

Highlights of Union Budget 2018-19.

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Income Tax

- There are no changes proposed in the tax rates, surcharge.
- Tax slabs for individuals is as follows:

Income	Existing Rate	Proposed Rates
Upto Rs. 2,50,000/-	NIL	NIL
Rs. 2,50,001/- to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 10,00,000/-	20%	20%
Rs. 10,00,001 and above	30%	30%

- Tax slabs for Senior Citizens (Age above 60 years) is as follows:

Income	Existing Rate	Proposed Rates
Upto Rs. 3,00,000/-	NIL	NIL
Rs. 3,00,001/- to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 10,00,000/-	20%	20%
Rs. 10,00,001 and above	30%	30%

- Tax slabs for Super Senior Citizens (Age above 80 years) is as follows:

Income	Existing Rate	Proposed Rates
Upto Rs. 5,00,000/-	NIL	NIL
Rs. 5,00,001 to Rs. 10,00,000/-	20%	20%
Rs. 10,00,001 and above	30%	30%

- Corporate rates for domestic companies is 25% provided total turnover or gross receipts in previous year 2016-17 does not exceed INR 250 Crores. This amount has been raised from 50 Cr to 250 Cr. In addition to this surcharge and Health & Education cess @ 4% will be levied.
- Other the above domestic companies, will have to pay income tax @ 30% plus surcharge and Health & Education cess @ 4% will be levied.
- “Education Cess & Higher Education Cess” is replaced by “Health & Education Cess”. Rate for Health & Education Cess will be 4 % instead of 3% EC & SHEC. Thereby marginal increase in outlay of Income Tax for all tax payers except salaried person.
- Salaried assessee will have standard deduction of Rs 40,000/-. However the transport allowance (Rs 19,200) and reimbursement of medical expenses (upto Rs 15,000 – support with actual bills)

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will not be available. For employee getting deduction of both these expenses in full will have net relief of Rs 5,800/- only.

- Long Term capital gains in excess of Rs 1 Lacs @ 10% will be payable on sale of long terms equity shares / units of equity funds in case the LTCG exceeds Rs 1 Lacs. Differential value for the capital gains will be considered at rate prevailing on 31st Jan 2018 or cost of acquisition whichever is higher.
- Fair Market Value of inventory which is converted to Capital Assets will be considered as Business Income while computing income from Business or profession.
- Receipt of compensation by employees in connection with termination of employment will be termed as Income. Such Income is slated to taxed under the head of “Income from Other sources” which was never taxed earlier.
- Concept of “significant economic presence” included in the Section 9 to decide the income from Business Connections in India in case of Non-residents. This provision set to tax the digital transactions like download of information / software in India. Over the period of time provisions of DTAA will be amended to give effect of this provision considered DTAA treaties.
- Income tax exemption of 40% of amount withdrawn from NPS account (at the time of closure) will be applicable to all the assessee. Earlier it was restricted to employees only.
- Any compensation received or receivable, whether revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its business shall be taxable as business income.
- Presumptive Income from plying vehicle having weight more than 12T will be Rs 1000 per tonne of vehicle for transporter having less than 10 vehicles.
- Deduction under Section 80D has been increased to Rs 50,000/- in case of medical expenditure / insurance premium in case of senior citizens.
- The deduction on medical expenditure on specified diseases has been increased to Rs 100,000/- in case of senior citizens.
- Deduction up to Rs 50,000/- will be allowed in interest earned by Senior citizens from deposits made in Banks, Co-op Society or Post Office Scheme.
- Financial Service Centre (IFSC) will be subjected to reduced rate of the alternate minimum tax will be 9% instead of 18.5%.

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- Deemed dividend are subject to Dividend Distribution Tax (DDT) at the rate of 30% (without grossing up). This amendment is brought to tax the deemed dividend in the hand of the company instead of recipient.
- Additional tax of 10% will be chargeable on income distributed by an equity oriented fund to any person.
- PAN made compulsory for:
 - Persons, other than individual, who executes any financial transactions exceeding Rs.2.50 Lakhs in a financial year.
 - who is the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer etc.
- E-assessment scheme has been mooted for all Income tax assessment. This is welcome step to bring in more transparency and eliminating the interface between the Assessing officer and the assessee new scheme is to be introduced by Central Government for scrutiny assessments.
- For computing profits and gains of business or profession income computation and disclosure standards (ICDS) to be followed w.r.t. valuation of inventories, validation of purchases and sale of goods, inventory being securities, etc.

