

## CHANGES IN INCOME TAX BY UNION BUDGET 2017



**CA SOHRABH JINDAL**

The Hon'ble Finance Minister has announced the Union Budget 2017 on 1-2-2017. There are various changes in Law related to Income Tax.

I have tried to compile the major amendment in the following lines.

### **1- Change in Income Tax Rate for the FY 2017-18**

#### **For Individual :**

Income Upto 250000/-	NIL
Income 250001 to 500000	5%
Income 500000 to 1000000	20%
Income Above 1000000/-	30%

Surcharge @ 10 % if total income is more than 50 Lakh but upto Rs.1 Crore

Surcharge @ 15 % if total income is more than Rs.1 Crore

#### **For Domestic Companies**

If Gross Turnover upto Rs.50 Crore	25%
In any other case	30%

### **2- Change in Tax Rebate U/S 87-A**

Earlier a tax rebate was allowed upto Rs.5000/- if the total income was upto Rs.500000/-

**Now this rebate will be available upto Rs.2500/- if the total income is upto Rs.350000/-**

- 3- **Late Filing Fees for ITR Filing – 234F-** : W.e.f. ITR to be filed for the FY 2017-18

If filed after due date but upto 31<sup>st</sup> December- Penalty Rs.5000/-

If filed after 31<sup>st</sup> December - Penalty Rs.10000/-

If income below 5 Lakh then Penalty is Rs.1000/-

**It means if the ITR is not submitted within time then the above penalty will be converted into demand after processing of ITR u/s 143(1). There will be no escape from this Levy.**

- 4- **TCS- New Section 206CC – Furnishing of PAN of Buyer is mandatory if TCS is to be collected** : W.e.f. 1-4-2017

If PAN not submitted then TCS to be collected Higher of the following-

- (i) Twice of the rate of TCS
- (ii) 5%

- 5- **Restriction and Penalty on Receipt of cash of more than Rs300000/- in a single day / from a single person / for a single transaction or single event Sec- 269ST & 271 DA** : W.e.f. 1-4-2017

Penalty is Equal amount of the cash received as above

- 6- **Cash Payment Limit Reduced to Rs.10000/-** . W.e.f. 1-4-2017, Maximum 10000/- can be paid to a single person in a single day for any expenses. Sec- **40A(3)**

However for Transporters, the limit of Rs.35000/- is still available.

- 7- **Cash Payment Limit Reduced to Rs.10000/- for Purchase of any assets.** W.e.f. 1-4-2017, Maximum 10000/- can be paid to a single person in a single day for purchase of any assets. Sec- 43

In order to discourage cash transactions even for capital expenditure, it is proposed to amend the provisions of section 43 of the Act to provide that where an assessee incurs any expenditure for acquisition of any asset in respect which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of determination of actual cost of such asset.

- 8- **Capital Gain on Land and /or Building :** W.E.F.A.Y. 2018-19 onwards the holding of Immovable property will be treated as Short term for a period upto 24 Months. Earlier this was upto 36 Months.

With a view to promote the real-estate sector and to make it more attractive for investment, it is proposed to amend section 2 (42A) of the Act so as to reduce the period of holding from the existing 36 months to 24 months in case of immovable property, being land or building or both, to qualify as long term capital asset

- 9- **Condition for claiming exemption on capital gain on Listed Shares :** W.E.F.A.Y. 2018-19 onwards, the exemption u/s 10(38) is available only if the purchase of shares also bears the Securities Transaction Tax. i.e. for shares purchased after 1-10-2004

- 10- **TDS- New Section 194-IB introduced to deduct TDS on Rent payment of more than Rs50000/- p.m. :** W.e.f. 1-6-2017

In order to widen the scope of tax deduction at source, it is proposed to insert a new section 194-IB in the Act to provide that Individuals or a HUF (other than those covered under 44AB of the Act), responsible for paying to a resident any income by way of rent exceeding fifty thousand rupees for a month or part of month during the previous year, shall deduct an amount equal to five per cent. of such income as income-tax thereon.

