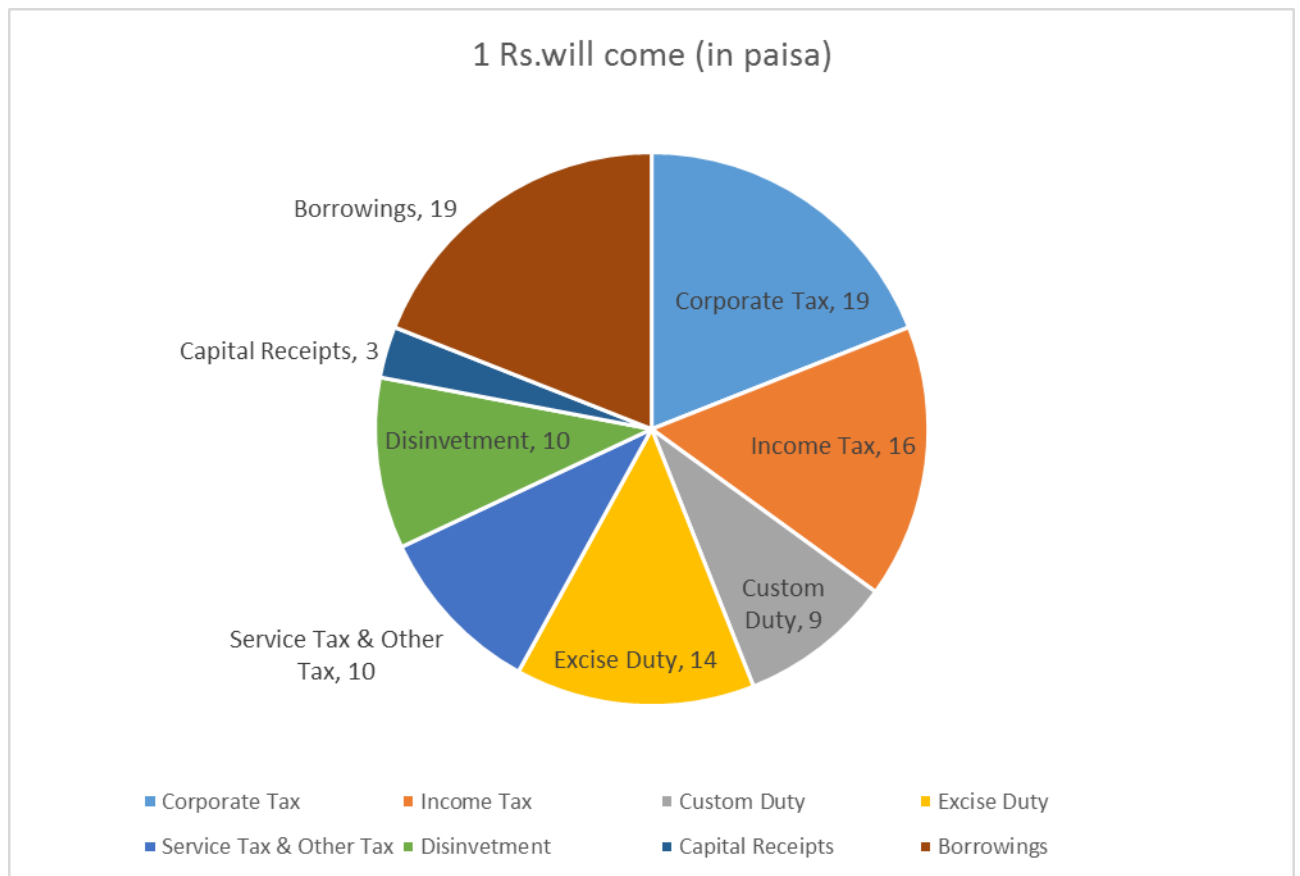
