



2018



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HIGHLIGHTS OF ECONOMIC SURVEY 2018

- GDP is expecting to grow in the range of 7% to 7.5% in FY 2018-19
- Growth rate in FY 2017-18 for agriculture, industry and Service sector was 2.1%, 4.4% and 8.3% respectively.
- Indirect Tax payers was increased up to 50% as per GST Report.
- In FY 2017-18 Forex was grow to USD 409.4 billion
- India has very less contribution in export while comparing with other countries i.e. only 38% of export from Top 1% of Indian firm
- Retail inflation average to 3.3% in 2017-18, which is lowest in last 6 fiscals.
- Petition rate in high, even though its success rate in litigation is low and decline.
- Cross-country experience shows that growth slowdowns are preceded by investment slowdowns but not necessarily by savings slowdowns may not.
- Parents continue to have children until they get the desired number of sons. This kind of fertility-stopping rule leads to skewed sex ratios but in different directions: skewed in favor of males if it is the last child, but in favor of females if it is not the last.

HIGHLIGHTS OF BUDGET 2018

- No changes in basic exemption limit for individual, HUF, AOP, Body of Individuals and Artificial Juridical Person
- Existing Education cess and secondary and higher education cess levied at the rate of 2% and 1% respectively shall be replaced by new cess named "Health and education cess" at the rate of 4%
- Deduction under section 80D is increased from Rs. 30,000/- to 50,000/- in case of payment of senior citizen and threshold for deduction of tax at source on interest income for senior citizen from Rs. 10,000/- to 50,000/-
- Domestic companies having total turnover during FY 2016-17 not exceeding Rs. 250 Cr shall be liable to pay tax at the rate of 25%.
- Long Term Capital Gain on Equity Shares and Equity Oriented Mutual Fund exceeding Rs. 1,00,000/-
- EPF contribution of new woman worker capped at 8% for first 3 year and new employee under EPFO would be provided 12% contribution from Govt.
- MSP for Kharif Crops has been set at 1.5 times the Production Cost.

- National Insurance Co, Oriental Insurance Co and United Assurance Co to be merged into one entity and subsequently listed.
- National health Protection Scheme to cover 10 crore poor & vulnerable families providing coverage up to Rs. 5,00,000/- per family per year for secondary & tertiary care hospitalization.
- Fiscal Deficit is 3.5% of GDP in 2017-18. Projecting Fiscal Deficit 3.3% of GDP in the next fiscal.

INCOME TAX

TAX IMPACT

In case of Individual (below 60 years of age), Hindu Undivided Family, Association of Person and Body of Individuals:

Particulars	Income Slab					
Taxable Income	Up to 2.5 Lacs	2.5 Lacs to 5 Lacs	5 Lacs to 10 Lacs	10 Lacs to 50 Lacs	50 Lacs to 100 Lacs	Above 100 Lakh
Current tax rate	Nil	5.15%	20.60%	30.90%	33.99%	35.54%
Proposed Tax rate	Nil	5.20%	20.80%	31.20%	34.32%	35.88%

In case of Individual (between 60 to 80years of age)

Particulars	Income Slab					
Taxable Income	Up to 3 Lacs	3 Lacs to 5 Lacs	5 Lacs to 10 Lacs	10 Lacs to 50 Lacs	50 Lacs to 100 Lacs	Above 100 Lakh
Current tax rate	Nil	5.15%	20.60%	30.90%	33.99%	35.54%
Proposed Tax rate	Nil	5.20%	20.80%	31.20%	34.32%	35.88%

In case of Individual (Above 80 years of age)

Particulars	Income Slab				
Taxable Income	Up to 5 Lacs	5 Lacs to 10 Lacs	10 Lacs to 50 Lacs	50 Lacs to 100 Lacs	Above 100 Lakh
Current tax rate	Nil	20.60%	30.90%	33.99%	35.54%
Proposed Tax rate	Nil	20.80%	31.20%	34.32%	35.88%

