

# INDIA BUDGET 2018



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This booklet summarises the important proposals included in the budget speech made by the Honourable Finance Minister on 1st February, 2018. Whilst every care has been taken in the preparation of this document it may contain inadvertent errors for which we shall not be held responsible. It must be stressed that the Finance Bill may contain proposals which have not been referred to in the budget speech and additionally, the detailed proposals are liable to amendment during the passage of the Finance Bill through Parliament. The information given in this document provides a bird's-eye view on the changes proposed and should not be relied for the purpose of economic or financial decision. Each such decision would call for specific reference of the relevant statutes and consultation of an expert.

## FOREWORD.....

Mr. Arun Jaitley, the Honourable Finance Minister presented the Indian Budget 2018 before the Parliament on Thursday 01st February 2018. Mr. Jaitley had a tough balancing act amid supporting economic growth, creating employment opportunities, addressing rural distress and maintaining fiscal discipline.

The Union Budget 2018 is significant for several reasons. First, this is the first post – GST era Budget, the most far-reaching tax reform independent India has seen; second, it is the present government's fourth and last full-fledged budget presentation ahead of the impending 2019 General Elections. While the 2017 Budget was hailed as a reformist Budget, the 2018 Budget was speculated to be a populist one.

Farmers, Rural India and Healthcare are the main focus of Budget 2018. The farmers have been assured a Minimum Support Price (MSP) 1.5 times the cost of production. "Operation Greens" was launched to address price fluctuations for benefit of farmers and consumers.

Honourable Finance Minister announced the world's largest government funded healthcare programme. The ambitious flagship programme – the National Health Protection Scheme – will cover 100 million poor and vulnerable families or 40% of India's population. This is targeted to reaching approximately 500 million beneficiaries. Under this programme, each family can claim medical reimbursements up to Rs 5 lakh every year for secondary and tertiary care hospitalization. The Finance Minister said that the programme would be a step towards offering Universal Health Coverage and would take healthcare protection to a new aspirational level.

Technology will be the biggest driver in improving the quality of education in India. The Government proposes to increase the digital intensity in education and move gradually from "black board" to "digital board". Technology will also be used to upgrade the skills of teachers through the recently launched digital portal "DIKSHA".

The Revised Fiscal Deficit estimates for 2017-18 were put at Rs. 5.95 lakh crore at 3.5% of GDP. Continuing Governments' path of fiscal reduction and consolidation,

the Finance Minister projected a Fiscal Deficit of 3.3% of GDP for the year 2018-19 and acknowledged Budget Deficit as an important parameter for judging performance.

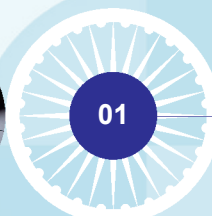
The middle-class expectation for Income Tax relief did not bear fruits. However, standard deduction for salaried employees has been reintroduced at Rs 40,000/- in lieu of the medical and transport allowance currently available. Reintroduction of long term capital gains tax on listed securities at 10% was quite on expected lines. A serious effort has been made in this Budget to tax income earned by Foreign entities having 'significant economic presence' in India by use of technology. The corporate tax rate has been reduced from 30% to 25% for all domestic companies with turnover less than INR 2.5 Billion. The cess on tax which was 3% of cess has been proposed to be increased to 4%.

Customs Duty on certain products, such as mobile phones and televisions has been increased, to provide a boost to Government Policy of 'Make in India'. The Finance Minister has proposed to abolish the Education Cess and Secondary and Higher Education Cess on imported goods, and in its place impose a Social Welfare Surcharge, at the rate of 10% of the aggregate duties of Customs, on imported goods, to provide for social welfare schemes of the Government. Goods which were hitherto exempt from Education Cess on imported goods will, however, be exempt from this Surcharge. Further, the Finance Minister also proposed to make certain changes to the Customs Act, 1962, to improve the ease of doing business in cross border trade, and to align certain provisions with the commitments under the Trade Facilitation Agreement.

While from the personal taxation perspective the Budget seems to be a missed opportunity, on a macro level the Finance Minister has made a commendable effort to achieve the Modi Government's target of an "Inclusive Growth".

Thursday, February 01, 2018

Mumbai  
INDIA



## DIRECT TAXATION

### A. Rates of Tax

#### Personal Tax

(i) For individuals, HUFs, Association of Persons, Body of Individuals [Not covered in (ii) & (iii) below]

Income	Existing Rates (%)			Proposed Rates (%)		
	Tax	Cess (3%)	Total	Tax	Cess (4%)	Total
Rs. NIL to Rs. 2,50,000	-	-	-	-	-	-
Rs. 2,50,001 to Rs. 5,00,000	5.00	0.15	5.15	5.00	0.20	5.20
Rs. 5,00,001 to Rs. 10,00,000	20.00	0.60	20.60	20.00	0.80	20.80
Rs. 10,00,001 and above	30.00	0.90	30.90	30.00	1.20	31.20

(ii) For resident senior individuals (attained age of 60 years but less than 80 years)

Income	Existing Rates (%)			Proposed Rates (%)		
	Tax	Cess (3%)	Total	Tax	Cess (4%)	Total
Rs. NIL to Rs. 3,00,000	-	-	-	-	-	-
Rs. 3,00,001 to Rs. 5,00,000	5.00	0.15	5.15	5.00	0.20	5.20
Rs. 5,00,001 to Rs. 10,00,000	20.00	0.60	20.60	20.00	0.80	20.80
Rs. 10,00,001 and above	30.00	0.90	30.90	30.00	1.20	31.20

(iii) For resident super senior individual (attained age of 80 years or above)

Income	Existing Rates (%)			Proposed Rates (%)		
	Tax	Cess (3%)	Total	Tax	Cess (4%)	Total
Rs. NIL to Rs. 5,00,000	-	-	-	-	-	-
Rs. 5,00,001 to Rs. 10,00,000	20.00	0.60	20.60	20.00	0.80	20.80
Rs. 10,00,001 and above	30.00	0.90	30.90	30.00	1.20	31.20

#### Surcharge (for Individuals)

Surcharge is levied @ 10% on income exceeding Rs. 50 lakh but not exceeding Rs. 1 crore. In case of income exceeding Rs. 1 crore, the surcharge shall be @15%.

Marginal Relief shall be available for the said surcharge.

#### Rebate

The rebate under section 87A will continue to Rs. 2,500 for income not exceeding Rs. 3,50,000.



## Corporate Tax

- Finance Act, 2017 introduced a reduced rate of tax of 25% for domestic companies with turnover or gross receipts less than Rs. 50 crore. This reduced rate is proposed to be extended to companies whose turnover or gross receipts does not exceed Rs. 250 crore during financial year 2016-17. For other domestic companies, the rate of 30% shall continue to apply.
- The rate of tax payable by Foreign Companies have not been changed and remains at 40%.
- Surcharge remains unchanged at 7 % of tax where total income exceeds Rs. 1 crore and 12% of tax where total income exceeds Rs. 10 crore for domestic companies and 2% of tax where total income exceeds Rs. 1 crore and 5% of tax where total income exceeds Rs. 10 crore for foreign companies.

### Cess (for all assesseees):

**The Secondary Education Cess of 2% and Higher Secondary Education Cess of 1% (aggregate 3%) applicable on tax and surcharge to every tax payer is proposed to be replaced by a single Health & Education Cess of 4%.**

## B. International Taxation

### Non-residents

#### Section 9 – Amendment to the meaning of “business connection”

As per the existing clause (a) of Explanation 2 to section 9(1)(i), the term “business connection” includes business activities carried on by non-resident through any person who is habitually authorised to conclude contracts on behalf of the non-resident unless his activities are limited to the purchase of goods for the non-resident.