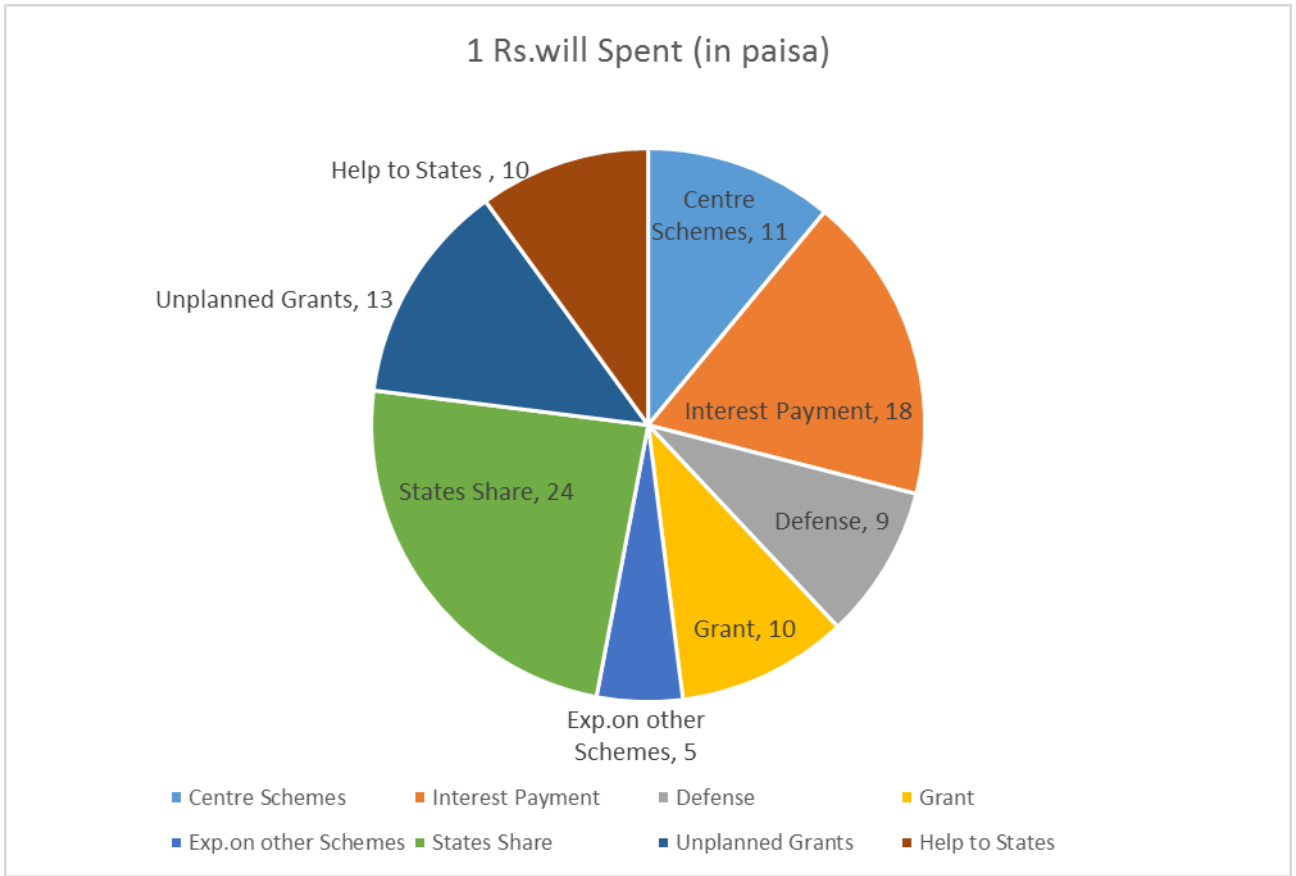


