



2017 budget

A Crisp Analysis of Income Tax Provisions

Finance Bill'2017

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Title	Section	Changes proposed	Effective from
Corporate Tax rates		<ul style="list-style-type: none">▪ Corporate tax for domestic companies whose total turnover does not exceed INR 50 crore (INR 500 million) has been reduced from 30% to 25%.▪ Rate of tax for large companies with a turnover of over 50 Cr remains unchanged at 30%.▪ Rate of corporate tax remains unchanged at 40% for Foreign Companies.▪ Cess - Education cess and Secondary & Higher Education cess remains unchanged at 2% and 1% respectively.▪ There is no change in the tax rate for MAT(Minimum Alternate Tax) and DDT(Dividend Distribution Tax).▪ Surcharge remain same:<ul style="list-style-type: none">▪ Foreign companies : 2% on total income exceeding Rs. 1 cr but less than or equal to Rs. 10 cr and 5% for total income exceeding Rs. 10 cr.▪ Domestic companies : 7% on total income exceeding 1 cr but less than or equal to Rs.10 cr and 12% for total income exceeding Rs. 10 cr.	Assessment Year 2018-19

Title	Section	Changes proposed	Effective from
Incentives for promoting Investment in Immovable Property	2(42A)	<ul style="list-style-type: none"> As per current provisions, an immovable property is considered as a long-term asset if it is held for the period of more than 36 months. In order to promote the investment in real estate sector, the period of holding has been reduced to 24 months from 36 months for an immovable property to qualify as a long-term capital asset. Accordingly, the benefits of concessional rate of tax and indexation can be availed if an immovable property is held for a minimum period of 24 months. 	Assessment Year 2018-19
Set-off and carry forward of loss in case of change in shareholding	79	<ul style="list-style-type: none"> As per the existing provisions, a closely held company is not allowed to carry forward and set-off losses of earlier years if its shareholding changes by more than 50%. In order to facilitate ease of doing business and to promote the start-ups in India, losses incurred by an eligible start-up can be carried forward and set-off against the income of the previous year, if all the shareholders of such company (as existed in the year of loss) continue to hold the shares on the last day of the previous year. 	Assessment Year 2018-19



...contd. [1. Tax Incentives]

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Title	Section	Changes proposed	Effective from
Extending the period for claiming deduction by start-ups	80-IAC	<ul style="list-style-type: none">Under the existing provisions, an eligible start-up is allowed a deduction of an amount equal to 100% of the profits and gains derived from an eligible business for 3 consecutive assessment years out of 5 years beginning from the year in which such eligible start-up is incorporated.Considering that start-ups may not derive profits from the eligible businesses in the initial years and with a view to make deductions meaningful, the period for claiming deductions has been extended to any 3 consecutive years out of 7 years beginning from the year in which such eligible start-up is incorporated.This would enable such start-ups to obtain benefits as envisaged by the Government.	Assessment Year 2018-19

2. International Taxation

Title	Section	Changes proposed	Effective from
Clarity relating to Indirect transfer provisions	9	<ul style="list-style-type: none"> Under the existing provisions, an asset or capital asset, being any share in a company registered or incorporated outside India shall be deemed to be situated in India, if the share derives its value substantially from the assets located in India. It is now clarified that the provisions shall not apply to any asset or capital asset held by non-resident, directly or indirectly in a Foreign Portfolio Investors (FPI) registered as Category-I or Category-II. The earlier provisions are amended as they resulted in multiple taxation as investors in FPIs are held liable to pay tax on redeeming their units in FPI. No exemption has been provided to Category-III FPI's. 	Retrospectively from Assessment Year 2012-13

Title	Section	Changes proposed	Effective from
Provision of "Secondary Adjustment" introduced in Transfer Pricing	92CE	<ul style="list-style-type: none"> In order to align the transfer pricing provisions in line with OECD transfer pricing guidelines and international best practices , the assessee shall be required to carry out "Secondary Adjustment" where the primary adjustment to transfer price. Intention is to remove the imbalance between cash account and actual profit of the assessee on account of "Primary Adjustments". " Secondary adjustment" will be made only in respect of following "Primary Adjustments": <ul style="list-style-type: none"> voluntary adjustment in return of income; or acceptance of adjustment proposed by AO; or determination in an APA; or adoption of safe harbour rule; or resolution under Mutual Agreement Procedure The Secondary Adjustment would be deemed as advance to AE if such amount is not received within prescribed time limit and interest would be applicable in a manner to be prescribed. No Secondary Adjustment if Primary Adjustment does not exceed INR 1 Cr. 	Assessment Year 2018-19