Domestic Companies having Turnover during FY 2016-17 up to Rs. 250 Cr

Particulars	Income Slab		
Taxable Income	Up to 1 Crore	1 Crore to 10 Crore	Above 10 Crore
Current Tax	30.90%	33.06%	34.61%
Proposed Tax	26.00%	27.82%	29.12%

Domestic Companies having Turnover during FY 2016-17 above Rs. 250 Cr

Particulars	Income Slab		
Taxable Income	Up to 1 Crore	1 Crore to 10 Crore	Above 10 Crore
Current Tax	30.90%	33.06%	34.61%
Proposed Tax	31.20%	33.38%	34.94

SCOPE OF INCOME:

It is proposed to amend the definition of the term **Income** so its include the Fair Market Value of Inventory on its conversion from stock in trade to capital asset

It is proposed to amend definition of Short Term Capital asset u/s 2(42A), the period of holding of the said converted capital asset shall be reckoned from the date of its conversion or the treatment

It is further proposed to amend definition of the term 'Income' so as to include any compensation or other payment received on termination of the employment or modification of terms and conditions relating thereto.

EXEMPT INCOME:

Any income arising to a non-resident, not being a company, or a foreign company by way of royalty from, or fees for technical services rendered in or outside India to, the National Technical Research Organisation.

Under the existing provisions pertaining to National Pension Scheme, an employee contributing to the NPS is allowed an exemption in respect of 40% of the total amount payable to him on closure of his account on his opting out. This exemption is not available to non-employee subscribers but now extend the said benefit to **all subscribers**.

It is proposed to insert proviso in section 10(23C) so as to provide that for the purpose of determining the amount of application under item (a) of the said third proviso, the provisions of section 40(a) (ia) pertaining to disallowance of expense for non-deduction of tax at source and restrictive provisions of cash payment in excess of Rs. 10,000/35,000 of section 40A(3)/(3A) shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head "Profits and Gains of Business and Profession".

It is proposed to withdraw the benefit of exemption to long term capital gain arising on sale of listed equity shares covered in Section 10(38) on or after the 1st day of April, 2018.

TRUST /CHARITABLE UNITS

To reduce the generation and circulation of black money, it is proposed to insert a new Explanation to the section 11 to provide that for the purposes of determining the application of income under the provisions of subsection (1) of the said section, the provisions of section 40(a)(ia) pertaining to disallowance of expense for non-deduction of tax at source and restrictive provisions of cash payment in excess of Rs.10,000/35,000 of section 40A(3)/(3A) shall , mutatis mutandis, apply as they apply in computing the income chargeable under the head "Profits and gains of business or profession".

SALARY

It is proposed to provide Standard Deduction of Rs. 40,000/- from the salary income in Section 16 and the present allowance of Rs. 19,200/- (1,600/- p.m.) in respect of Transport Allowance (except in case of differently abled persons) and Rs. 15,000/- for reimbursement of medical expenses is proposed to be withdrawn and resulting net benefit of Rs. 5,800/-(40000-34200)

PROFIT AND GAINS FROM BUSINESS AND PROFESSION

It is proposed to insert a new clause (xviii) in Section 36(1) to provide that deduction in respect of any marked to market loss or other expected loss shall be allowed, if computed in accordance with the income computation and disclosure standards (ICDS) notified under section 145(2).

If it is allowed in Section 36(1)(xviii) no deduction or allowance shall be allowed in section 40A.

It is provided that transaction in respect of trading in agricultural commodity derivatives, which is not chargeable to commodity transactions tax, in a registered stock exchange or registered association, will be treated as non-speculative transaction. (New proviso in clause (5) of Section 43)

The proposed new section provides that subject to the provisions of section 43A, any gain or loss arising on account of any change in foreign exchange rates shall be treated as income or loss, as the case may be, and such gain or loss shall be computed in accordance with the ICDS notified under section 145(2) .

it is proposed to provide that no adjustments shall be made in a case where the variation between stamp duty value and the sale consideration is not more than five percent of the sale consideration and consideration received deemed to be the full value of consideration. (Amendment in section 43 CA)

The proposed new section provides that profits and gains of a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method in accordance with the ICDS notified under section 145(2).