With a view to align the scope of “business connection” under the domestic law with the modified term of “Permanent Establishment” as per Multilateral Convention to Implement Tax Treaty Related Measures (‘MLI’), clause (a) of Explanation 2 to section 9(1)(i) is proposed to be amended to provide that “business connection” shall also include any business activities carried through a person who, acting on behalf of the non-resident, habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by the non-resident. Further, such contracts should be:

- in the name of the non-resident; or
- for the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that the non-resident has the right to use; or
- for the provision of services by that non-resident.

#### “Business connection” to include “significant economic presence”

With a view to widen the scope of “business connection” and to include emerging business models such as digitized businesses, that do not require any physical presence of itself or any agent in India, a new Explanation 2A has been proposed to be inserted to section 9(1)(i) to clarify that significant economic presence in India shall constitute “business connection” in India. For this purpose, “significant economic presence” shall mean -

- any transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India if the aggregate of payments arising from such transaction or transactions during the previous year exceeds the amount as may be prescribed; or



- systematic and continuous soliciting of its business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means.

It is provided that the transactions or activities shall constitute significant economic presence in India, whether or not the non-resident has a residence or place of business in India or renders services in India. It is further provided that only so much of the income as is attributable to such transactions or activities shall be deemed to accrue or arise in India.

These amendments will take effect from 1st April, 2019 (i.e. AY 2019-20).

## **Section 245-O– Authority for Advance Rulings and Section 245-Q– Application for Advance Ruling**

Section 245-O has been proposed to be amended to provide that Authority for Advance Rulings shall cease to act as an Authority for Advance Rulings upon the date of appointment of proposed Customs Authority for Advance Ruling under section 28EA of the Customs Act. Further a new sub-section has been proposed to be inserted to provide that on and from the date of appointment, the Authority for Advance Rulings shall act as an Appellate Authority for the purpose of Chapter V of the Customs Act, 1962. Further, such Authority shall not admit any appeal against any ruling or order passed earlier by it in the capacity of Authority for Advance ruling in relation to any matter under Chapter V of the Customs Act, 1962 after the date of appointment of Customs Authority for Advance Rulings under section 28EA of the Customs Act, 1962.

This amendment will take effect from 1st April, 2018 (i.e. AY 2018-19).

## **Residents**

### **Section 271FA– Penalty for failure to furnish statement of financial transaction or reportable account**

Section 271FA has been amended to provide for an increase in penalty, where a person who is required to furnish the statement of financial transaction or reportable account, fails to furnish such statement within the prescribed time as per following:

Section No.	Particulars	Existing Penalty	Proposed Penalty
285BA(1)	Person who is required to furnish the statement of financial transaction or reportable account under section 285BA(1), fails to furnish such statement within the prescribed time.	Rs. 100 per day of failure	Rs. 500 per day of failure
285BA(5)	Person fails to furnish the statement of financial transaction or reportable account within the period specified in the notice issued under section 285BA(5).	Rs. 500 per day of failure	Rs. 1,000 per day of failure

This amendment will take effect from 1st of April, 2018 (i.e. AY 2018-19).

### **Section 286– Rationalisation of provisions relating to Country-by-Country Reporting ('CbCR')**

Finance Act, 2016 introduced Country-by-Country Reporting ('CbCR') in alignment with the Base Erosion Action Plan (BEPS) Action Plan 13. Section 286 contains provisions relating to Country by Country Reporting ('CbCR') in respect of an international group. It is proposed to amend section 286 to give effect to certain clarificatory amendments, applicable retrospectively from 1st April 2017, in order to make the reporting more effective and reduce the compliance burden.



- Section 286(4) is amended to provide furnishing of CbCR by constituent entity resident in India also where the parent entity outside India has no obligation to file the CbCR in the latter's country or territory
- Time allowed for furnishing CbCR in case of parent entity or Alternate Reporting Entity (ARE) or where constituent entity resident in India, is extended to 12 months from the end of reporting accounting year as against on/before return filing due date specified earlier
- Section 286(5) is amended to state that due date for furnishing of CbCR by the Alternate Reporting Entity of an international group, the parent entity of which is outside India, with the tax authority of the country or territory of which it is resident, will be the due date specified by that country or territory as against on/ before return filing due date specified earlier
- Definition of 'Agreement' is amended to include combination of agreement for exchange of the report referred to in sub-section (2) [Filing by parent entity/ ARE resident in India] **and** sub- section (4) [Filing by constituent entity of international group resident in India under specified circumstances] as may be notified by the Central Government in addition to agreement referred to in section 90(1) or 90A(1).
- Definition of "reporting accounting year" is amended to mean the accounting year in respect of which the financial and operational results are required to be reflected in the report referred to in sub-section (2) [Filing by parent entity/ARE resident in India] as well as report referred to in sub-section (4) [Filing by constituent entity of international group resident in India under specified circumstances]

## C. Individuals

### Section 80D– Amendment relating to deduction in respect of health insurance premium and medical expenditure for senior citizens

The section presently provides for a deduction up to Rs. 30,000 in respect of amount paid towards health insurance premium, expenditure on preventive health check-up or medical expenditure for a senior citizen (60 years or older) or of a very senior citizen (80 years or older).

It is proposed to amend section 80D to increase the limit of deduction from Rs. 30,000 to Rs. 50,000 in respect of amount paid towards health insurance premium, expenditure on preventive health check-up or medical expenditure for senior citizens. The section has been amended to remove the specific category of very senior citizen. It is also proposed to provide deduction in case of single premium health insurance policies having cover of more than one year on proportionate basis subject to the specified monetary limit.

The aforesaid amendment will take effect from 1st April 2019 (i.e. AY 2019-20).

### Section 80DDB– Raising the limit of deduction for medical expenditure for senior citizens

The existing section 80DDB provided for allowing a deduction up to Rs. 60,000 for senior citizen or Rs. 80,000 for very senior citizen (80 years or more) for the medical treatment of certain disease or ailment as specified in Rule 11DD of the Income-tax Rules, 1962.

It is proposed to amend section 80DDB to increase the limit of deduction to Rs. 1,00,000 for the expenditure incurred in respect of the medical treatment for senior citizens. The section has been amended to remove the specific category of very senior citizens.

The aforesaid amendment will take effect from 1st April 2019 (i.e. AY 2019-20).



## **Section 80TTB– Deduction for interest income from deposit held by senior citizens**

It is proposed to introduce new section 80TTB to provide deduction of interest earned on deposits held by the senior citizens (60 years or older) to the extent of Rs. 50,000. The section 80TTA has also been amended to exclude senior citizens covered under new section 80TTB from claiming deduction. The aforesaid amendment will take effect from 1st April 2019 (i.e. AY 2019-20).

Further, it is also proposed to amend section 194A to increase the threshold limit for deduction of tax at source (TDS) from Rs. 10,000 to Rs. 50,000 for senior citizens. The aforesaid amendment will take effect from 1st April 2018.

## **Section 16– Allowance of standard deduction on salary income**

It is proposed to insert a new clause (ia) under section 16 to provide a standard deduction up to Rs. 40,000 or amount of salary received, whichever is less. It is also proposed to withdraw transport allowance available to all the salaried person except differently abled person and medical reimbursement in lieu of such deduction.

The aforesaid amendment will take effect from 1st April 2019 (i.e. AY 2019-20).

## **Section 10(12A)– Exemption in respect of withdrawal from National Pension System Trust (NPS)**

The existing section 10(12A) provided that 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 or on his opting out. This exemption was not available to non-employee subscribers. It is now proposed to amend section 10(12A) to extend the said benefit to all assessee (i.e. all subscribers).