Title	Section	Changes proposed	Effective from
Interest deduction restricted to 30% of EBIDTA	94B	<ul style="list-style-type: none"> Under the initiative of the G-20 countries, the Organization for Economic Co-operation and Development (OECD) in its Base Erosion and Profit Shifting (BEPS) project had taken up the issue of base erosion and profit shifting by way of excess interest deductions by the MNEs in Action Plan 4. In line with recommendations of Action Plan 4, a new section has been inserted which restricts the claim of interest expenses to associated enterprise (AE) to the extent of minimum of following: <ul style="list-style-type: none"> 30% of its earnings before interest, taxes, depreciation and amortization (EBITDA) OR interest paid or payable to associated enterprise This provision is applicable to an Indian company, or a Permanent Establishment (PE) of a foreign company in India, being the borrower, who pays interest or similar consideration in respect of any debt issued by a non-resident AE. The restriction is applicable only where interest or similar consideration to its AE exceeds INR 1 crore (10 million). 	Assessment Year 2018-19

....contd.

...contd. [2. International Taxation]

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Title	Section	Changes proposed	Effective from
....contd. (Interest deduction restricted to 30% of EBIDTA)	94B	<ul style="list-style-type: none"> Debt shall be deemed to be treated as issued by an AE where it provides an implicit or explicit guarantee to a non-AE lender or deposits a corresponding and matching amount of funds with the non-AE lender. The restriction will not apply to an Indian company or PE of a foreign company which is engaged in the business of banking or insurance Disallowed interest expense shall be carried forward upto 8 assessment years immediately succeeding the assessment year for which the disallowance is first made. Deduction in subsequent assessment year will be subject to same restrictions. The term 'debt' has been defined to mean any loan, financial instrument, finance lease, financial derivative, or any arrangement that gives rise to interest, discounts or other finance charges that are deductible in the computation of income chargeable under the head "Profits and gains of business or profession". 	Assessment Year 2018-19

Title	Section	Changes proposed	Effective from
Computation of MAT/AMT credit in case of foreign tax credit	115JAA and 115JD	<ul style="list-style-type: none"> A new Rule 128 was inserted in 2016 to provide the mechanism for grant of Foreign Tax Credit (FTC). The Rule provides that the credit of foreign tax can also be allowed against MAT/AMT. As per sub rule 7 of Rule 128, if the amount of FTC available exceeds the MAT/AMT liability, such excess amount of FTC amount shall be ignored and will not be carried forward. Now, by amending the Section 115JAA and 115JD, the scope of undue benefit through possible carried forward has been completely restricted. 	Assessment Year 2018-19
Minimum Alternate Tax (MAT) provisions amended to be in line with Ind AS	Amendment to Section 115JB	<ul style="list-style-type: none"> Since, the Government has notified Ind AS for certain companies, the book profit of such companies as per Ind AS financial statements will be different from the book profits as per the existing Indian GAAP. Based on the recommendations of Lohia Committee, amendments have been made in Section 115B for the computation of MAT liability for Ind AS compliant companies in the year of adoption and thereafter. 	Assessment Year 2017-18

Title	Section	Changes proposed	Effective from
Enabling claim of credit for foreign tax paid in cases of dispute	155	<ul style="list-style-type: none"> ▪ Currently, the Income Tax Act, 1961 does not contain any provision for the amendment of assessment order if the dispute of foreign tax paid by the assessee got settled after the intimation or assessment. ▪ However, Rule 128 (4) related to Foreign Tax Credit already contains the provision which allows the credit of disputed FTC subject to certain conditions. ▪ Now, an enabling provision has been made in Income Tax Act, 1961 by amending the Section 155 and adding a sub section 14A which provides a mechanism for the rectification of the assessment order. ▪ As per Sub-section (14A), AO will amend the order of assessment or intimation if the assessee furnishes following documents within 6 months from the end of the month in which the dispute is settled: <ul style="list-style-type: none"> ○ Proof for payment of foreign tax liability ○ Proof of settlement of dispute ○ An undertaking that credit of such foreign tax has not been claimed. 	Assessment Year 2018-19