**Budget 2017 Synopsis Part II**

**Analysis of Rupiya**





**Facts & Findings:**

- Out of 125 crore Indians **only 1.5% i.e. 1.9 crore** pay income tax.

<b>% of Taxpayers (Out of 1.9 Crore)</b>	<b>% Contribution To Tax Revenue</b>
0.1%	26%
1%	19%
2%	14%
7%	18%
89.9%	23%

- Out of 125 crore only **19 Thousand** declare annual taxable income of more than **Rs. 1 crore**.
- Out of 125 crore **12.54 Lakh** declare annual taxable income of **Rs. 10Lakh to 1 crore**.
- Out of 125 crore **1.77 Crore** declare annual taxable income of **Rs.10Lakh to 1 crore**.

- Out of 125 crore only **0.1 % i.e. 12.5 Lakh** declare annual taxable income of more than **Rs. 0 to 10 Lakh**.
- **98.5 %** of Indian don't pay income tax because **93%** of Indian households earn less than Rs. 2.5 Lakh

**\*\*\* Correction in Chart given in Synopsis Part I:**

**Tax Rate Cut For First Time in 20 Years.** (Loss to Department 15,500 crore)

**Those with Income between 50 Lakh to 1 crore their tax liability can go up by 2.76 Lakh**

(Department likely to earn 2700 crore)

**A) For Individuals up to 60 Years, HUF, AOP, BOI & Artificial Juridical Person.**

Income Range	Income Tax	Surcharge	E.C.	S.E.C.	Effective Tax Rate
Up to Rs. 2.5 Lakh	Nil	Nil	Nil	Nil	
2.5 Lakh to 5 Lakh**	5%	Nil	2	1	5.15%
5 Lakh to 10 Lakh	Rs.12,500 + 20% above 5 Lakh	Nil	2	1	20.60%
10 Lakh to 50 Lakh	Rs.1,12,500 + 30% above 10 lakh	Nil	2	1	30.09%
50 Lakh to 1 Cr.	Rs.1,12,500 + 30% above 10 lakh	10% **	2	1	33.99%
Above 1 Cr.	Rs.1,12,500 + 30% above 10 lakh	15% **	2	1	35.54%

**B) For Sr. Citizens (age 60 to 80 Years.)**

<b>Income Range</b>	<b>Income Tax</b>	<b>Surcharge</b>	<b>E.C</b>	<b>S.E.C.</b>	<b>Effective Tax Rate</b>
Up to Rs. 3 Lakh	Nil	Nil	Nil	Nil	
3 Lakh to 5 Lakh**	5%	Nil	2	1	5.15%
5 Lakh to 10 Lakh	Rs.10,000 + 20% above 5 Lakh	Nil	2	1	20.60%
10 Lakh to 50 Lakh	Rs.1,10,000 + 30% above 10 lakh	Nil	2	1	30.09%
50 Lakh to 1 Cr.	Rs.1,10,000 + 30% above 10 lakh	10% **	2	1	33.99%
Above 1 Cr.	Rs.1,10,000 + 30% above 10 lakh	15% **	2	1	35.54%

**C) For Super Sr. Citizens Age above 80 Years.**

<b>Income Range</b>	<b>Income Tax</b>	<b>Surcharge</b>	<b>E.C.</b>	<b>S.E.C.</b>	<b>Effective Tax Rate</b>
Up to Rs. 5 Lakh	Nil	Nil	Nil	Nil	
5 Lakh to 10 Lakh	20% on above 5 Lakh	Nil	2	1	20.60%
10 Lakh to 50 Lakh	Rs.1,00,000 + 30% above 10 lakh	Nil	2	1	30.09%
50 Lakh to 1 Cr.	Rs.1,00,000 + 30% above 10 lakh	10% **	2	1	33.99%
Above 1 Cr.	Rs.1,00,000 + 30% above 10 lakh	15% **	2	1	35.54%

#### D) For Co- Operative Societies

Income Range	Income Tax	Surcharge	E.C	S.E.C.	Effective Tax Rate
Up to 10,000	10% of Total Income	Nil	2	1	10.03%
10,000 to 20,000	Rs.1,000 + 20% of above 10,000	Nil	2	1	20.60%
20,000 to 1 Cr.	Rs.2,000 + 30% of above 20,000	Nil	2	1	30.09%
Above 1 Cr.	Rs.1,00,000 + 30% above 10 lakh	12% **	2	1	34.60%

#### E) For Partnership Firms ,LLP'S

Income Range	Income Tax	Surcharge	E.C	S.E.C.	Effective Tax Rate
Rs. 1 to 1 Cr	30% of Total Income	Nil	2	1	30.09%
Above 1 Cr.	30% of Total Income	12% **	2	1	34.60%

#### Note:

1) Remuneration to Partners (if provided in the Partnership Deed) may be paid out of Total Income before computation of Tax, with a maximum ceiling as follows:

On the first Rs. 3,00,000/- of the Book Profits or in case of Loss	Rs. 1,50,000/- or @ 90 % of Book Profits, whichever is Higher
On balance of the Book Profits	@ 60% of Book Profit

2) Interest on Partners Capital (if provided in the Partnership Deed) is allowed upto a Maximum of 12 % p.a.