This amendment will apply retrospectively with effect from 1st April 2019 (i.e. AY 2019-20).

## **Section 56(2)(xi)– Taxation of compensation received by an employee due to modification in contract of employment**

It is proposed to insert a new clause (xi) to section 56(2) to include any compensation received or receivable, whether revenue or capital, in connection with the termination or modification of the terms and conditions of any contract relating to employment.

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20)

## **D. Corporates**

### **Section 28(ii)– Expansion of scope of non-compete fees**

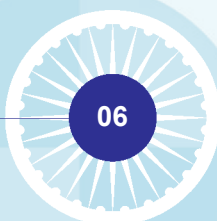
It is proposed to amend section 28(ii) to expand the scope of business income to include any compensation received or receivable, whether revenue or capital, in connection with the termination or modification of the terms and conditions of any contract.

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20).

### **Section 44AE– Increase in presumptive taxation in case of heavy goods vehicles**

It is proposed to amend section 44AE to provide a higher presumptive income rate in case of heavy goods vehicle (i.e. where gross vehicle weight exceeds 12 metric tonnes). It is proposed that the income for heavy goods vehicles would be deemed to be an amount equal to Rs. 1,000 per ton of gross vehicle weight per month or part thereof (i.e. minimum income of Rs. 12,000 per month or part thereof instead of the current amount of Rs. 7,500).

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20)



## **Section 115JB– Rationalisation of MAT regime for companies undergoing insolvency proceedings**

Section 115JB prescribes that while calculating book profits for determining the Minimum Alternate Tax ('MAT'), the lower amount of the loss brought forward or unabsorbed depreciation can be deducted. Consequently, where either brought forward loss or unabsorbed depreciation is Nil, no deduction is allowed.

It is now proposed to amend section 115JB to allow both, unabsorbed depreciation and loss brought forward (excluding unabsorbed depreciation) to be reduced from the book profit, if a company's application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016.

This amendment will take effect from 1st April 2018 (i.e. AY 2018-19).

## **Section 79– Carry forward and set off of losses in case of companies undergoing insolvency proceedings**

Section 79 prescribes a condition of continuation of at least 51% of shareholding for enabling carry forward and set off of losses. In cases where shareholding changes beyond the limit as a result of the insolvency resolution proceedings (under the Insolvency and Bankruptcy Code, 2016) the company is restricted from carrying forward and setting off previous losses.

It is now proposed to insert a new proviso in section 79 to relax the shareholding requirement in case of companies whose resolution plan has been approved under the Insolvency and Bankruptcy Code, 2016 after giving a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.

This amendment will take effect from 1st April 2018 and accordingly will apply to return of income filed on or after the said date.

## **Section 115JB– MAT not applicable to certain foreign companies**

It is proposed to insert a new Explanation in section 115JB to clarify that MAT shall not be and shall be deemed never to have been applicable to a foreign company, if its total income comprises solely of profits and gains from business referred to in section 44B, 44BB, 44BBA or 44BBB of the Act and such income has been offered to tax at the rates specified in the said sections.

This amendment will take effect retrospectively from assessment year 2001-02.

## **Section 2(22)– Expansion of scope of accumulated profits**

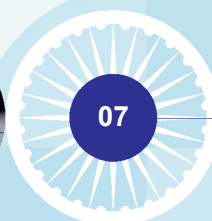
It is proposed to insert a new Explanation 2A to section 2(22) to widen the scope of the term 'accumulated profits' for the purpose of section 2(22). In case of amalgamation, it is now proposed to include accumulated profits of amalgamating company, whether capitalised or not, in the accumulated profits of amalgamated company.

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20).

## **Section 115-O– Application of dividend distribution tax to deemed dividend**

Dividend Distribution Tax ("DDT") is not applicable to "deemed dividend" (i.e. on loans by closely held company) as defined in section 2(22)(e) of the Act which was instead only taxed in the hands of the recipient. It is proposed to amend section 115-O with effect from 1st April 2018 to also levy DDT @30% on "deemed dividends" as defined under section 2(22)(e) of the Act.

This amendment will take effect from 1st April 2018 and shall apply to transactions undertaken on or after 1st April 2018.



## **Section 115R– DDT on dividend payout to unit holders of equity-oriented fund**

It is proposed to amend section 115R to provide that Equity Oriented Mutual Fund shall be liable to pay income tax at the rate of 10% on income distributed by it to the unit holders.

This amendment will take effect from 1st April 2018.

## **Section 115BA– Clarification of applicability of beneficial rate of tax for domestic companies engaged in certain manufacturing business**

Section 115BA provides a beneficial rate of 25% for newly set up domestic company engaged in business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it subject to specified conditions. The beneficial rate of 25% was applicable on total income (excluding income subject to provision of section 111A and section 112).

It is now proposed to amend the section 115BA to clarify that the beneficial rate of 25% is available only to the income from the business referred to in section 115BA, and other incomes will continue to be taxed as per the respective provisions of Chapter XII.

This amendment will apply retrospectively with effect from 1st April 2017 (i.e. AY 2017-18).

## **Section 80AC– No deduction under section 80AC is admissible if return of income is not filed within due date**

It is proposed to widen the scope of Section 80 AC, to cover all the deductions under the provisions of Chapter VI-A under heading C, which was so far restricted only to deductions under Sections 80 IA to 80 IE

This amendment will take effect from 1st April 2018 (i.e. AY 2018-19).

## **E. Incentives**

### **Section 10– Tax exemption on payment of royalty and fees for technical services paid to a non-resident by Non-Technical Research Organisation ('NTRRO')**

It is proposed to insert a new clause (6D) in section 10, providing tax exemption in respect of 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.

This amendment will take effect from 1st of April, 2018 (i.e. AY 2018-19).

### **Section 10(48B)– Exemption of income of Foreign Company from sale of leftover stock of crude oil on termination of agreement or arrangement**

Section 10(48B) is proposed to be amended to include the benefit of tax exemption in respect of income from sale of left over stock even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.

This amendment will take effect from 1st of April, 2019 (i.e. AY 2019-20).

### **Section 43– Tax treatment of transaction in respect of trading in agricultural commodity derivatives**

An amendment has been proposed to be made by inserting a second proviso to clause 5 of section 43 to provide that trading in agricultural commodity derivatives carried out on a recognised stock exchange shall be considered as a



non-speculative transaction even if the transaction is not chargeable to commodity transaction tax. This amendment is made to encourage participation in trading of agriculture commodity derivatives.

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20).

## **Section 47– Transfer by Non-Resident on recognised stock exchange in International Financial Services Centre (IFSC) not regarded as transfer liable for capital gains tax**

Section 47 is proposed to be amended by inserting a new clause (viiab) which provides that any transfer of the following capital assets by a non-resident in recognised stock exchange located in any IFSC shall not be regarded as a transfer-

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

Further, section 115JC has been proposed to be amended to reduce alternate maximum tax rate from 18.5% to 9% of adjusted total income in case of units located in IFSC.

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20).

## **Section 80-IAC– Special provision in respect of eligible start-ups**

The definition of “eligible business” for start-ups is now proposed to be widened to mean a business engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation.

Further, it is proposed to extend the benefit to eligible start-ups incorporated up to 1st April 2021 as against earlier date of 1st April 2019. Further, the condition of total turnover of the business not exceeding a sum of Rs. 25 crore in any of the previous years beginning from 1st April, 2016 and ending on 31st March, 2021 is now proposed to be substituted to any of the seven previous years commencing from the year in which it is incorporated.