In order to reduce the compliance burden, it is further proposed that the deductor shall not be required to obtain tax deduction account number (TAN) as per section

203A of the Act. It is also proposed that the deductor shall be liable to deduct tax only once in a previous year.

**11- Threshold limit for maintenance of Books of Accounts has been increased Sec-44AA : W.e.f. 1-4-2017-**

In order to reduce the compliance burden, it is proposed to amend the provisions of section 44AA to increase monetary limits of income and total sales or turn over or gross receipts, etc specified in said clauses for maintenance of books of accounts from one lakh twenty thousand rupees to two lakh fifty thousand rupees and from ten lakh rupees to twenty-five lakh rupees, respectively in the case of Individuals and Hindu undivided family carrying on business or profession.

**12- Presumptive Net Profit Rate @ 6% for non cash sales Sec-44AD : W.e.f. 1-4-2016**

In order to promote digital transactions and to encourage small unorganized business to accept digital payments, it is proposed to amend section 44AD of the Act to reduce the existing rate of deemed total income of eight per cent. to six per cent in respect of the amount of such total turnover or gross receipts received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year. However, the existing rate of deemed profit of 8% referred to in section 44AD of the Act, shall continue to apply in respect of total turnover or gross receipts received in any other mode.

**13- For Calculation of Long Term Capital Gain, Base year for Indexation shifted to 1-4-2001 from 1-4-1981 Sec-48 & 55 : W.e.f. 1-4-2017**

In order to revise the base year for computation of capital gains, it is proposed to amend section 55 of the Act so as to provide that the cost of acquisition of an asset acquired before 01.04.2001 shall be allowed to be taken as fair market value as on 1st April,2001 and the cost of improvement shall include only those capital expenses which are incurred after 01.04.2001.

**14- Deeming provision for deciding consideration of Unquoted Shares Sec-50CA : W.e.f. 1-4-2017**

In order to rationalise the provisions relating to deeming of full value of consideration for computation of income under the head "capital gains", it is proposed to insert a new section 50CA to provide that where consideration for transfer of share of a company (other than quoted share) is less than the Fair Market Value (FMV) of such share determined in accordance with the prescribed manner, the FMV shall be deemed to be the full value of consideration for the purposes of computing income under the head "Capital gains".

**15- Set off of loss from House Property restricted to Rs.2 Lac only Sec-71 : W.e.f. 1-4-2017**

Section 71 of the Act relates to set-off of loss from one head against income from another. In line with the international best practices it is proposed to insert sub-section (3A) in the said section to provide that set-off of loss under the head "Income from house property" against any other head of income shall be restricted to two lakh rupees for any assessment year. **However, the unabsorbed loss shall be allowed to be carried forward for set-off in subsequent years in accordance with the existing provisions of the Act.**

**16- MAT Credit can be carried forwarded to 15 years in place of 10 years Sec-115JAA : W.e.f. 1-4-2017**

**17- Time limit for completion of Scrutiny Assessment has been reduced to 18 month and further to 12 months Sec-153 : W.e.f. 1-4-2017**

**18- TDS- Section 194-J rate reduced from 10% to 2% only in case of business engaged in operation of Call Centre : W.e.f. 1-6-2017**

In order to promote ease of doing business, it is proposed to amend section 194J to reduce the rate of deduction of tax at source to two per cent. from ten per cent. in case of payments received or credited to a payee, being a person engaged only in the business of operation of call center.

**19- Penalty on CA / Any other Professional / Merchant Banker / Registered Valuer for furnishing incorrect certificate / Report Section- 271J : W.e.f. 1-4-2017**

Penalty Rs.10000/- for each incorrect report / certificate

*Hope the information will assist you in your Professional endeavors. In case of any query/ information, please do not hesitate to write back to us.*

Thanks and Best Regards

**CA SOHRABH JINDAL**

FCA, DISA(ICAI), CCA

F-14B, Ground Flr, Street No-29,

Madhu Vihar, Patparganj,

Delhi-110092.

DeskTel: +91-11-47603624

Mobile: +91 9810216640

Email: [sohrabh2006@gmail.com](mailto:sohrabh2006@gmail.com)

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