



IMPACT of the **FINANCE BILL 2018**

This is a gist of some of the key amendments proposed in the Finance Bill 2018. We recommend that you seek suitable professional advice before acting on them.

Most of these Amendments apply to income earned after 1st April 2018.

On Personal Taxes

No change in tax rates. However **Cess** increased to **4%** from earlier 3%.

Senior Citizens to get the following benefits:

- Interest on **Deposits** with Banks and Post Office to be eligible for a deduction of upto Rs. 50,000 (earlier only Interest on savings Account was eligible for a deduction of upto Rs. 10,000)
- No **TDS on Interest** upto Rs. 50,000 u/s 194A (earlier Rs. 10,000)
- **Mediclaim** deduction of upto Rs. 50,000 (earlier Rs. 30,000)
- Deduction for **Medical treatment expenses** on critical illnesses increased to Rs. 100,000.

Salaried employees to get a standard deduction of upto Rs. 40,000 instead of a deduction for Transport Allowance of upto Rs. 19,200 and reimbursement of medical expenses of upto Rs. 15,000.

New Women employees will have to contribute only 8% of their salary to PF (as against earlier 10 – 12%) for the first 3 years whereas employer contribution shall continue as earlier.

On Capital Gains

Long Term **Capital Gains on sale of equity shares / equity oriented funds** after 1.4.2018 shall be taxed at 10% if taxable gains exceed Rs. 1 lakh. No indexation benefit will be available. In most cases the tax will be only on the appreciation in value beyond 31.01.2018.

Dividend declared by an **equity oriented fund** will now be subject to a 10% Dividend Distribution tax.

The tax saving by investing in 3 years **54EC bonds** will now be available only for capital gains on sale of Land or Buildings and the bonds shall henceforth be 5 year bonds.

On Business and Corporate taxation

For **Companies** having a turnover **not exceeding Rs. 250 crores** in the year ended March 2017, tax rate reduced to 25% (earlier this concessional rate applied to companies with a turnover of upto Rs. 50 crores).

Profitable Unlisted Companies giving advances to entities where shareholders are interested were earlier subjected to a **Deemed Dividend** – this was taxable in the hands of the shareholder. Now, any such loan or advance given will be subject to a Dividend Distribution

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tax of 30% in the hands of the company making the loan/ advance and will be therefore not be taxable in the hands of the shareholder.

The Provisions of Income Computation and Disclosure Standards – **ICDS** – which were held to be unconstitutional in a writ by a Hon'ble High Court have now been included in the Act itself and shall be applicable from the year ended March 31st 2017.

The provisions of section **80JJA** dealing with deductions for hiring **new employees** have been modified further.

On Real Estate Business

While there is a tax based on Stamp Duty Valuation, if the difference between Stamp Duty Valuation and actual sale consideration is not more than 5% then the provisions of section 50C / 43CA / 56 shall not be applied.

On Start Ups / Wind Ups

The concessions introduced in the past for tax exemptions for Start ups have been liberalized further. The benefits are now extended to start ups that are incorporated till 31.03.2021 provided turnover does not exceed Rs. 25 crores for 7 years.

For companies that come under the Bankruptcy Code and are being restructured, change in shareholding will not make c/f losses lapse and write backs will not be taxed under 115JB MAT.

On Charities

Charitable and Religious Trusts will not be able to treat as application of income any expense in excess of Rs. 10,000 paid otherwise than by cheque/ electronic media as well as any payments made without doing appropriate TDS – this is intended to discourage Trusts from spending money in cash.

On use of cash and audit trails

In case of financial transactions exceeding Rs. 250,000 by non-individuals, mentioning of a PAN including the PAN of a natural person in charge of the entity's affairs (such as a karta, a trustee, a director or the like) will now be mandatory.

On procedures under Tax law

A detailed system for electronic assessment shall be introduced.

While processing a tax return, no addition will be made merely because an income shows on the 26AS.

On Investments in Small Savings

Various Government / Postal Small Savings Schemes such as the National Savings Scheme (NSS), national Savings certificates (NSC) etc. have been discontinued.

On Customs Duty

While abolishing the earlier 3% Cess on imported goods, it has been replaced by a Social Welfare Surcharge, at the rate of 10% of the aggregate Customs Duty.

February 1st 2018