AMENDMENT TO SECTION 44AE (PRESUMPTIVE INCOME)

Before Amendment	After Amendment	
	Heavy Goods Vehicle*	Other than Heavy Goods Vehicle
Rs 7,500 /- per month or part of the month for each goods carriage or amount actually earned, whichever is higher, is taxable	Rs 1,000/ per ton of gross vehicle weight or unladen weight, as the case maybe, for every month or part of the month or amount actually earned, whichever is higher, is taxable.	Rs 7,500 /- per month or part of the month for each goods carriage or amount actually earned, whichever is higher, is taxable

*Heavy Goods Vehicle means any goods carriage, the gross vehicle weight of which exceeds 12000 Kgs.

CAPITAL GAINS

It is proposed to insert a new clause (viiab) in the section 47 so as to provide that any transfer of a capital asset by a non-resident being

- a) bond or Global Depository Receipt referred to in sub-section (1) section 115AC or
- b) rupee denominated bond of an Indian company or
- c) derivative

on a recognised stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency, shall not be regarded as transfer

it is proposed to provide that no adjustments shall be made in a case where the variation between stamp duty value and the sale consideration is not more than

five percent of the sale consideration and consideration received deemed to be the full value of consideration. (Amendment of section 50C)

Amendment to section 54 EC (Investment in NHA and REC Bonds)

	Type of Asset Transferred	Lock in period
Pre-Budget	Any long-term Capital Asset	3 Years if investment made till 31.3.2018
Post Budget	Long term capital Asset being Land or Building or both	5 years if investment made on or after 01.04.2018

INCOME FROM OTHER SOURCES

If difference between the consideration and stamp duty value is more than the higher of the following

amounts-namely

-Rs. 50,000/- and

- Amount equal to 5 % of the consideration,

Then the stamp duty value of such property as exceeds such consideration shall be considered as income

It is also proposed to insert a new clause (xi) in sub-section (2) of the section 56 so as to provide that any compensation or other payment due to or received by any person, by whatever name called, in connection with the termination of his employment or the modification of the terms and conditions relating thereto shall be chargeable to income-tax under the head "Income from other sources"

DEDUCTIONS

Section -80AC provides that deduction under section 80-IA or section 80-IAB or section 80-IB or section 80-IC or section 80-ID or section 80-IE, shall be allowed only if the **return of income for such assessment year is filed on or before the due date specified under section 139(1) of the Act.**

It is proposed to increase the limit for claiming deduction under section 80D **from Rs . 30,000/- to Rs . 50,000/-** in case of an assessee , being an individual or a Hindu undivided family, in respect of payments towards annual premium on health insurance policy, or preventive health check-up or medical expenditure of a senior citizen.

Deduction in respect of medical treatment of specified diseases under section 80DDB increased to Rs. 1,00,000/- for both senior and senior citizen.

It is proposed to widen the scope and time limit for availing the deduction under section 80-IAC to an eligible start-up from 2019 to 2021

Section 80JJAA deduction benefits in respect of eligible new employees who have been employed for a minimum 150 days during the year in case for **apparel** industry proposed to extend for industries of **footwear and leather products**.

It is proposed to insert a new section 80TTB so as to allow a deduction up to Rs 50,000/- to senior citizens in respect of interest income earned from bank or post offices.

It is further proposed to provide that where the income referred to in this section is derived from any deposit held by, or on behalf of, a firm, an AOP or a BOI, no deduction shall be allowed under this section in respect of such income in computing the total income of any partner of the firm or any member of the association or any individual of the body.

TAX LONG TERM CAPITAL GAINS ON SALE OF EQUITY SHARES

It is proposed to withdraw the exemption in respect of long term capital gain on equity shares and equity oriented mutual fund under clause (38) of section 10 and to introduce a new section 112A in the Act to provide that long-term capital gains arising from transfer of a long-term capital asset being an equity share in a company or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 10% of such capital gains exceeding one lakh rupees.