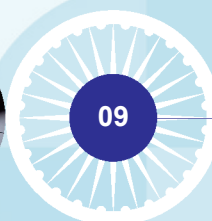
The amendment will take effect from 1st April, 2018 (i.e. AY 2018-19).

## **Section 80-JJAA– Deduction in respect of new employees**

It is proposed to extend the benefit of section 80-JJAA which provides for additional deduction of 30% of additional cost of new employees to footwear and leather industry with special relaxation of minimum employment period of 150 days.

Further, in certain cases when new employees were employed towards the end of the year, although they were new employees, they did not meet the definition of new employee owing to their employment being less than 240/150 days, as the case may be. To rationalize this, a proviso is proposed to be inserted that if an employee is employed for a period of less than 240/150 days in a previous year but is employed for a period of 240/150 days in immediately succeeding year, he shall be deemed to be employed in the succeeding year and deduction would be available in immediately succeeding year.

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20).



## Section 80PA– Deduction in respect of Farm Producer Company

It is proposed to insert a new section 80PA to extend the benefit to Farm Producer Company having a total turnover up to Rs 100 crore whereby a deduction of 100% of the profits and gains derived from the eligible business shall be allowed in computing the total income of the assessee from the assessment year 2019-20 but before the assessment year 2024-25. Eligible business has been defined to mean:

- the marketing of agricultural produce grown by the members; or
- the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to the members; or
- the processing of the agricultural produce of the members;

Further, if an assessee is entitled to any deduction under any other provision of Chapter VI-A with respect to income referred to in this section included in the gross total income, the deduction under this section shall be reduced by the deductions availed under such other provision of Chapter VI-A.

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20).

## F. Capital Gains

### Section 112A– New regime for taxation of long term capital gains on sale of equity shares, units of equity-oriented fund or a unit of a business trust

A new section 112A is proposed to be inserted to provide that long-term capital gains arising from transfer of a long-term capital asset being equity share in a company or a unit of equity-oriented fund or a unit of a business trust shall be taxed at 10% of such capital gains exceeding Rs. 1,00,000.

The concessional tax rate of 10% will be applicable if long term capital asset is in nature of an equity share in a company, unit of equity-oriented fund or unit of business trust and securities transaction tax has been paid on both acquisition and transfer of such capital asset. Sub-section 4 empowers central government to specify by notification the nature of acquisition in respect of which the requirement of payment of securities transaction tax shall not apply.

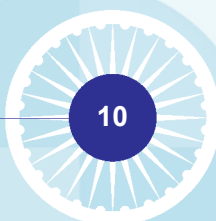
It has also been provided that capital gains arising from a transaction undertaken on a recognised stock exchange located in any International Financial Services Centre and where the consideration for such transaction is received or receivable in foreign currency, shall be eligible under this section without payment of securities transaction tax.

It is proposed that the long-term capital gains covered under section 112A will be computed without giving effect to the first and second provisos to section 48 i.e. without taking benefit of inflation indexation in respect of cost of acquisitions and cost of improvement, if any, and the benefit of computation of capital gains in foreign currency in the case of a non-resident, will not be allowed.

### Grandfathering provisions for existing long-term capital assets

It is proposed that the cost of acquisition in respect of the long-term capital asset acquired by the assessee before 1st February 2018, shall be deemed to be the higher of –

- the actual cost of acquisition of such asset; and
- the lower of the fair market value of such asset or the full value of consideration received or accruing as a result of the transfer of the capital asset.



For this purpose, the term “fair market value” has been defined to mean –

- in case of capital asset being equity shares listed on any recognized stock exchange - the highest price of the capital asset quoted on such exchange on 31st January 2018. Where there is no trading in such asset on such exchange on 31st January 2018, the highest price of such asset on such exchange on a date immediately preceding 31st January 2018 when such asset was traded on such exchange shall be the fair market value; and
- in case of capital asset, being unit which is not listed on recognized stock exchange, the net asset value of such asset as on 31st January, 2018.

The term “equity-oriented fund” has been defined to mean a fund set up under a scheme of a mutual fund specified under clause (23D) of section 10 and also includes funds which invests in units of other funds and fulfils following conditions:

- In a case where the fund invests in the units of another fund which is traded on a recognized stock exchange - if minimum of 90% of the total proceeds of such fund is invested in the units of such other fund; and such other fund also invests a minimum of 90% of its total proceeds in the equity shares of domestic companies listed on recognized stock exchange;
- In any other case, a minimum of 65% of the total proceeds of such fund is invested in the equity shares of domestic companies listed on recognized stock exchange.

It is also proposed that deduction under Chapter VI-A shall be allowed from the gross total income as reduced by such long-term capital gains. It is also proposed that rebate under section 87A shall be allowed from the income tax on the total income as reduced by tax payable on such long-term capital gains.

This amendment will take effect from 1st April, 2019 (i.e. AY 2019-20).

## **Section 115AD– Taxation of long term capital gains in the case of Foreign Institutional Investor**

Consequent to withdrawal of exemption under section 10(38) and insertion of new section 112A, it is proposed to amend section 115AD to provide that the Foreign Institutional Investors (including Foreign Portfolio Investors) will also be liable to tax on long term capital gains in respect of gains exceeding Rs. 1,00,000.

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20).

## **Section 43CA (business income), Section 50C (capital gains) and Section 56 (other sources)– Determination of full value of consideration in respect of transfer of Immovable Properties**

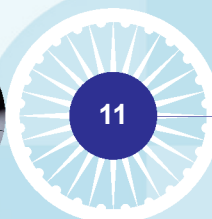
Under the current provisions of section 43CA, 50C and 56 while taxing income arising out of transaction in immovable property, the sale consideration or stamp duty value, whichever being higher was adopted.

It is proposed to provide that no adjustments shall be made in the hands of seller as well as in the hands of purchaser in a case where the variation between stamp duty value and sale consideration is not more than 5%.

These amendments will take effect from 1st April, 2019.

## **Section 28– Provisions relating to conversion of Stock-in-Trade into Capital Asset**

It is proposed to insert sub-section (via) to section 28 to provide that any profit / gains arising from conversion of stock-in-trade into capital asset shall be chargeable to tax as business income on the date of such conversion and the fair market value of the stock-in-trade on the date of conversion would be treated as full value of consideration for determining business income.



Correspondingly, it is proposed to amend section 49 so as to provide that where the capital gain arises from the transfer of such capital asset (i.e. converted from stock-in-trade), the cost of acquisition of such capital asset shall be deemed to be the fair market value of the stock-in-trade on the date of conversion. It has also been provided that the period of holding of such capital asset shall be reckoned from the date of such conversion.

These amendments will take effect from 1st April, 2019.

## **Section 54EC– Capital Gain only on land or building not to be charged on investment in certain bonds**

Section 54EC provides that capital gain arising from the transfer of a long-term capital asset, invested in the long-term specified asset at any time within a period of six months after the date of such transfer, shall not be charged to tax subject to certain conditions specified in the said section.

It is proposed to amend the section 54EC to restrict the benefit of the section to the capital gain arising from the transfer of a long-term capital asset, being land or building or both if such gains are invested in the long-term specified asset at any time within a period of six months after the date of such transfer.

It is also proposed to amend the definition of 'long term specified asset' for making investment after 1st April 2018 to mean any bond which are redeemable after five years and are issued by the National Highways Authority of India or by the Rural Electrification Corporation Limited or any other bond notified by the Central Government.

These amendments will take effect from 1st April, 2019

## **G. Procedural**

### **Section 139A– Application for allotment of Permanent Account Number (PAN) in certain situations**

It is proposed to insert a new clause (v) in sub section 1 of section 139A which provides that every person not being an individual which enters into a financial transaction of an amount aggregating to Rs. 2,50,000 or more in a financial year shall be apply to the assessing officer for the allotment of PAN.