Title	Section	Changes proposed	Effective from
Concessional TDS rate under Section 194LC	194LC	<ul style="list-style-type: none"> Under the existing provisions, if borrowings in foreign currency is made under a loan agreement entered into between 01-07-2012 and 01-07-2017 or by way of long-term bonds issued between 01-10-2014 and 01-07-2017, tax is deducted at the rate of 5% in respect of interest payable to non-residents. The eligible period for the applicability of concessional rate of TDS has been extended till 1st July, 2020 from 1st July, 2017. The benefit of concessional rate shall now be extended to rupee denominated bonds issued outside India before 01.07.2020. This amendment will take effect retrospectively from 01.04.2016. 	Assessment Year 2018-19
Extension of eligible period of concessional tax rate under Section 194LD	194LD	<ul style="list-style-type: none"> Under the existing provisions, a lower TDS rate of @5% is applicable in the case of interest payable to FIIs and QFIs on their investments in Government securities. Such benefit of lower TDS is currently available if such interest is payable on or after 1st June, 2013 but before 1st July, 2017. The eligible period for the applicability of concessional rate of TDS has been extended till 1st July, 2020 from 1st July, 2017. 	Assessment Year 2018-19

Title	Section	Changes proposed	Effective from
Measures to discourage cash transactions	40A(3)	<ul style="list-style-type: none"> Under the existing provisions, expenditure incurred in cash beyond the monetary limit of Rs. 20,000 to a person in a single day is disallowed. In order to further dis-incentivise cash transaction, existing threshold limit of cash payment to a person in a single day has been reduced to half, from Rs. 20,000 to Rs. 10,000. 	Assessment Year 2018-19
Limit specified for Capital expenditure in cash	43 & 35AD	<ul style="list-style-type: none"> Currently, there is no provision in the Act to disallow the capital expenditure incurred in cash. Therefore, to discourage cash payments for capital expenditure, any cash payments above Rs. 10,000 shall not be considered to determine actual cost of asset under Section 43(1). Further, no deductions shall be available under Section 35AD for any capital expenditure in cash in excess of Rs. 10,000. 	Assessment Year 2018-19

...contd. [3. Discouragement of cash transactions]

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Title	Section	Changes proposed	Effective from
Tax incentive for digital payments	44AD	<ul style="list-style-type: none"> As per the existing provisions under the presumptive income scheme in case of eligible business, a sum equal to 8% of the total turnover or gross receipts shall be deemed to be the profits and gains of such businesses. In order to promote digital transactions and to encourage small unorganised business to accept digital payments, the presumptive income u/s 44AD shall be deemed to be 6% of the gross receipts. However, this lower rate of 6% shall be applicable only in respect of total turnover or gross receipts received through prescribed banking channel. The existing rate of 8% for the presumptive income shall continue to apply if the payment is received by any other mode. Payment received during the previous year or before the due date of return filing in respect of that previous year will be eligible for the reduced rate. 	1 st April'2017 (Assessment Year 2018-19)

...contd. [3. Discouragement of cash transactions]

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Title	Section	Changes proposed	Effective from
Restricting cash donations	80G	<ul style="list-style-type: none"> As per the existing provisions, no deduction is allowed for the cash donations in excess of Rs. 10,000. To move towards a cash less economy and reduce the generation and circulation of cash, the threshold limit for the availment of deduction has now been reduced to Rs. 2,000 from Rs. 10,000. 	Assessment Year 2018-19
Transactions in cash above Rs. 3. lakh is prohibited	269ST & 271DA	<ul style="list-style-type: none"> In order to achieve the mission of the Government to move towards a cash less economy and to reduce the generation and circulation of black money, a new Section 269ST has been inserted. As per Section 269ST, receipts of cash in excess of Rs. 3 lakh is prohibited, if it is received from a person in a single day: <ul style="list-style-type: none"> in respect of a single transaction or In respect of one event or occasion A corresponding penal provision has been introduced through insertion of a new Section 271DA for non-compliance of the limit of Rs. 3 lacs. It provides the levy of a penalty equivalent to the amount of such receipt. However, this restriction shall not apply to Government, any banking Company, post office savings bank or any other notified person. 	1 st April'2017 (Assessment Year 2018-19)

Title	Section	Changes proposed	Effective from
Exemption of long term capital gains tax	10(38)	<ul style="list-style-type: none"> Under the existing provisions, income arising from a transfer of long term capital asset, being equity share of a company or a unit of an equity oriented fund, is exempt from tax if the sale transaction is undertaken on or after 01.10.2014 and is chargeable to Securities Transaction Tax (STT). Such exemption provided under section 10(38) is being misused by certain persons for declaring their unaccounted income as exempt long-term capital gains by entering into sham transactions. With the view to prevent this abuse, such exemption for income arising on transfer of equity share acquired on or after 01.10.2004 shall be available only if the acquisition of shares is chargeable to STT. However, this exemption shall continue in genuine cases where the STT could not have been paid like acquisition of shares in IPO, FPO, bonus or right issue by a listed company, acquisition by non-resident in accordance with FDI policy etc. 	Assessment Year 2018-19