Customs Act

- Education Cess and SHE Cess has been abolished and replaced Social Welfare surcharge with peak rate of 10%. The surcharge will be levied on aggregate of custom duties exempting charge on IGST.
- Name of CBEC has been changed to Central Board of Indirect Taxes and Customs (CBITC).
- The errors and omissions in the drafting in the Customs Act, 1962 has been corrected.
- Scope of assesment has been clear cut mentioned so as to include classification, valuation, exemptions, quantity, weight, volume and measurement, origin of goods and other specific factors for provisional assessment, self-assessment, re-assessment and any assessment even if duty is nil.
- The limit of Indian Custom Water has been extended for the coverage under the Customs Act.
- Even if there are restrictions, prohibitions or obligations w.r.t. import & exports under any other law e.g. IGST Act or Foreign Trade Policy etc. until notification under Customs Act is issued, such

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amendment in other laws will not have any impact under Customs law. This change will be effected from the date to be notified by the Central Government.

- Focus on risk based assessment and filing of the documents in e-mode or on Customs Automated Systems of ICE Gate.
- Time limit and procedure will be notifying for making a final assessment in case of the provisional assessment and importer / exporter has to furnish the documents within the time limit prescribed for finalization of the assessment.
- This provision has been Inserted, so as to empower Central Govt. To exempt or to grant partial exemption for re-importation and exportation thereof within 1 year period for repairs or further processing from the date of let export order.
- Provision has been made for pre-consultation before issuance of SCN w.r.t. Duty, interest and penalty.
- Even in case of suppression of facts, collusion or misstatement, Appeal is allowed demand of duty along with interest, considering that SCN is deemed to be issued within time limit and therefore demand at least for pertaining to one year will sustain. Explanation 4 has been inserted in section 28 (10B) in so as to give retrospective effect to this provision from 14th May 2015.
- Provision has inserted so as to issue the supplementary notice.
- Appellate Authority will be the same as constituted under Income Tax Act. This is in line with provisions of GST so as to have appeal before Appellate Authority against the order of Advance Ruling Authority.
- Decision of Appellate Authority has to be given within the period of 3 months. Period has been reduced to 3 months.
- Custom duty payment through electronic cash ledger has been introduced, so as to allow to pay in advance the amount of duty, tax, penalty, interest etc.
- Since Risk based Assessment System and Self Assessment System, Audit is introduced at the premises of the Auditee.
- The Commissioner Appeals can remand the case de-novo with specified circumstances.
- New provisions has been made to empowering the Govt. for reciprocal arrangement for exchange of information facilitating the trade.

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- SCN or orders or Summons or any letters can be issued by hand and can be delivered to employee, CHA, Advocate or any adult member of family or can be issued by Post or sped post or courier with acknowledgement receipt or electronically through email on the address available with customs, publishing in news paper or affixing the same on the last known address of the office / business or uploading of the official website of the notice board. This will really cause the hardship for filling the reply / documents/ appeals in the prescribed period and importer / exporter will lose their appellate remedy.

- Government will prescribed the rules for d) the time and manner of finalization of provisional assessment;
 - the manner of conducting pre-notice consultation;
 - the circumstances under which, and the manner in which, supplementary notice may be issued;
 - the form and manner in which an application for advance ruling or appeal shall be made, and the procedure for the Authority, under Chapter VB;
 - the manner of clearance or removal of imported or export goods;
 - the documents to be furnished in relation to imported goods;
 - the conditions, restrictions and the manner of making deposits in electronic cash ledger, the utilisation and refund therefrom and the manner of maintaining such ledger;
 - the manner of conducting audit;

- Tariff Rate of Custom duties on number of goods has been increased to curb imports and to promote make in India. Item wise rates are given separately.

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