



## IMPACT of the FINANCE BILL 2017

This is a gist of some of the key amendments proposed in the Finance Bill 2017.

We recommend that you seek suitable professional advice before acting on them.

Most of these Amendments apply to income earned after 1<sup>st</sup> April 2017 or procedures followed after that date.

### On Personal Taxes

- Income from Rs. 250,000 to Rs. 500,000 – taxable at **5%** (earlier 10%).
- **Surcharge** of **10%** on Income between **Rs. 50 lakhs** and Rs. 100 lakhs.
- Rebate u/s **87A** available upto Rs. **2,500** and on total income upto Rs. 350,000.
- Individuals **paying Rent** of more than Rs. 50,000 per month will have to do a 5% **TDS** thereon.
- Claim of **Loss from Property Income** restricted to Rs. 200,000 - balance to be carried forward.
- Contribution of **National Pension Scheme** u/s 80CCD increased to 20% of income.
- **Tax on dividend** income from shares in excess of Rs. 10 lakhs extended to AOPs / BOIs.

### On Capital Gains

- Sale of **Immoveable property** will be Long Term if held for more than 2 years (earlier 3 years).
- The **base year** moved from **1981 to 2001**. Cost will therefore be deemed to be the fair market value as of 1.4.2001.
- Some more options for investment in **54EC bonds** will be available – beyond NHA and REC.
- Long Term Capital Gains on **sale of listed shares purchased after 1.10.2004** will be exempt only if STT was paid at purchase. If shares were acquired Off Market, no exemption on sale.
- **Sale of unquoted shares** – will be taxed based on at least the Fair Market Value of the shares sold.

### On Business and Corporate taxation

- A **Domestic Company** having a turnover not exceeding Rs. 50 crores in year ended March 2016, shall be taxed at 25% instead of 30% for Assessment Year 2018-19.
- **Startups** – liberalization on carry forward of losses despite change in ownership. Also some liberalization in the conditions for claiming concessional tax rates introduced in the Finance Act 2016.
- **MAT and AMT credit** to be available for 15 years (earlier 10 years).
- **44AD** – presumptive tax of 6% for all non-cash sales and 8% for cash sales. Also no Audit required if sales do not exceed Rs. 2 crores.
- **Transfer Pricing on Specified Domestic Transaction** – not applicable to 40A(2)(b) transactions.
- Income from transfer of **Carbon Credits** will be taxed at 10%.
- Any asset received by a business for **inadequate consideration** will be taxed.
- **Thin Capitalization Norms** prescribed for Interest Payments in excess of Rs. 1 crore to Non Resident Associate Enterprises.
- **115JB** amended to duly incorporate levy on **IndAS** based profits including clarity on items taken into Other Comprehensive Income and on transitional Adjustments.
- **Secondary Adjustments** to be made on deemed basis for Primary Adjustments in Transfer Pricing exceeding Rs. 1 crore.



### On Real Estate Business

- Tax benefits for **affordable Housing** introduced in the Finance Act 2016 liberalized.
- Individuals granting **Joint Development Rights** on land will be taxed only on completion of the project and not on registration of the development Agreement. TDS of 10% however on the monetary consideration received for grant of development rights.
- **Vacant flats held as stock in trade** – no notional rent tax for a period of 1 year after getting a CC.

### On curbing the use of cash

- **80G deduction** not available on donations exceeding Rs. 2,000 if done in cash (earlier Rs. 10,000)
- No **Depreciation on assets** purchased in cash in excess of Rs. 10,000
- Disallowance of **expenses paid in cash** in excess of Rs. 10,000 (earlier Rs. 20,000)
- If **cash is accepted for any transaction** in excess of Rs. 300,000, penalty equivalent to the cash so accepted. Consequently, no TCS of 1% of sale of jewellery in cash.

### On Charities

- **Corpus donation** given by a Trust will not be treated as Application of income.
- **Change in Objects** will mandate obtaining of a fresh 12A registration within 30 days.

### On procedures under Tax law

- From the year ended March 2018, **late filing** of a return attracts a mandatory late fee upto Rs. 10,000.
- **Time Limit for completing assessments** from Assessment Year 2018-19 shortened
- Tax return can be **revised** only till the end of the Assessment Year and not thereafter.
- If **TDS is paid in excess** and claimed back by deductor, interest @ 6% will be paid thereon.

### On Service tax

- No change in Tax rates or any substantive procedures in view of impending GST.

**February 1<sup>st</sup> 2017**