



HIGHLIGHTS OF UNION BUDGET 2018-19

- Revised Fiscal deficit for 2017-18 at 3.5% against Budgeted estimate of 3.2%.
- Budgeted Fiscal deficit for 2018-19 at 3.3%
- Total Budgeted expenditure 2018-19 at INR 24,42,213 crores. Tax Revenue Receipts for 2018-19 estimated at INR 14,80,649 crores.
- Non-Tax Revenue Receipts for 2018-19 estimated at INR 2,45,089 crores.
- Gross Capital Receipts for 2018-19 estimated at 7,16,475 crores.

MAJOR TAX PROPOSALS OF THE FINANCE BILL 2018:

DIRECT TAXES PROPOSALS:

Income Tax:

- No change in tax rates for assesseees other than companies.
- Corporate Tax Rate reduced to 25% for companies with turnover upto Rs. 250 Crores in FY 16-17.
- 4% Health and Education Cess to replace 3% Secondary and Higher Education Cess.
- Salaried employees to get a standard deduction of Rs. 40,000. However Transport Allowance of 19,200/- per annum (p.a.) and Medical Reimbursement benefits of 15,000/- p.a. will be discontinued. However Transport Allowance for differently abled employees will continue at prescribed amounts.
- 40% of the withdrawals from National Pension System (NPS) to be exempt for all assesseees as against only employees earlier.
- Difference upto 5% between sale consideration and ready reckoner / market rates / circle rates to be ignored for the purpose of tax in the hands of the seller as well as the buyer.
- Interest upto Rs. 50,000/- exempted from tax in case of bank deposits of Senior citizens. Accordingly no TDS u/s 194A upto Rs. 50,000/-.



- The limit of deduction for health insurance premium and/ or medical expenditure u/s 80D for senior citizens increased from Rs. 30,000/- to Rs. 50,000/-.
- Limit of deduction for medical expenditure in respect of certain specified illnesses u/s 80DDB for senior as well as very senior citizens increased to Rs. 1,00,000/-.
- Distribution Tax @ 10% payable on Income distributed by Equity Oriented Mutual Funds.
- Long Term Capital Gains (LTCG) on sale after 31st January 2018 of equity shares and units of Equity Oriented Mutual Funds to be taxed @ 10% without indexation benefit subject to payment of STT on purchase as well as sale subject to exemption as may be prescribed. Gains upto 31st January 2018 to be grandfathered.
- Deduction under chapter VIA and Rebate U/s 87A not to be available against LTCG mentioned above.
- Deduction for investments in specified bonds U/s 54EC to be restricted only to LTCG on Land and Building or both against any long term capital asset earlier. Further the lock in period of such bonds to be extended to 5 years from 3 years.
- Definition of “business connection” amended with modified PE Rule as per Multilateral Instrument. Further concept of “significant economic presence” introduced to tax non resident companies on basis transaction in respect of any goods, services or property etc. carried out in India and also number of users in India through digital means as may be prescribed.
- Proposal to tax any compensation received in connection with the termination or modification of the terms and conditions of any contract relating to business as income from business and any contract relating to its employment as income from other sources.
- E-assessments will be done across the country for removing person to person interface.
- Benefits extended to start-ups incorporated upto 31.3.2021 and definition of eligible business has been expanded.



- Deduction U/s 80JJAA for new employees liberalized.
- Disallowance of expenditure in case of charitable / non profit organizations if TDS not deducted or paid. Further disallowance in case the charitable / non profit organization makes any expenditure in cash exceeding Rs. 10,000/-.
- Provisions of Income Computation and Disclosure Standards given statutory backing as the same was struck down by Hon. Delhi High Court.
- Units located in International Financial Services Centre provided with certain tax incentives.
- PAN made mandatory for all entities including HUF other than individuals in case aggregate of financial transaction in a year is Rs 2,50,000/- or more. All directors, partners, etc. of such entities also required to obtain PAN.
- Dividend Distribution Tax at 30% made applicable on deemed dividend in the nature of loans and advances given by closely held companies.
- Certain benefits like carry forward and set off of losses and MAT computation extended to companies whose resolution plan under the Insolvency and Bankruptcy Code, 2016 has been admitted.
- All companies irrespective of income / tax payable to file return failing which it will be liable for prosecution.
- Proposal to provide tax benefits to Farm Producer Companies.
- No adjustment under section 143(1) while processing on account of mismatch with 26AS and 16A.
- Trading in agricultural commodity derivatives to be considered non-speculative under section 43(5) even if commodity transaction tax not charged.
- Conversion of stock in trade to capital asset to be charged as business income in the year of conversion at Fair Market value on the date of conversion.
- Penalty for non-filing of statement of financial transaction under section 285BA increased to Rs 500 from Rs.100 per day.
- Proposal to amend section 44AE to provide for presumptive taxation for heavy goods vehicle on basis of gross vehicle weight or unladen weight.



INDIRECT TAXES PROPOSALS:

- Custom duties on several products have been revised upwards.
- Social Welfare Surcharge @ 10% of custom duty on several products to replace Secondary and Higher Education Cess.
- Changes to the Customs Act, 1962 has been made to further improve ease of doing business.
- Name of Central Board of Excise and Customs [CBEC] changed to Central Board of Indirect Taxes and Customs (CBIC).
- Changes in excise duty rates of Motor spirit commonly known as petrol and high speed diesel oil etc.
- Certain government services exempted from service tax for services upto 30th June 2017.
- No significant legislative changes in GST.

OTHERS MISCELLENEOUS PROPOSALS:

- Changes made to Road and Infrastructure Cess.
- Minimum Support Price (MSP) for the Kharif Crops has been set at 1.5 times of the cost of production.
- Launch of National Health Protection Scheme to cover over 10 crore family for providing medical insurance coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization.
- Proposal to increase airport capacity more to 5 times to handle a billion trips a year.
- Women employees' share of PF contribution reduced to 8% upto 3 years but employer's contribution retained at 12%.
- 8.33% of Employee Provident Fund (EPF) for new employees will be contributed by the government for 3 years.
- Limit of certain investment in interest bearing schemes have been increased from INR 7.5 lakhs to INR 15 Lakhs for senior citizens.
- Government will evolve a scheme to assign a Unique ID for companies.
- Government will take measures to stop crypto currency circulation, as it is not considered legal tender.

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