Long term capital gain will be applicable, if

1. in a case where long-term capital asset is in the nature of an equity share of a company, securities transaction tax has been paid on both acquisition and transfer of such capital asset; or
2. in a case where long-term capital asset is in the nature of a unit of an equity-oriented fund or a unit of a business trust, securities transaction tax has been paid on transfer of such capital asset

3. The long term capital gains shall be computed without giving effect of indexation in respect of cost of acquisition and cost of improvement
4. The cost of acquisition for the purpose of computing capital gain in respect of the long-term capital assets acquired by the assessee before the 1st Day of February 2018, shall be deemed to be the higher of-
 - i) The actual cost of acquisition of such asset; and
 - ii) The lower of-
 - a) The fair market value of such asset; and
 - b) The full value of consideration received or accruing as a result of the transfer of the capital asset.

Example

Shares of X LTD.				
Actual cost of acquisition (A)	100	100	100	100
FMV as on 31-01-2018 (B)	120	120	80	120
Actual Sale Value (C)	150	110	150	80
Lower of (B) and (C) (D)	120	110	80	80
Deemed cost of acquisition (E) {higher of (A) and (D)}	120	110	100	100
Capital Gain (C) - (E)	30	NIL	50	(20)

Assuming capital asset in Long term nature and STT is paid on both purchase and sale price

it is also proposed to provide that in the case of an individual or a Hindu undivided family, being a resident , where the total income as reduced by such long- term capital gains is below the maximum amount which is not chargeable to income- tax, then, such long- term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income- tax.

Deduction and rebate shall be allowed from the gross total as reduced by such capital gains.

OTHER CHANGES IN INCOME TAX

- Loans, advances and other payments deemed as dividend to now attract dividend distribution tax @ 30% (without grossing up) in the hands of the company providing such loan or advance or making such payment.

- It is proposed to amend that where any income is distributed by a mutual fund being ,an equity oriented fund , the mutual fund liable shall be liable to pay additional income tax at the rate 10% of income distributed.

- Every person, not being an individual, which enters into a financial transaction of an amount aggregating to two lakh and fifty thousand rupees or more in a financial year shall be required to apply to the Assessing Officer for allotment of PAN

- Penalty for delay in furnishing the **statement for specified financial transaction** u/s 285BA beyond prescribed time limit is increased from Rs. 100/- day to Rs. 500/- per day. Delay beyond 30 days shall attract penalty of Rs. 1000/- instead of Rs. 500/- per day of delay

INDIRECT TAX

CUSTOM DUTY

Being the first budget after the implementation of GST, the changes were primarily limited to customs only.

Education Cess and Secondary and Higher Education Cess replaced with Social Welfare Surcharge of 10% to be levied on aggregate of customs duty except IGST and GST Compensation Cess in addition to other duties.

Goods earlier exempted from Education Cess and Secondary and Higher Education Cess continue to be exempted from this levy. further, a concessional rate of 3% notified for specified goods like petrol, high speed diesel gold etc.

KEY CHANGES IN CUSTOM DUTY		
Products	Pre-budget	Post-budget
Fruit juices and vegetables juices	30%	50%
Beauty or make-up preparations for skin care, including sunscreen or suntan	10%	20%
Preparations for use on the hair	10%	20%
Preparation for oral and dental hygiene	10%	20%
Pre-shave, shaving or after-shave preparation, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet	10%	20%
Truck and bus radial tyres	10%	15%
Footwear	10%	20%
Cellular mobile phones	15%	20%
Smart watches/wearable devices	10%	20%
LCD/LED/OLED panels and other parts of LCD/LED/OLED TVS	7.5%, 10%	15%
Mattresses supports;articles of bedding and similar furnishing	10%	20%
Lamps and lighting,illuminated signs,illuminated name plates and the like [except solar lanterns or solar	10%	20%
Lamps	10%	20%
Wrist watches,pocket watches and other watches, including stop watches	10%	10%
Imitation jewellery	15%	20%
Silk fabrics	10%	20%
CKD imports of motor vehicles, motor cars, motor cycles	10%	15%
Cut and polished colored gemstones	2.50%	5%
Diamonds (including cut and polished diamonds)	2.50%	5%
Crude edible vegetable oils	12.50%	30%
Refined edible vegetable oils	20%	35%
Solar tempered glass for solar cells	5%	0%
Petrol	INR 16.43/ltr	INR 15.43/ltr