It is further proposed to insert a new clause (vi) to provide that the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of such non-individual, or any person competent to act on behalf of such non-individual, shall also apply to the Assessing Officer for the allotment of permanent account number.

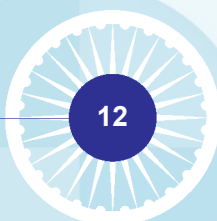
This amendment will take effect from 1st April, 2018 (i.e. AY 2018-19).

### **Section 143 – Summary assessment curtailed and New scheme for e-assessment**

Currently sub-clause (vi) of the clause (a) of sub section 1 of section 143 provides for adjustment in respect of addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return. It is now proposed to insert a new proviso to the said clause which provides that no adjustment under sub-clause (vi) of the said clause shall be made in respect of any return furnished for the assessment year commencing on or after the 1st April, 2018.

It is further proposed to insert sub-sections (3A), (3B) and (3C) in the section 143 to, inter alia, provide for a scheme, by notification in the Official Gazette laid before each house of parliament for the purpose of making assessment of total income or loss of the assessee under sub-section (3).

This amendment will take effect from 1st April, 2018 (i.e. AY 2018-19).



## Section 253– Appeals to the Appellate Tribunal

Clause (a) of sub section (1) of section 253 is proposed to be amended to provide that an assessee aggrieved by an order passed by a Commissioner (Appeals) under section 271J (which is penalty order for furnishing incorrect information in reports or certificates) may appeal to the Appellate Tribunal against such order.

This amendment will take effect from 1st April, 2018 (i.e. AY 2018-19).

## Section 276CC– Rationalisation to Section 276CC relating to prosecution for failure to furnish returns

Section 276CC provides for prosecution proceedings against an assessee that wilfully fails to furnish returns of income. However, clause (ii)(b) of the proviso to section 276CC provided that no proceeding would be initiated where the amount of tax not paid (after accounting for advance tax and TDS) did not exceed Rs. 3,000.

With an aim to prevent abuse of this proviso by shell companies and companies that hold “Benami” properties, the Bill proposes to exclude companies from the benefit of this proviso. Therefore, in cases where a company fails to furnish return of income, prosecution proceedings would be initiated even if the tax not paid does not exceed Rs. 3,000.

This amendment will take effect from 1st April, 2018 (i.e. AY 2018-19).

## H. Rationalization Measures

### Rationalisation of provisions related to Commodity Transaction Tax

Section 116(7) of the Finance Act is proposed to be amended to include a transaction involving “options on commodity futures” within the definition of a “taxable commodities transaction”. Further, sections 117 (which prescribes the rate of CTT and who will pay the tax) and 118 (which prescribes manner of determining value of the transaction) are accordingly proposed to be substituted to incorporate the transactions involving “options on commodity futures”. The seller of an “option on commodity futures” would have to pay CTT of 0.05% on the option premium, while the purchaser will pay a CTT of 0.0001% on the settlement price when an “option on commodity futures” is exercised.

This amendment will take effect from 1st April 2018 (i.e. AY 2018-19).

### Rationalisation of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (“Black Money Act”)

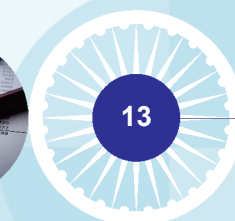
Section 46 of the Black Money Act is proposed to be amended to formally provide the power to Joint Directors to approve an order for imposing penalty and to further include references to Assistant or Deputy Directors.

Similarly, section 55 of the Black Money Act is proposed to be amended to empower the Principal Director General or the Director General to issue directions or instructions to the tax authorities under the said section for institution of proceedings.

These amendments will take effect from 1st April, 2018 (i.e. AY 2018-19).

### Section 115BBE– Tax on income referred to in section 68 or section 69 or section 69A or section 69B or 69C or 69D

It is proposed to amend this section to provide that no deduction in respect of expenditure or allowance or set-off of any loss shall be allowed in computing income referred to in section 68 (cash credit) or section 69 (unexplained investment) or section 69A (unexplained money etc.) or section 69B (Amount of investment etc. not fully disclosed



in books of account) or 69C (unexplained expenditure) or 69D (Amount borrowed or repaid on hundi) which is determined by assessing officer.

This amendment will take effect retrospectively from 1st April, 2017 (i.e. AY 2017-18).

## I. Amendments relating to Income Computation and Disclosure Standards (ICDS)

### **Section 36(1)(xviii)– Deduction for marked to market loss or expected loss computed in accordance with Income Computation and Disclosure Standards**

It is proposed to insert a new clause (xviii) 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 ICDS.

This amendment will take effect retrospectively from 1st April, 2017 (i.e. AY 2017-18).

### **Section 40A(13)– Disallowance for deduction for marked to market loss or expected loss computed other than computation in accordance with Income Computation and Disclosure Standards**

It is proposed to insert a new sub-section (13) to provide that no deduction or allowance shall be allowed in respect of any marked to market loss or other expected loss except as allowable under the section 36(1)(xviii).

This amendment will take effect retrospectively from 1st April, 2017 (i.e. AY 2017-18).

### **Section 43AA– Taxation of foreign exchange fluctuation**

It is proposed to insert section 43AA to provide 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. It is also provided that such gain or loss shall be computed in accordance with the ICDS.

It is further proposed to provide that gain or loss arising on account of the change in foreign exchange rates shall be in respect of all foreign currency transactions including those relating to monetary items and non-monetary items or translation of financial statements of foreign operations or forward exchange contracts or foreign currency translation reserves.

This amendment will take effect retrospectively from 1st April, 2017 (i.e. AY 2017-18).

### **Section 43CB– Computation of income from construction and service contracts**

It is proposed to insert section 43CB to provide 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 income computation and disclosure standards.

It is further proposed to provide that in the case of a contract for providing services with duration less than 90 days, the profits and gains shall be determined on the basis of project completion method. It is also proposed to provide that in the case of a contract for provision of services involving indeterminate number of acts over a specific period of time, the profits and gains arising from such contract shall be determined on the basis of a straight-line method.

It is also proposed to provide that for this section the contract revenue shall include retention money and the contract costs shall not be reduced by any incidental income in the nature of interest, dividends or capital gains.

This amendment will take effect retrospectively from 1st April, 2017 (i.e. AY 2017-18).



## Section 145A– Method of accounting in certain cases

It is proposed to amend section 145A to provide that, for the purpose of determining the income chargeable under the head “Profits and gains of business or profession, —

- the valuation of inventory shall be made at lower of actual cost or net realizable value computed in the manner provided in ICDS.
- the valuation of purchase and sale of goods or services and of inventory shall be adjusted to include the amount of any tax, duty, cess or fee actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation.
- inventory being securities not listed, or listed but not quoted, on a recognised stock exchange, shall be valued at actual cost initially recognised in the manner provided in ICDS.
- inventory being listed securities, shall be valued at lower of actual cost or net realizable value in the manner provided in ICDS and for this section the comparison of actual cost and net realizable value shall be done category-wise.

This amendment will take effect retrospectively from 1st April, 2017 (i.e. AY 2017-18).

## Section 145B– Taxability of certain income

It is proposed to insert section 145B to provide the following:

- interest received by an assessee on compensation or on enhanced compensation, shall be deemed to be the income of the year in which it is received.
- the claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realization is achieved.
- income referred to in section 2(24)(xviii) i.e. assistance in the form of a subsidy or cash incentive or duty drawback etc. received from Central Government or State Government or any authority in cash or kind shall be deemed to be the income of the previous year in which it is received, if not charged to income tax for any earlier previous year.