...contd. [4. Other important changes]

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Title	Section	Changes proposed	Effective from
Rationalization of provisions of Section 10AA	10AA	<ul style="list-style-type: none"> Under the existing provisions of Section 10AA, deduction is allowed from the total income of an assessee in respect of profits and gains from his unit operating in SEZ. In various cases, courts have taken a view that the deduction under Section 10AA is allowed from the total income of the undertaking and not from the total income of the assessee. In order to remove this ambiguity, it is clarified that the deduction shall be allowed from the total income of the assessee and the deduction u/s 10AA in no case shall exceed the said total income. This clarification will reduce the carry forward losses of non-exempted undertakings of an assessee to the extent same can be set off against the profits of an eligible undertaking u/s 10AA. 	Assessment Year 2018-19

...contd. [4. Other important changes]

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Title	Section	Changes proposed	Effective from
No notional income for house property held as stock-in-trade	23	<ul style="list-style-type: none"> As per the existing provisions, the assessee is liable to pay tax on deemed annual value of house property lying vacant. However, exception is given in those cases where property is either self-occupied or used for the purpose of business or profession. Such concept of deemed annual value is applicable even for house property held as stock-in-trade. This provision was creating practical difficulties for the real estate developers as they are forced to pay tax on notional income for unsold flats. In order to provide relief to the real estate developers, who are holding residential property as stock-in-trade, the annual value of such house property shall be deemed to be NIL for a period of up to 1 year from the end of the financial year in which the certificate of completion of construction is obtained. 	Assessment Year 2018-19

...contd. [4. Other important changes]

Title	Section	Changes proposed	Effective from
Increase in threshold limit of audit for assessee's opting for presumptive taxation	44AB	<ul style="list-style-type: none"> The Finance Act, 2016 has increased the threshold limit for presumptive taxation scheme from Rs. 1 crore to Rs. 2 crores. However, the threshold limit for the tax audit u/s 44AB was not increased to Rs. 2 crores for the taxpayers opting for the presumptive scheme. In order to reduce the compliance burden of the small tax payers and facilitate the ease of doing business, an eligible person opting for presumptive income scheme, shall not be required to get his accounts audited if the total turnover or the gross receipts of the relevant previous year does not exceed Rs. 2 crores. 	Assessment Year 2017-18
No capital gains on conversion of preference shares to equity	47	<ul style="list-style-type: none"> Conversion of bond or debenture of a company into share or debenture of that company are outside the scope of 'transfer' under the current provisions of Section 47. However, there is no clarity on similar tax neutrality for conversion of preference share of a company into its equity share. Amendments to Section 47 have been made to clarify that the conversion of preference shares into equity shall not be regarded as transfer. 	Assessment Year 2018-19

...contd. [4. Other important changes]

Title	Section	Changes proposed	Effective from
Shifting of base year of Cost Inflation Index from 1981 to 2001 for the computation of Capital Gain	48 & 55	<ul style="list-style-type: none"> Under the existing provisions, for the computation of capital gains in respect of an asset acquired before 01.04.1981, the assessee is allowed an option of: <ul style="list-style-type: none"> either taking the fair market value of the asset as on 01.04.1981 or the actual cost of the asset as cost of acquisition. Now, the base year has been shifted from 1981 to 2001 i.e., 2001-2002 shall be taken as the base year and the Government shall notify the revised Cost Inflation Index starting from the year 2001-2002. It will remove the difficulties due to the non-availability of relevant information for the computation of the fair market value (FMV) of such asset as on 01.04.1981. Further, it may result in significant saving in long term capital gain liability as indexed cost of acquisition is going to increase. 	Assessment Year 2018-19
Expanding the scope of long-term bonds	54EC	<ul style="list-style-type: none"> The existing Section 54EC allows exemptions to the extent of Rs. 50 lakhs in respect of long-term capital gain invested in bonds issued by NHAI or RECL. To expand the scope of long-term bonds, the investment in any bond redeemable after 3 years which have been notified by the Central Government in this behalf shall also be eligible for exemption under Section 54EC. 	Assessment Year 2018-19

...contd. [4. Other important changes]