SECTORIAL IMPACTS

Agriculture and rural economy

- Government to develop and upgrade rural markets into GrAMs. These e-NAM linked GrAMs exempted from APMC regulations will allow farmers to sell directly to consumers.
- MSP for Kharif Crops has been set at least 1.5 times the production cost
- Substantially increase in allocation for National Rural Livelihood Mission to Rs. 5750 Crore in 2018-19
- With a view to realise better prices for farmers, the NITI Aayog, in discussion with the Central Government and State Governments will implement an appropriate mechanism.
- The Government will promote cluster-based development of agricultural commodities and regions.

Health, education and social protection

- “Revitalising Infrastructure and Systems in Education by 2022” to be launched to increase investment in research and related infrastructure in educational and health institutions.
- To improve the quality of education, the Government proposes to introduce digital means for imparting education and training teachers.
- Private sector participation, through Corporate Social Responsibility initiatives, is to be encouraged towards adopting health and wellness centres set up under the National Health Policy, 2017.

- National Health Protection Scheme to be launched for providing coverage of 10 Crore poor and vulnerable families up to Rs 5,00,000/- per family per year for secondary and tertiary care.

MSMEs and employment

- The Government proposes to promulgate a framework to help MSMEs address issues of non-performing assets and stressed accounts.
- It is proposed to review the refinancing policy and eligibility criteria set up under MUDRA Yojana to help refinancing of Non-Banking Finance Companies and Rs. 3 Lakh Crore has been set up for mudra yojna in 2018-19.
- The Government to contribute 12% in Employee Provident Fund for new employees in all sectors for a period of 3 years;
- EPF contribution for women employees to be lowered to 8% for the first 3 years without any change in employer's contribution; and
- Fixed term employment facility to be extended to all sectors.

Building institutions and improving public service delivery

- In the defence sector, the Government is proposing two defence industrial production corridors and a Defence Production Policy, 2018 to promote Make in India by public/ private sectors and MSMEs.
- National Logistics Portal to be developed by the Department of Commerce to bring together all

stakeholders through a single window online marketplace.

- RBI Act to be amended to institutionalise an uncollateralised deposit facility, which would help the RBI manage excess liquidity.

Infrastructure and financial sector development

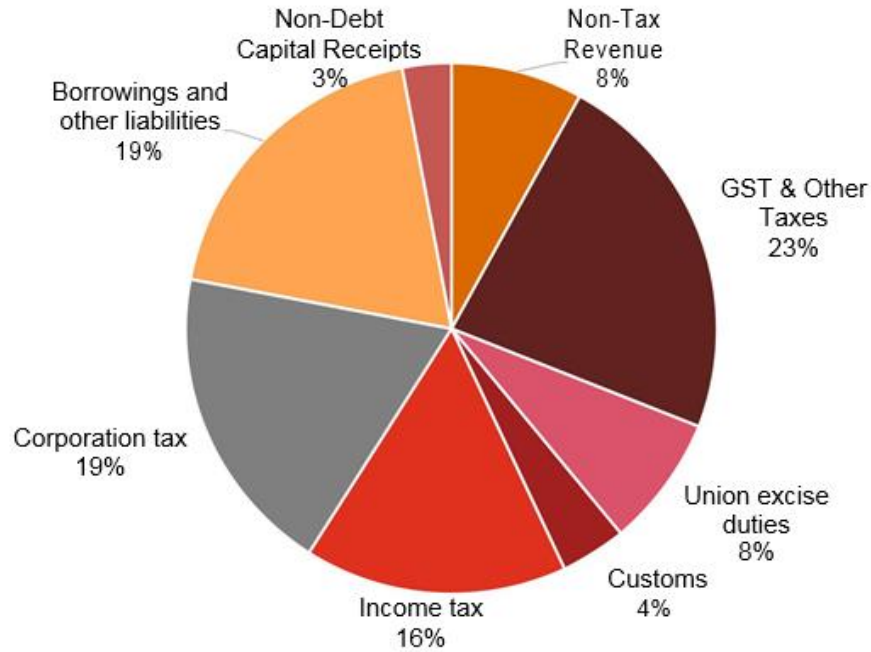
- Ten prominent tourist attractions to be developed further as iconic tourism destinations, with special focus on infrastructure and skill development, development of technology, attracting private investment, branding and marketing.
- Proposal by SEBI to mandate large corporates to meet one-fourth of their funding needs through the bond market.
- Continuing focus on the fast-changing digital world, the NITI Aayog to initiate a national program on artificial intelligence, including research and development of its applications.
- For further investment in the digital ecosystem, the Department of Science & Technology to launch a Mission on Cyber Physical Systems to establish Centres of Excellence.
- Government to take measures to eliminate the use of cryptocurrencies in financing illegal activities or as part of payment systems.
- To extend airport capacity more than five times to handle a “Billion trips” a year