This amendment will take effect retrospectively from 1st April, 2017 (i.e. AY 2017-18).

## J. Miscellaneous

### Section 10(48B)– Exemption of income of foreign company from sale of leftover stock of crude oil on termination of agreement or arrangement

Section 10(48B) provided for exemption to a foreign company in respect of any income accruing or arising on account of storage of crude oil in a facility in India and sale of crude oil there from if storage and sale is pursuant to an agreement or an arrangement entered into or approved, by the Central Government duly notified by the Central Government.

It is proposed to amend section 10(48B) to cover within its scope even income from left over stock if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20).



## **Section 10(23C) & Section 11– Disallowance for TDS default and for cash payments by Charitable trusts and certain other exempt entities**

It is proposed to insert a new Explanation to clause (23C) of section 10 and 11 to provide that for the purposes of determining the application of income of such exempt entities, the provisions of section 40(a)/(ia) dealing with provisions of disallowance in case of non-deduction of TDS shall apply. Similarly, the provisions of sub-section (3) and (3A) of section 40A dealing with disallowance in case of payment made to a person in a day through cash when the amount so paid exceeds ten thousand rupees, would also be applicable to the above-mentioned exempt entities.

In other words, if any payment is made by such exempt entities to a resident person without deducting the TDS then 30% of such amount would be disallowed while computing the application of income. Further, if any payment above Rs. 10,000 in a day is made to a person through cash then such payment would be disallowed while computing the application of income for above mentioned exempt entities.

This amendment will take effect from 1st April 2019 (i.e. AY 2019-20).

## **Section 56– Exclusion of tax neutral transfers from scope of section 56(2)(x)**

It is proposed to amend section 56(2)(x) to exclude income arising on transfer of capital asset between holding company and its wholly owned Indian subsidiary company, and between subsidiary company and its Indian holding company, which are not regarded as transfer under section 47, from the scope of income under the head “other sources”.

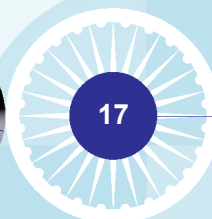
This amendment will take effect from 1st April 2018 (i.e. AY 2018-19).



## K. TDS Rates for Assessment Year 2019-20 (Financial Year 2018-19)

(A) On payments to Residents (subject to notes below)

Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
				Rate (%)**		
1	Pre- mature withdrawal from Employee Provident Fund Scheme (Note 1)	Payment in excess of Rs. 50,000/-	192A	-	-	10
2	Interest on Securities (Note 2 & Note 3)	No Threshold Limit	193	10	10	10
3	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office <b>for Senior Citizens</b> (Note 4)	Payment in excess of Rs. 50,000/- per financial year <b>(For Senior Citizens)</b>	194A	10	10	10
	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office (Note 4) <b>(For Others)</b>	Payment in excess of Rs. 10,000/- per financial year <b>(For Others)</b>	194A	10	10	10
	Other Interest	Payment in excess of Rs. 5,000/- per financial year	194A	10	10	10
4	Winnings from Lotteries, crossword, puzzles, card games and other games of any sort	Payment in excess of Rs. 10,000/-	194B	30	30	30
5	Winnings from Horse Race	Payment in excess of Rs. 10,000/-	194BB	30	30	30
6	Payments to Contractors (Note 5)	Payment in excess of Rs. 30,000/- per transaction or Rs. 1,00,000/- per financial year	194C	2	2	1
7	Insurance Commission (Note 6)	Payment in excess of Rs. 15,000/- per financial year	194D	10	5	5
8	Sum received for Life Insurance Policy including bonus [ except exempt u/s 10(10D)]	Payment in excess of Rs. 1,00,000/- per financial year	194DA	1	1	1

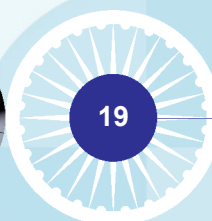


Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
				Rate (%)**		
9	Payments in respect of deposits under National Savings Scheme, etc Central Government Schemes	Payment in excess of Rs. 2,500/- per financial year	194EE	10	10	10
10	Commission on Sale of Lottery Tickets	Payment in excess of Rs. 15,000/-	194G	5	5	5
11	Other Commission/ Brokerage	Payment in excess of Rs. 15,000/- per financial year	194H	5	5	5
12 (a)	Rent for Plant & Machinery, Equipments	Payment in excess of Rs. 1,80,000/- per financial year	194-I (a)	2	2	2
12 (b)	Rent for Land or Building or Furniture or Fittings	Payment in excess of Rs. 1,80,000/- per financial year	194-I (b)	10	10	10
12 (c)	Income by way of Rent from SPV distributed by REITs (Note 6)	No Threshold Limit	194-I	-	-	-
13	Consideration for Transfer of Immovable Property (other than Agricultural Land)	Sale Consideration exceeds Rs. 50,00,000/-	194-IA	1	1	1
14	Income by way of Rent (Note 7 & 8)	Rent exceeds Rs. 50,000 p.m. or part thereof	194-IB	5	5	5
15	Monetary Payment in respect of Joint Development Agreement	No Threshold Limit	194-IC	10	10	10
16	Professional Fees / Royalties/ Fees for Technical Services	Payment in excess of Rs. 30,000/- p.a.	194J	10	10	10
	Professional Fees (for certain payees) (Note 9)	Payment in excess of Rs. 30,000 p.a.	194J	2	2	2
17	Consideration for Compulsory Acquisition of Immovable Property (other than Agricultural Land)	Payment in excess of Rs. 2,50,000/-	194LA	10	10	10
18	Income by way of Interest distributed from SPV distributed by Business Trusts i.e. REITs & INVITs	No Threshold Limit	194LBA	10	10	10



Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
				Rate (%) **		
19	Income other than business income distributed by an Alternate Investment Fund (Category I and II)	No Threshold Limit	194LBB	10	10	10
20	Income in respect of investment in Securitization Trust	No Threshold Limit	194LBC	30	30	25

Notes	
1	TDS to be deducted at maximum marginal rate in case PAN is not furnished by the deductee.
2	In case payment of interest on listed debentures to individuals TDS is required to be deducted on payments in excess of Rs. 5,000/-
3	<b>TDS is required to be deducted for interest on 7.75% Savings (Taxable ) Bonds, 2018 exceeding Rs. 10,000/- during the financial year.</b>
4	<b>For interest on Bank Deposits and Deposits with Post Office, the threshold limit is Rs 50,000/- for Senior Citizens and Rs. 10,000/- for others.</b>
	- Also applicable on payment of Interest on time deposits by co-operative banks to its members and payment of interest on Recurring Deposit
	- Computation of interest income shall be made taking into account income credited or paid by the bank (including all branches) who has adopted core banking solutions.
5	No TDS on payment made to contractor who owns ten or less goods carriage at any time during the year and furnishes PAN
6	No deduction shall be made under section 194-I of the Act where the income by way of rent is credited or paid to a Real Estate Investment Trust.
	No TDS is required to be deducted on remittance of Passenger Service Fees by an Airline to Airline Operator (Circular No. 21/2017)
7	Provisions of Section 194-IB are applicable in cases where the deductor is individuals or HUFs other than those covered by Tax Audit u/s 44AB in immediately preceding financial year, subjects to the threshold and other conditions.
8	Deduction u/s 206AA shall not exceed Amount of Rent payable for last month of previous year (March) or last month of tenancy, as the case maybe.
9	TDS is to be deducted u/s 194J @ 2% where the payee is only engaged in the business of operation of call centre.
	Any payments to a director of a company other than those which are "salaries" are specifically covered u/s 194J.
**	TDS shall be deducted u/s 206AA @ 20% or the higher rate as provided under the Act, if PAN is not furnished by the deductee.
**	No TDS is required to be deducted in case where the payee is an entity whose income is exempt u/s 10 and is not required to file returns as per Section 139. (Circular No. 18/2017)