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Title	Section	Changes proposed	Effective from
Gifts taxable in hands of every person, not only Individual or HUF	56	<ul style="list-style-type: none"> Section 56(2)(vii) provides for the taxability of any sum of money or any property received without consideration or for inadequate consideration in excess of the specified limit of Rs. 50,000. The existing provisions of Section 56(2)(vii) are applicable to an Individual and HUF only. The scope of this provision is widened by introducing a new clause 56(2)(x) so as to cover all taxpayers within its ambit. 	1 st April'2017 (Assessment Year 2018-19)
Clarification with regard to interpretation of 'terms' used in DTAA	90 & 90A	<ul style="list-style-type: none"> In its final report, the Income-tax simplification committee has suggested to bring in more clarity in the Act in respect of interpretation of 'terms' used in an agreement entered under section 90 or 90A to reduce the avoidable litigation related to taxation of non- residents. Government has accepted the recommendation and has inserted Explanation 4 in Section 90 & 90A which clarifies that any 'term' used in an agreement (i.e. DTAA), entered into under Section 90 and 90A of the Act, but not defined under the said agreement, the said term is proposed to be assigned the meaning as defined in the Act and any explanation given to it by the Central Government. 	Assessment Year 2018-19

Contd...

...contd. [4. Other important changes]

Title	Section	Changes proposed	Effective from
...Contd. (Clarification with regard to interpretation of 'terms' used in DTAA)	90 & 90A	<ul style="list-style-type: none"> In this connection, it should be observed that as per Article 2 of DTAA entered into by Government of India with Government of other countries, it is agreed that the competent authorities of the Contracting States shall notify each other of any significant changes which have been made in their respective taxation laws and of any official published material concerning the application of the Convention. Further, Article 3 of DTAA states that any term not otherwise defined shall, <i>unless the context otherwise requires</i>, have the meaning which it has under the laws of that Contracting State relating to the taxes which are the subject of this Convention. The phrase 'unless the context otherwise requires' is absent under the proposed amendment to the Act. Though, the intention of the Government is to simplify the provision to avoid possible litigations but its actual application may have the adverse effect on the DTAA's. 	Assessment Year 2018-19

...contd. [4. Other important changes]

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Title	Section	Changes proposed	Effective from
Domestic Transfer Pricing provisions not applicable in tax neutral transactions	92BA	<ul style="list-style-type: none"> The existing provisions of section 92BA provide that any expenditure in respect of which payment is made by the assessee to persons specified under section 40A(2)(b) are covered within the ambit of Specified Domestic Transactions (SDT). In order to reduce the compliance burden of taxpayers, it has been proposed that these transactions shall be excluded from the scope of section 92BA. In other words, SDT will not be applicable where transactions are tax neutral between taxable entities and it will apply only to those companies that are claiming any tax holiday or investment linked deductions. The Assessing Officer can still disallow unreasonable or excessive payments under Section 40A(2)(b). 	Assessment Year 2017-18

...contd. [4. Other important changes]

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Title	Section	Changes proposed	Effective from
Clarification regarding the applicability of Section 112	112	<ul style="list-style-type: none"> Under the existing provisions, concessional rate of 10% is provided for long-term capital gains arising from the transfer of unlisted securities in case of non-resident. The ambiguity as to applicability of this provision to share of a private company was clarified by the Finance Act, 2016, w.e.f. 01-04-2017. As the concessional rate in section 112(1)(c) was provided w.e.f. 1st April, 2013, there was uncertainty about the applicability of the amendment to the intervening period. With a view to resolve the above uncertainty, it is proposed that the effective date of amendment made to section 112(1)(c)(iii) vide Finance Act, 2016 shall be w.r.e.f. 01-04-2013 instead of w.e.f. 01-04-2017. 	Applicable retrospectively from Assessment Year 2013-14

...contd. [4. Other important changes]

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Title	Section	Changes proposed	Effective from
Income from transfer of carbon credits to be taxed at 10%	115BBG	<ul style="list-style-type: none"> Presently, department has been treating the income on transfer of carbon credits as business income subject to tax at the rate of 30%. However, divergent decisions have been given by the courts on the issue as to whether the income received or receivable on transfer of carbon credit is a revenue or capital receipt. To stop any further litigation, a new section 115BBG has been inserted to provide that any income from transfer of carbon credit shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess). No expenditure or allowance shall be allowed from such income. 	Assessment Year 2018-19
Rationalization of taxation of income by way of dividend	115BBDA	<ul style="list-style-type: none"> Under the existing provisions, dividend income in excess of Rs. 10 lakh is chargeable to tax at the rate of 10% in case of an assessee being an individual, HUF, firm who are resident in India. The provisions of this Section shall now be applicable to all the resident assesseees except domestic company and certain funds, trusts, institutions, etc. <p style="text-align: right;">Contd...</p>	Assessment Year 2018-19