#### F) Local Authorities

Income Range	Income Tax	Surcharge	E.C	S.E.C.	Effective Tax Rate
Rs. 1 to 1 Cr	30% of Total Income	Nil	2	1	30.09%
Above 1 Cr.	30% of Total Income	12% **	2	1	34.60%

#### E) Domestic Companies

Income Range (Net Profit)	Income Tax	Surcharge	E.C	S.E.C.	Effective Tax Rate
Rs. 1 to Rs. 1 Cr	25% of Total Income	Nil	2	1	25.75%
Rs.1 Cr to Rs.10 Cr	25% of Total Income	7% **	2	1	27.55%
Rs.10 Cr to Rs.50 Cr	25% of Total Income	12% **	2	1	28.84%
Above Rs.50 Cr	30% of Total Income	12%	2	1	34.60 %

#### E) Foreign Companies

Income Range (Net Profit)	Income Tax	Surcharge	E.C	S.E.C.	Effective Tax Rate
Rs. 1 to Rs. 1 Cr	30% of Total Income	Nil	2	1	30.09%
Rs.1 Cr to Rs.10 Cr	30% of Total Income	2% **	2	1	31.52%
Above Rs.10 Cr	30% of Total Income	5% **	2	1	32.44%

#### \*\* Note:

- 1) Rebate U/S 87 A will be allowed for income up to Rs. 3.5 Lakh **for Individuals only**
- 2) Surcharge is applicable on amount of Tax Payable before addition of Education Cess & Secondary Higher Education Cess.

**F) \*\*\*Overall Impact of New Budget Provisions:**

Sr.No	New Budget Provision	Impact of Provision
1	Tax @ 25% for Domestic Companies with turnover less than 50 Cr.	Business with constitution of Partnership Firm, LLP will be out of the scope and need to covert to Private Limited.
2	10 % Surcharge for those with income between Rs. 50 lakh to 1Cr.	Tax liability will be increased by 2.76 Lakh.
3	Maximum Interest can be claimed on rented home will be Rs. 2 Lakh and additional. Interest can be set off in next 8 AY	This won't be of much use as the interest payments would mount every year. <b><i>And the carried forward loss can be set off only against the income from house property.</i></b>
4	Holding period of Immovable Asset reduced from 3 years to 2 years.	After 2 years the assets will be treated as long term asset so indexation which take inflation into accounts and purchase price adjusted accordingly seller may get the benefit.
5	Base year for indexation will now be taken as 2001 instead of 1991.	This will inflate the base price of immovable assets and the increased base price reduce the capital gain.
6	Withdrawal of service charge on online Ticket Booking	E Ticket – Sleeper class ticket cheaper by Rs.23 & other classes by Rs.46 I Ticket – Sleeper class ticket cheaper by Rs. 92 & other classes by Rs. 138