**	Certificate for deduction at lower rate can be applied for Sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, 194LBB, 194LBC.
**	Certificate for nil rate of tax deduction can be applied for Sections 194, 194EE, 192A, 193, 194A, 194DA, 194K, 194-I.
**	No TDS where the deductee furnishes a self- declaration in Form 15G/ 15H for deduction of tax under Sections 194, 194EE, 192A, 193, 194A, 194D, 194DA, 194-I and 194K.
**	As per section 196, no deduction of tax shall be made by any persons from any sums payable to Government, RBI, a corporation established under Central Act, a Mutual fund specified under 10(23D)

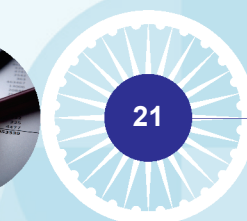
(B) On payments to Non-Residents (subject to notes below)

Sr. No.	Payments to Non-Resident Payee	Criteria / Conditions for Deduction	Section	Rate (%)
1	Tax on Short Term Capital Gains	On sale of shares or units of mutual funds where STT is paid	111A	15
		On sale of shares or units of mutual funds where STT is not paid	45	40
		(a) In case of companies		
		(b) In case of persons other than companies		30
2	Tax on Long Term Capital Gains	"Other than long term capital gains on listed shares, units of an equity oriented fund, or units of business trust i.e. REITs & Invits [Except for transactions covered u/s 112(1) (c)(iii)]"	112	20
		on income by way of long-term capital gains from unlisted securities u/s 112(1) (c)(iii)	112	10
3	<b>Tax on Long Term Capital Gains on Transfer of Listed Equity Shares in company or a units of equity oriented mutual fund or a units of Business Trust (Note 9)</b>	<b>"(i) STT if applicable on acquisition/ transfer (except Transfer on a recognised stock exchange located in any International Financial Services Centre and consideration is received in foreign currency), (ii) Long Term Capital Gains exceeding Rs. 1,00,000/-"</b>	<b>112A</b>	<b>10</b>
4	Winning From Lotteries crossword puzzles, card games and other games of any sort	Payment in excess of Rs. 10,000/-	194B	30
5	Winning From Horse Race	Payment in excess of Rs. 10,000/-	194BB	30
6	Tax on royalty on copyrights or on fees for technical services matters included in industrial policy or under approved agreements by an Indian concern or by Government of India	Agreements made or entered into after 31st March, 1976	115A(1) (b)	10



Sr. No.	Payments to Non-Resident Payee	Criteria / Conditions for Deduction	Section	Rate (%)
7	Tax on Interest	On borrowings in foreign currency:-		
		(a) by an Indian concern or by Government of India other than interest referred in (b) or (c) below	115A(1) (a)	20
		(b) On notified infrastructure debt fund	194LB	5
		(c) By Specified Companies or Business Trusts (REITs & Invits) under a loan agreement or any long term bond (Note 7)	194LC	5
8	Income by way of interest from SPV distributed by Business Trusts (REITS & INVITS)	No Threshold Limit	194LBA	5
9	Income by way of Rent from SPV distributed by REITs	No Threshold Limit	195	-
10	Income other than business income distributed by an Alternate Investment Fund (Category I & II )	No Threshold Limit	194LBB	Rates in Force
11	Income in respect of Investment in Securitization Trust	No Threshold Limit	194LBC	Rates in Force
12	Income by way of interest to FII or QFI (Note 8)	On Rupee denominated Bonds of Indian Company and Government Securities.	194LD	5
13	Payments to Non-Resident Sportsmen/Entertainer/Sports Association	Other than to a non-resident being an Indian citizen	194E	20
14	Other income	(a) In case of non-resident companies	-	40
		(b) In case of non-residents other than foreign companies	-	30
15	Equalisation Levy	(Refer Note No. 6 below)		

Notes	
1	Cess @ 4% shall be levied additionally.
2	Treaty rates will differ from Country to Country. Treaty rates will apply only if Tax Residency Certificate is produced.
3	NRIs opting to be taxed under chapter XII-A, tax shall be deductible at the rate of ten percent on long term capital gains referred to in section 115E and twenty percent on investment income.
4	W.e.f. 1st April, 2010, the rate of TDS will be deducted u/s 206AA @ 20% in all cases, if PAN is not quoted by the deductee. However, this condition is not applicable:
	-in respect of Royalties, FTS, Interest and Capital Gains on compliance of conditions in Rule 37BC
	-in respect of Interest covered u/s 194LC
5	TDS is to be deducted at "Rate in Force". The term "Rate in force" means rate as per Income Tax Act, 1961 or Relevant DTAA rate, whichever is more beneficial.



6	Equalisation Levy has been introduced for online advertisement / digital advertising space services provided by a non-resident to a resident or a permanent establishment of non-resident in India. The rate for such levy shall be six percent of the consideration. Further, section 10(50) provides that any income arising from specified services which is chargeable to equalisation levy is exempt from Income tax		
7	TDS on Interest Payments u/s 194LC will now be available in respect of borrowings made before 1st July, 2020.		
8	TDS on Interest Payments u/s 194LD will now be available in respect of interest payable before 1st July, 2020.		
9	The Long Term Capital Gains shall be computed without giving effect to 1st and 2nd proviso to Section 48.		
10	No tax at source is required to be deducted under Section 195 by National Technical Research Organisation ('NTRO') on payments of royalty or fees for technical services paid to non-resident or foreign company		
*	Certificate for deduction at lower rate can be applied for Section 195.		
*	Surcharge Applicable:-		
	<b>Payee Status</b>	<b>Deduction Threshold</b>	<b>Rate (%)</b>
	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 1 crore	15%
	Co-Operative Society	Exceeding Rs. 1 crore	12%
	Foreign Company	Exceeding Rs. 1 crore upto Rs. 10 crores	2%
	Foreign Company	Exceeding Rs. 10 crores	5%

## TCS

### TCS RATES FOR ASSESSMENT YEAR 2019-20 (FINANCIAL YEAR 2018-19)

Sr. No.	Nature of Goods/Contract/Licence /Lease	Criteria for Collection	Rate (%) *
1	Alcoholic Liquor for Human Consumption	No Threshold Limit	1
2	Tendu Leaves	No Threshold Limit	5
3	Timber obtained under a Forest Lease	No Threshold Limit	2.5
4	Timber obtained by any mode other than under a Forest Lease	No Threshold Limit	2.5
5	Any other Forest produce	No Threshold Limit	2.5
6	Scrap	No Threshold Limit	1
7	Minerals, being Coal or Lignite or iron ore	No Threshold Limit	1
8	Motor Vehicle (Note 1)	Payment in excess of Rs. 10,00,000/-	1
9	Cash Sale of Bullion	Payment in excess of Rs. 2,00,000/-	1
10	Cash Sale of any other goods (other than bullion and jewellery) or Providing any service for Cash	Payment in excess of Rs. 2,00,000/-	1
11	Transfer of right or interest in any Parking Lot or Toll Plaza or Mining and Quarrying (other than of mineral oil) under any contract, licence and lease	No Threshold Limit	2



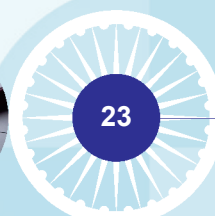
## Note 1

No TCS shall be collected where the buyer is the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; local authority as defined in explanation to clause (20) of Section 10; a public sector company which is engaged in the business of carrying passengers.