...contd. [4. Other important changes]

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Title	Section	Changes proposed	Effective from
...Contd (Rationalization of taxation of income by way of dividend)	115BBDA	<ul style="list-style-type: none"> Therefore, AOP, BOI and other artificial juridical persons including Private Trusts are also liable to pay tax @10% if they receive dividend income exceeding Rs. 10 lakhs. 	Assessment Year 2018-19
MAT/AMT carry forward time limit increased	115JAA (2A)	<ul style="list-style-type: none"> Under the existing provisions, tax credit in respect of Minimum Alternate Tax (MAT) / Alternate Minimum Tax (AMT) can be carried forward up to the tenth assessment years. With a view to provide relief to the assessee's paying MAT / AMT, it is proposed to provide MAT / AMT credit determined can be carried forward up to fifteenth assessment years. 	Assessment Year 2018-19



Title	Section	Changes proposed	Effective from
Exemption from TDS on insurance commission	194D	<ul style="list-style-type: none">As per the current provisions, any payment of insurance commission above Rs. 15,000 shall be subject to TDS @5% u/s 194D.Further, no option is allowed to the agent to avoid the deduction of TDS by submitting the Form 15G/H under Section 197A.Therefore, in order to reduce the compliance burden in case of Individuals and HUFs, section 197A has been amended so as to allow the agent to file Form No. 15G/15H to receive the insurance commission without deduction of Tax at Source (TDS).	June 01, 2017
Lower TDS from payment to call centre	194J	<ul style="list-style-type: none">Under the existing provisions, fee for professional services or fee for technical services paid to call centres are subject to TDS @ 10% u/s 194J.To reduce the compliance burden and to promote the ease of doing business, such TDS rate has been reduced from 10% to 2%.	June 01, 2017

Title	Section	Changes proposed	Effective from
Furnishing of PAN in TCS	206CC	<ul style="list-style-type: none"> A new Section 206CC has been inserted in the Income Act, 1961 strengthening the mechanism of collection of tax at source. Any person paying any sum or amount, on which tax is collectable at source shall furnish his PAN to the person responsible for the collection of tax. In case of failure in the furnishing of PAN, tax shall be collected at twice the rate mentioned in the relevant Section or @5%, whichever is higher. The requirement to furnish PAN shall not apply to a non-resident who does not have a permanent establishment in India. 	1 st April'2017 (Assessment Year 2018-19)
Interest on refund due to deductor	244A	<ul style="list-style-type: none"> As per existing provisions, interest is payable on the refund amount due to an assessee an account of excess payment of advance tax, TDS, TCS etc. Currently, no interest is paid to the deductor if excess TDS has been accidentally deducted and deposited. Hence, deductor shall be entitled to receive simple interest @0.5% per month. The simple interest shall be calculated for the period beginning from the date on which claim is made and ending on the date on which refund is granted. In case of an appeal, the interest shall be payable beginning from the date on which tax is paid and ending on the date on which refund is granted. 	1 st April'2017 (Assessment Year 2018-19)

5. Procedural changes

Title	Section	Changes proposed	Effective from
Unquoted shares taxable at Fair Market value	New Section 50CA	<ul style="list-style-type: none"> Presently, if a person buys the unquoted shares for less than the Fair Market Value (FMV), the differential amount (if greater than Rs. 50,000) is taxable in his hands under the head "Income from Other Sources". New Section 50CA has been inserted to provide that the FMV of unquoted shares shall deemed to be the full value of consideration for the purpose of computing capital gains, in case where the consideration declared for the transfer of such shares is less than the FMV of the shares. The differential amount will be taxable in the hands of seller under the head "Income from Capital Gains". This will lead to a situation of double taxation on the same amount, once in the hands of buyer and then in the hands of seller. 	Assessment Year 2018-19
Restriction on set-off of loss from House Property	71	<ul style="list-style-type: none"> Presently, loss from any let out house property can be set off against other heads of income without any limit. However, there is restriction of Rs. 2lac to set off the loss from self occupied house property. This anomaly has been fixed in this Finance Bill by restricting the set off of loss from house property (including let out) during the current year to Rs. 2 lacs only. The unabsorbed loss shall be allowed to be carried forward for set-off against the Income from House Property for 8 assessment years. 	Assessment Year 2018-19