7	Increase in Excise Duty on Cigarettes	Packet of Gold Flakes would be costlier by Rs. 4 new cost will be approx. Rs. 129
8	Increase in health cess on Tobacco, Pan Masala , Gutka from 6% to 9%	A TIN OF Rajasthan pan masala costing Rs. 440 likely to be costlier by Rs.10
9	2.5 % Increase in customs duty on imported RO Membranes	Import of the Vontron membrane costing Rs 1800 will be costlier by Rs 43
10	Increase in custom duty on silver coins & articles by 12.5%	An imported 100 gram silver bar, costing Rs. 5096 will be costlier by Rs.650
11	Service Tax exemption on non-residential management programmes	A 2 year IIM PGDM distance learning course costing Rs 16 Lakh will now be Rs. 2.08 Lakh
12	Special additional custom duty of 2% on imported mobile PCBs	Rs.20, 000 local phone with an imported PCB is likely to be priced Rs 120 higher.
13	Basic customs duty on cashew nuts has risen by 15 %.	A bag of cashew priced at 800 will now cost you at Rs. 865.
14	Delay in filing tax return for FY 2017-18	If filed by 31 Dec 2018 will attract penalty of Rs. 5000 & Rs. 10000 if filed later. Fees restricted to Rs. 1000 for taxpayers income up to Rs. 5 Lakh
15	Withdrawn of Rajiv Gandhi Equity Saving Scheme from FY 2017-18	If an individual has already claimed deduction under scheme before 1 April 2017 can



		avail deduction for next 2 years.
16	The period for revision of tax return cut to one year from 2 years.	From the end of relevant FY in which return filed or before completion of assessment whichever earlier.
17	Self-employed individuals can now invest in National Pension Scheme	Self-employed individuals can now invest 20 % of their gross total income in NPS will also get deduction from taxable income. The overall limit of aggregate investment of Rs. 1.5 Lakh stands. An additional deduction of Rs.50000 is also available.
18	PF withdrawal before completion of 5 Years of service.	Taxable (Tax free such as termination on account of ill health.
19	Sum receive in cash in excess of Rs. 3 Lakh from any person in a day by way of single transaction.	Penalty equal to the entire sum received.
20	Dividend received above Rs. 10 Lakh	Taxable in the hands of Individual, HUF, & non-Charitable Trust.
21	Expanding the scope of long term bonds under 54EC	Investment in any bond redeemable after 3 years notified by Central Government shall also be eligible for exemption. (w.e.f. April 2108)
22	Proposed to amend the provision of section 44AA for maintenance of books of accounts.	Limits of income and total sales or turn over or gross receipts, etc. <b>From 1.2 Lakh to 2.5 Lakh</b>

		<b>for Individuals. &amp; From 10 Lakh to 25 Lakh HUF</b> carrying business or profession.
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**G) \*\*\*\* Capital Gain:**

- 1) Listed securities held for more than 12 months (other than Debt oriented MFs)
  - 2) Unlisted securities & immovable property held for 24 months  
Gain
  - 3) All other types capital assets, debt oriented Mutual funds held more than 36 months.
- } Long Term capital

- 1) Listed securities held for less than 12 months (Equity Oriented MF /Zero Coupon Bonds)
  - 2) Unlisted securities & immovable property held for 24 months  
Gain
  - 3) All other types capital assets holding up to 36 months
- } Short Term capital

**\*\*\*\*\* Capital Loss Set Off**

- 1) *Long Term capital Loss can be set off only against gain from Transfer of any other long term capital asset. Long term capital loss can't be carried forward. Deduction under chapter VIA is not allowed against LTCG*
- 2) *Short term capital loss can be set off against gain from transfer of any other capital asset (short term or long term both) in the same year. Short term capital loss can be carried forward to 8 years. Deduction under chapter VIA is not allowed against STCG.*

Tax Implication		Equity Shares	Equity Mutual Funds	Debt Mutual Funds	Tax Free Bonds	Debentures
Of Income		Dividend up to 10 lakh is tax free above tax @10% (TDS)	Tax Free	Tax Free	Tax Free (Interest from notified tax free bonds is exempt)	Tax Free (Interest from notified tax free bonds is exempt)
Of Sale	Long Term Capital Gain	Exempt*	Exempt	20 % with indexation	10 % without indexation	10 % without indexation
	Short Term Capital Gain	15%**	15%***	Tax at slab rate	Tax at slab rate	Tax at slab rate

\* Exemption only if STT is paid on sale and purchase and shares acquired on or after 1 October 2004.

\*\*If STT of 0.1 % paid on sale & purchase

\*\*\*If STT of 0.001% paid on sale & Purchase.

