gains amendments:**

It is proposed that the holding period for computation of Long term capital gains on sale of immovable property has been reduced from 3 years to 2 years.

It is proposed that investment in certain notified bonds will also be eligible for capital gains exemptions.

It is proposed that the base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001.

#### **9. Benefit of Concessional rate of TDS to NRI for ECB extended:**

It is proposed that TDS on Interest income received by NRI on External Commercial Borrowings or Rupee denominated bonds shall continue to be deducted @5% till 30<sup>th</sup> June 2020.

#### **10. Indirect transfer of assets :**

It is proposed that Foreign Portfolio Investor (FPI) Category I & II will be exempted from indirect transfer provision. Indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax in India.

#### **11. Minimum Alternate Tax is not abolished, but.....:**

It is proposed that MAT can be carried forward for 15 years by companies as against 10 years allowed earlier.

#### **12. Boost to Start-ups:**

It is proposed that for the purpose of carry forward of losses in respect of start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues. Also the profit (linked deduction) exemption available to the start-ups for 3 years out of 5 years is changed to 3 years out of 7 years.

#### **13. Exemption from TDS deduction for insurance agents:**

It is proposed that commission payable to individual insurance agents exempt from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit.

#### **14. Time limits for revise return, completion of scrutiny is reduced:**

It is proposed that time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return. Also the time for completion of scrutiny assessments is being compressed from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter.

#### **15. TDS deduction on rent payment –scope widened:**

TDS @ of 5% is to be deducted by an individual or HUF, other than those whose books of account are required to be audited, while making payment of rent of an amount exceeding Rs. 50,000 per month.

It is also proposed to provide that such tax shall be deducted and deposited only once in a financial year. Further, the deductor shall not be required to obtain TAN or file any separate TDS return.

#### **16. Set off loss –Income from House Property:**

In order to address the existing anomaly of interest deduction in respect of let out property vis-à-vis self-occupied property, it is proposed to restrict set off of loss from house property against income under any other head during the current year up to Rs two lakhs. The loss not so set off would be allowed to be carried forward for set off against house property income for eight assessment years.

#### **17. Other points:**

- In order to ensure timely filing of returns of income, it is proposed to levy a fee in case of delay in filing the return.
- It is proposed to provide a concessional tax rate of 10% in case of income arising from sale of carbon credit.

#### **Disclaimer:**

- The above highlights are proposals and are subject to approval by the parliament.
- The above note is based on the budget speech and is subject to further study and clarifications.

- This note does not form any kind of opinion from our end and before taking any action based on above it is recommended to take consultation from our experts in the subject.
- For any related questions – feel free to connect on [budget@kdpaccountants.com](mailto:budget@kdpaccountants.com)