Title	Section	Changes proposed	Effective from
Shortening of time for filing revised return	139 (5)	<ul style="list-style-type: none"> Under the existing provisions, the time limit for filing the revised return was 2 years from the end of the previous year. The time limit for filing has now been reduced from 2 years to 1 year from the end of the previous year. 	Assessment Year 2018-19
Processing of return within the prescribed time and enable withholding of refund in certain cases	143(1D) and 241A	<ul style="list-style-type: none"> Under the existing provisions, processing of a return is not necessary where a notice has been issued to the assessee intimating selection of case for scrutiny assessment. This provision allows the Assessing Officer to withhold the processing of return, where refund is due, till the very last date of the completion of scrutiny assessment. Section 143(1D) has been substituted to restrict the applicability of the above provisions for any return filed for the assessment year starting from 1st April'2017. 	Assessment Year 2017-18
Contd...			

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Title	Section	Changes proposed	Effective from
...contd. (Processing of return within the prescribed time and enable withholding of refund in certain cases)	143(1D) and 241A	<ul style="list-style-type: none"> It means, AO is now liable to process the return within one year from the end of Financial Year in which return has been filed. However, to address the concern of recovery in doubtful cases, a new Section 241A shall come into force authorizing the AO to withhold the payment of refund amount, if such grant of refund may adversely affect the recovery of revenue. 	Assessment Year 2017-18
Reduction of the time limit for completion of assessment	153	<ul style="list-style-type: none"> Under the existing provisions, the time limit for making assessment under Section 143 or 144, for the assessment year 2017-18 or before, was 21 months from the end of the assessment year in which the income was first assessable. The time limit has now been reduced to – <ul style="list-style-type: none"> For Assessment Year 2018-19 : 18 months from the end of the assessment Year. For Assessment Year 2019-20 onwards : 12 months from the end of the assessment year 	Assessment Year 2018-19 / Assessment Year 2019-20

Title	Section	Changes proposed	Effective from
Fee for delayed filing of return	234F	<ul style="list-style-type: none"> As per the provisions of new Section 234F, the fee for delay in furnishing of return shall be levied in a case where the return is not filed within the due dates specified for filing of return. Fee shall be levied as follows : <ul style="list-style-type: none"> Rs. 5000/-, if the return is furnished after the due date but on or before the 31st day of December of the assessment year; Rs. 10000/- in any other case However, in a case where the total income does not exceed five lakh rupees, the fee amount shall not exceed Rs. 1000/- 	Assessment Year 2018-19
Amendments to the structure of Authority for Advance Rulings	245N, 245O, 245Q	<ul style="list-style-type: none"> With a view to promote ease of doing business, the Authority for Advance Ruling (AAR) for Income-Tax, Central Excise, Customs Duty and Service Tax have been merged. Accordingly, necessary amendments have been made in the definition of applicant in Section 245N of the Act. Similarly, amendments has been proposed to Section 245Q, 245O to allow merger of these AARs. 	1 st April'2017

Title	Section	Changes proposed	Effective from
Penalty on professionals for furnishing incorrect information in statutory report or certificate	271J	<ul style="list-style-type: none"> Currently, there are no penal provisions for the levy of penalty for furnishing of incorrect information by the person who is responsible for certifying the same or issuing a report thereon. In order to ensure that the person furnishing report or certificate undertakes due diligence before making such certification, a new Section 271J has been inserted to levy penalty on an accountant or a merchant banker, who furnishes incorrect information in a report or certificate. The amount of penalty shall be Rs. 10,000 for each such inaccurate report or certificate so furnished. 	1 st April'2017 (Assessment Year 2018-19)

6. Personal Taxation

Title	Section	Changes proposed	Effective from															
Individual and others tax rates		<ul style="list-style-type: none">▪ No change in the basic exemption limit of individuals.▪ Rate of tax for assesseees whose total income exceeds Rs. 250,000 but does not exceed Rs. 500,000 has been reduced to 5% from 10%.▪ Following are the new rates of Income Tax for Individuals (HUF, AOP, BOI) -<table><tr><th>Taxable Income</th><th>New rates</th><th>Old rates</th></tr><tr><td>Up to Rs. 2,50,000</td><td>Nil</td><td>Nil</td></tr><tr><td>Rs. 2,50,001 to Rs. 5,00,000</td><td>5%</td><td>10%</td></tr><tr><td>Rs. 5,00,001 to Rs. 10,00,000</td><td>20%</td><td>20%</td></tr><tr><td>Above Rs. 10,00,000</td><td>30%</td><td>30%</td></tr></table>▪ Surcharge – Surcharge @10% shall be levied on individuals having taxable income between Rs. 50 lakhs and Rs. 1 crore. The surcharge on income exceeding Rs. 1 crore shall continue to be levied @ 15%.▪ Cess – Education Cess and Secondary & Higher Education Cess remains unchanged.	Taxable Income	New rates	Old rates	Up to Rs. 2,50,000	Nil	Nil	Rs. 2,50,001 to Rs. 5,00,000	5%	10%	Rs. 5,00,001 to Rs. 10,00,000	20%	20%	Above Rs. 10,00,000	30%	30%	Assessment Year 2018-19
Taxable Income	New rates	Old rates																
Up to Rs. 2,50,000	Nil	Nil																
Rs. 2,50,001 to Rs. 5,00,000	5%	10%																
Rs. 5,00,001 to Rs. 10,00,000	20%	20%																
Above Rs. 10,00,000	30%	30%																