\* TCS shall be deducted u/s 206CC @ twice the rate applicable or 5%, whichever is higher, if PAN is not furnished by the collectee.

\* Surcharge Applicable:-

Payee Status	Deduction Threshold	Rate (%)
Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 1 crore	15%
Co-Operative Society	Exceeding Rs. 1 crore	12%
Foreign Company	Exceeding Rs. 1 crore upto Rs. 10 crores	2%
Foreign Company	Exceeding Rs. 10 crores	5%





# INDIRECT TAXES – CUSTOMS

**Education Cess and Secondary & Higher Education Cess Abolished – Social Welfare Surcharge introduced, as a duty of customs, on imported goods**

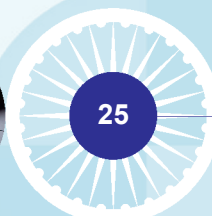
S. No.	Description	From	To
1	Levy of Social Welfare Surcharge on imported goods to finance education, housing and social security [clause 108 of Finance Bill, 2018]	Edu Cess 2% + Sec Edu Cess 1% Cess = 3%	10% of aggregate duties of customs
2	Motor spirit commonly known as petrol and high speed diesel oil		3% of aggregate duties of Customs
3	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured form, or in powder form		
4	Gold (including gold plated with platinum), unwrought or in semi-manufactured form, or in powder form		
5	Specified goods hitherto exempt from Education Cess and Secondary and Higher Education Cess on imported goods		Nil

## Amendments in the First Schedule to the Customs Tariff Act, 1975

S. No.	Commodity	Rate of Duty	
		From	To
	<b>Food Processing</b>		
1	Fruit juices and vegetable juices including cranberry juice	30%	50%
	<b>Perfumes and toiletry preparations</b>		
2	Perfumes and toilet waters	10%	20%
3	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or suntan preparations; manicure or pedicure preparations	10%	20%
4	Preparations for use on the hair	10%	20%
5	Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual retail packages	10%	20%
6	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included, prepared room deodorizers, whether or not perfumed or having disinfectant properties	10%	20%
	<b>Automobile parts</b>		
7	Truck and Bus radial tyres	10%	15%



8	Specified parts/accessories of motor vehicles, motor cars, motor cycles	7.5%/10%	15%
<b>Footwear</b>			
9	Footwear	10%	20%
10	Parts of footwear	10%	15%
<b>Jewellery</b>			
11	Imitation Jewellery	15%	20%
<b>Electronics / Hardware</b>			
12	Cellular mobile phones	15%	20%
13	Specified parts and accessories including lithium ion battery of cellular mobile phones	7.5%/10%	15%
14	Smart watches / wearable devices	10%	20%
15	LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	7.5%/10%	15%
<b>Furniture</b>			
16	Seats and parts of seats [other than aircraft seats and their parts]	10%	20%
17	Other furniture and parts	10%	20%
18	Mattresses supports; articles of bedding and similar furnishing	10%	20%
19	Lamps and lighting fitting, illuminated signs, illuminated name plates and the like [except solar lanterns or solar lamps]	10%	20%
<b>Watches and Clocks</b>			
20	Wrist watches, pocket watches and other watches, including stop watches	10%	20%
21	Clocks with watch movements	10%	20%
22	Other clocks, including alarm clocks	10%	20%
<b>Toys and Games</b>			
23	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; puzzles of all kinds	10%	20%
24	Video game consoles and machines, articles for funfair, table or parlor games and automatic bowling alley equipment	10%	20%
25	Festive, carnival or other entertainment articles	10%	20%
26	Articles and equipment for sports or outdoor games, swimming pools and paddling pools [other than articles and equipment for general physical exercise, gymnastics or athletics]	10%	20%
27	Fishing rods, fishing-hooks and other line fishing tackle; fish landing nets, butterfly nets and similar nets; decoy birds and similar hunting or shooting requisites	10%	20%
28	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses, traveling menageries and travelling theatres	10%	20%
<b>Miscellaneous items</b>			
29	Candles, tapers and the like	10%	25%
30	Kites	10%	20%



31	Sunglasses	10%	20%
32	Date, sealing or numbering stamps, and the like	10%	20%
33	Cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks.	10%	20%
34	Scent sprays and similar toilet sprays, and mounts and heads therefor; powder-puffs and pads for the application of cosmetic or toilet preparations.	10%	20%

## Amendment in the Second Schedule to the Customs Tariff Act, 1975

S. No.	Amendments not affecting rates of Export duty	Rate of Duty	
		From	To
	<b>Food Processing</b>		
1.	To insert a new Note to specify Nil rate of duty in respect of all other goods which are not covered under column (2) of the Schedule. [Clause 102 (a) of the Finance Bill, 2018]	--	--
2	Electrodes of a kind used for furnaces [Clause 102 (b) of the Finance Bill, 2018]* [Introduction of 20% Tariff rate of Export Duty on Electrodes of a kind used for furnaces (8545 11 00). The effective rate of Export duty on such electrodes will, however, remain Nil]	--	20%

## Levy of the Road and Infrastructure Cess – Clause 109 of the Finance Bill, 2018

S. No.	Description	From	To
1	Levy of Road and Infrastructure Cess on imported motor spirit commonly known as petrol and high speed diesel oil [clause 109 of Finance Bill, 2018]	--	Rs. 8 per litre
2	Exemption from additional duty of customs leviable under section 3(1) of the Customs Tariff Act, 1975 in lieu of the proposed Road and Infrastructure cess on domestically produced motor spirit commonly known as petrol and high speed diesel oil	--	Nil
3	Abolition of Additional Duty of Customs [Road Cess] on imported motor spirit commonly known as petrol and high speed diesel oil [Clause 106 of Finance Bill, 2018]	Rs. 6 per litre	Nil
4	(i) Additional duty of customs under sections 3(1) of the Customs Tariff Act, 1975 in lieu of basic excise duty	Rs. 6.48 per litre	Rs. 4.48 per litre
	(ii) High speed diesel oil	Rs. 8.33 per litre	Rs. 6.33 per litre

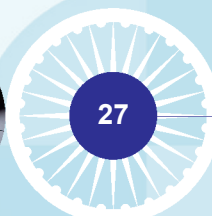
## Amendment in notification No. 50/2017-Customs

Notification No. 65/2017-Customs dated 8th July 2017 amending notification No. 50/2017- Customs dated 30th June 2017 is proposed to be given retrospective effect so as to exempt integrated tax leviable under section 3(7) of the Customs Tariff Act, 1975 on aircrafts, aircraft engines and other aircraft parts imported under cross-border lease during the period from the 1st July, 2017 to the 7th July, 2017 subject to the payment of Integrated tax leviable under section 5(1) of the IGST Act, 2017 on the said supply.



## Repeal of Certain Enactments

1	Additional duty of Customs on Motor Spirit commonly known as Petrol is being abolished by repealing section 103 of the Finance Act (No.2), 1998
2	Additional duty of Excise on Motor Spirit commonly known as Petrol is being abolished by repealing section 111 of the Finance Act (No.2), 1998
3	Additional duty of Customs on High Speed Diesel oil is being abolished by repealing section 116 of the Finance Act, 1999
4	Additional duty of Excise on High Speed Diesel oil is being abolished by repealing section 133 of the Finance Act, 1999
5	Education Cess on imported goods is being abolished by omitting Chapter VI of the Finance Act (No.2), 2004
6	Secondary and Higher Education Cess on imported goods is being abolished by omitting Chapter VI of the Finance Act, 2007



## Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



## Shanker & Kapani

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