Budget Highlights 2017-18

Budget 2017-18 contains 3 major reforms. First, the presentation of the Budget advanced to 1st February to enable the Ministries to operationalise all activities from the commencement of the financial year. Second, merger of Railways Budget with General Budget to bring Railways to the centre stage of Government's Fiscal Policy and third, removal of plan and non-plan classification of expenditure to facilitate a holistic view of allocations for sectors and ministries.

PERSONAL TAXATION

- Individual Basic exemption limit NOT CHANGED.
- The existing rate of income tax applicable on income between 2.5 lakhs to 5 lakhs is proposed to be reduced from 10% to 5% in case of individuals/ HUFs or AOPs or BOI.
- 10% surcharge will be levied for income ranging from Rs.50 lacs to Rs.1 crore in a year and 15% surcharge will be levied for income over 1 crore in a year.
- The threshold limit for audit of business entities who opt for presumptive income scheme proposed to be increased from 1 crore to 2 crore. This is a clarificatory amendment.
- 6% presumptive income in case amount received through account payee cheque, draft, and electronic means & 8% in case amount received through cash.
- Rebate u/s 87A of Rs.2500 shall be allowed if total income does not exceed Rs.3.5 Lacs.
- It is proposed that receipt of any sum of money or property **by any person (earlier only individual/HUF)** without consideration or for inadequate consideration in excess of Rs50,000 shall be chargeable to tax in the hands of recipient. Clause(x) sought to be inserted to Section56(2) and clauses(vii) and (viia) sought to be omitted.
- Section 23(5) is Proposed to be inserted which says that Where the property consisting of any building or land appurtenant thereto is held as Stock-in-trade and the property or any part of the property is not let during the whole Or any part of the previous year, the annual value of such property or part of the Property, for

the period up to 1 year from the end of the financial year in which the Certificate of completion of construction of the property is obtained from the Competent authority shall be taken to be nil.

- Loss suffered under House property is proposed to be allowed set-off against any other head of income only upto Rs2lakhs for any assessment year ,while the unabsorbed loss shall be allowed to be carried forward for set-off in subsequent years.

TAX DEDUCTED AT SOURCE (T.D.S)

- Section 194I is proposed to be amended w.e.f 1st June 2017 to provide that individuals/HUF (not covered by Sec 44AB) shall be liable to deduct TDS at the rate of 5% on payment of rent exceeding Rs.50,000 per month or a part of month. Option to deduct TDS only once in previous year is provided.

- TDS of 5% not to be deducted for individual insurance agents if they certify their income to be below taxable limit.

CASH TRANSACTIONS

- Limit u/s 40A(3) for payment of cash expenditure now allowed only Rs.10000/- instead of Rs.20000/- per transaction.

- No deduction to be allowed under section 80G in respect of donation made by any mode other than cash, if such amount of donation exceeds 2,000. The present limit is 10,000.

- Cash expenditure for which payment is made to a person in a day is not allowed exceeding Rs10,000 for acquisition of any capital asset.

- Section 269ST proposed to be inserted, to provide that no person shall receive an amount of 3 lakh or more in aggregate from a person in a day; in respect of a single transaction; or in respect of transactions relating to one event or occasion from a person, otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.

INCOME TAX RETURN FILING

- The time limit for revising income tax return has been reduced i.e. time for furnishing of revised return shall be available up to the end of the relevant assessment year or before the completion of assessment, whichever is earlier.

- No scrutiny for first year for first time filer of income tax return.

- **Fees on delayed filing of return of income**: It is proposed to insert a new section 234F in the Act to provide that a fee for delay in furnishing of return shall be levied **for assessment year 2018-19 and onwards** in a case where the return is not filed within the due dates specified for filing of return under sub-section (1) of section 139. The proposed fee structure is as follows:
- **A fee of Rs. 5000** shall be payable, if the return is furnished after the due date but on or **before the 31st day of December** of the assessment year;
  A fee of Rs. 10,000 shall be payable in any other case.
  However, in a case where the total income does not exceed Rs. 5 lakhs, it is proposed that the fee amount shall not exceed Rs. 1000

CAPITAL GAINS

- Holding of Immovable property period of 3 year reduced to 2 year to treat assets as long term.
- Base year for indexation now 2001 instead of 1981
- Deemed sale value for sale of unquoted shares introduced. To be taxed at fair value. (Sec 50CA)
- Capital gain on shares will be exempt only if STT was paid while purchasing the shares.
- For joint development agreement, the liability to pay capital gain tax will arise in the year in which project is completed.