Title	Section	Changes proposed	Effective from
Deduction of TDS on rent payment in case of certain Individuals and HUF	194-IB	<ul style="list-style-type: none"> As per the newly inserted Section 194-IB, every Individual and HUF (not liable to Tax Audit) paying a monthly rent of Rs. 50,000 or more shall now be liable to deduct TDS @5%. To make it easier to deduct and deposit the TDS, the Individual or HUF would be required to deduct the TDS only once in a year, on the last month payment. Further, the person deducting the TDS would not be required to obtain TAN. 	June 01, 2017



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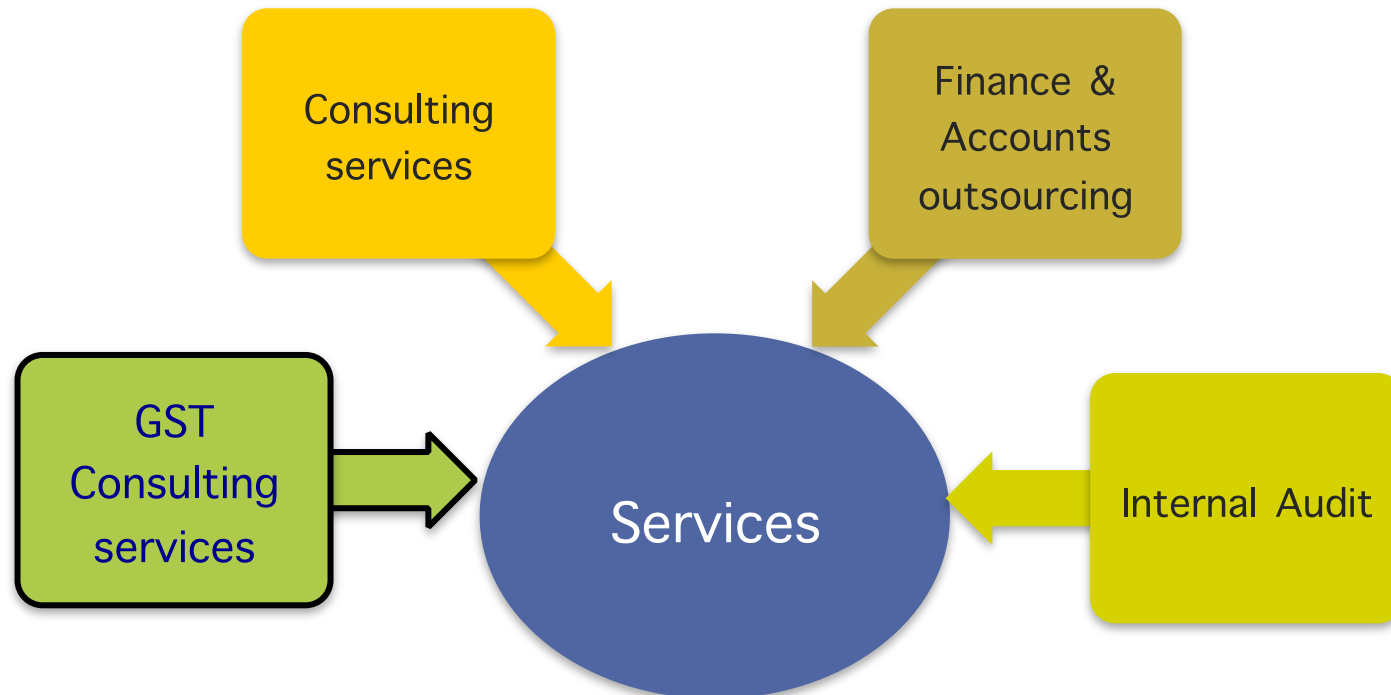
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