BUDGET AT GLANCE

	FY17A	FY18BE		FY18RE			FY19B	
	INR b	INR b	% of GDP	INR b	% YoY	% of GDP	INR b	% YoY
Total Receipts	14,396	16,002	9.5	16,229	12.7	9.7	18,179	12.0
Revenue receipts	13,742	15,158	9.0	15,054	9.5	9.0	17,257	14.6
Gross Taxes	17,158	19,116	11.3	15,015	-12.5	8.9	15,273	1.7
Net Taxes	11,014	12,270	7.3	12,695	15.3	7.6	14,806	16.6
Direct taxes	8,497	9,800	5.8	10,050	18.3	6.0	11,500	14.4
Corporation Taxes	4,849	5,387	3.2	5,637	16.3	3.4	6,210	15.3
Income Taxes	3,646	4,413	2.6	4,413	21.0	2.6	5,290	19.9
Indirect taxes	8,661	9,316	5.5	9,411	8.7	5.6	11,212	19.1
Customs	2,254	2,450	1.5	1,352	-40	0.8	1,125	-16.8
Excise Duties	3,821	4,069	2.4	2,770	-27.5	1.7	2,596	-6.3
Services tax	2,545	2,750	1.6	795	-68.8	0.5		
Goods & Services Tax (GST)	-	-	-	4,446	-	2.6	7,439	67.3
Non-tax revenue	2,728	2,888	1.7	2,360	-13.5	1.4	2,451	3.9
Non-debt capital receipts	654	844	0.5	1,175	79.7	0.7	922	-21.5
Divestment	455	725	0.4	1,000	119.8	0.6	800	-20.0
Total Expenditure	19,752	21,467	12.7	22,178	12.3	13.2	24,422	10.1
Total excl. Subsidies	17,404	18,745	11.1	19,518	12.1	11.6	21,474	10.0
Revenue expenditure	16,906	18,369	10.9	19,443	15.0	11.6	21,418	10.2
Interest payments	4,807	5,231	3.1	5,308	10.4	3.2	5,758	8.5
Defense	2,480	2,624	1.6	2,671	7.7	1.6	2,827	5.8
Subsidies	2,348	2,723	1.6	2,660	13.3	1.6	2,949	10.9
Pensions	1,282	1,312	0.8	1,474	15.0	0.9	1,685	14.3
Police	624	656	0.4	697	11.7	0.4	749	7.4
Education	312	369	0.2	386	23.8	0.2	406	5.1
Health & family welfare	132	168	0.1	173	31.5	0.1	192	10.7
Grants to states/UTs	2,859	2,930	1.7	3,690	29.1	2.2	4,206	14.0
Rural development	494	502	0.3	569	15.2	0.3	579	1.7
Other	1,568	1,856	1.1	1,814	15.7	1.1	2,068	14.0
Capital expenditure	2,846	3,098	1.8	2,734	-3.9	1.6	3,004	9.9
Fiscal Deficit	5,356	5,465	3.2	5,948		3.5	6,243	
Revenue Deficit	3,164	3,212	1.9	4,389		2.6	4,160	
Nominal GDP	151,934	168,475		167,847	11.1		187,149	11.5

Source: Union Budget

Where the rupee will come from (2018-19)



Where the rupee will go (2018-19)