#### H) RATES OF DEPRECIATION UNDER INCOME TAX ACT

ASSET	RATE OF DEPRECIATION
Plant & Machinery	15%
Computers including Software	60 %

Motor Cars	15 %
Furniture & Fixtures	10 %
Building	5 %

**I) LIMIT FOR AUDIT UNDER INCOME TAX ACT :**

CATEGORY OF ASSESSEE	LIMIT OF GROSS RECEIPTS/ TOTAL SALES/ TURNOVER
A person carrying on Business	Exceeding <b>Rs. 2 Crore</b> during the year
A person carrying on Profession	Exceeding <b>Rs. 50 Lakhs</b> during the year

**J) PRESUMPTIVE COMPUTATION PROFIT**

**(i) FOR SMALL BUSINESSES (Section 44 AD)**

Turnover up to Rs. 200 Lakhs

Deemed Profit –

a) **6% of 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;

b) **8% of Gross Receipts** other than those covered in para (a) above.

**(ii) FOR SMALL PROFESSIONAL (Section 44 ADA)**

Gross Receipt up to Rs. 50 Lakhs

Deemed Profit – 50% of Gross Receipts

**BENEFITS**

- Exemption from the compliance burden of maintaining books of accounts.
- Exempted from advance tax and allowed to pay their entire tax liability before the due date of Filing the return or actual date of filing their return whichever is earlier.

**K) RESTRICTION ON CASH TRANSACTION**

NATURE OF EXPENDITURE	I. T. SECTION	EXISTING LIMIT	NEW LIMIT
CAPITAL – Purchase of Fixed Assets	43	No Limit	10000/- per day per asset
REVENUE – Expenditure on Specified Business	35AD	No Limit	10000/- per day per asset
REVENUE – General Expenditure	40 A (3)	20000/- per day to a person	10000/- per day to a person
Any Payment received:- (a) in aggregate from a person in a day; (b) in respect of a single transaction; or (c) in respect of	269ST	No Limit	3,00,000/-

transactions relating to one event or occasion from a person,			
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#### L) KEY DEDUCTIONS AND BENEFITS UNDER INCOME TAX FOR INDIVIDUALS

Section	Nature	Deduction Limit	Comments
24 (b)	Interest on Housing Loan (Self Occupied)	Upto Rs. 2 Lakhs	No Change
80 C	Investments in Life Insurance Premium, PF, PPF, NSC, ULIP, Tax Benefit Mutual Funds, Tution Fees (2 Child), Home Loan Principal Repayment, Notified Bonds, 5 Yr FDs etc	Upto Rs. 1.50 Lakhs	No Change
80 CCD	Investment in Pension Scheme	Upto Rs. 0.50 Lakhs	For individuals other than employee - limit of investment in NPS increased to 20% of GTI
80 D	Med claim Insurance	Sr. Citizen : Rs. 30000/- Others : Rs. 25000/-	No Change
		Very Senior Citizen : Rs. 30000/-	Including Premium and Medical Expenditure
80 EE	Continued Deduction from previous year - for Interest on Loan taken for Residential House Property	Rs. 50000/-	Conditions:- 1. First time House Purchase 2. Home Loan sanctioned in 2016-2017 3. House Cost upto Rs. 50 Lakhs or Less 4. Loan Amount upto 35 Lakhs or Less 5. When the deduction is allowed for Interest under this section, deduction shall not be allowed in respect of such interest under any other provision of this act.
80 GG	Rent Paid	Lower of Following: 1. Rs. 5000 p.m. 2. 25% of Total Income; 3. Rent Paid – 10% of Total Income	Lower Limit increased from Rs. 24000/- p.a. to Rs. 60000/- p.a.
80 JJA	Deduction in respet of Employment of new employees	30% of Additional Employee Cost (Conditions of Additional Employee Cost are separately discussed)	Conditions:- 1. Section 44AB should be applicable; 2. Gross Total Income includes Profits & Gains of Business; 3. Accountant Report is submitted in Prescribed

			Format. No Deduction in Following cases:- 1. The business is formed by splitting up, or the reconstruction, of an existing business; 2. The business is acquired by the assessee by way of transfer from any other person or as a result of any business reorganization;
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**M) Tax Deducted at source (TDS): Rate Chart for AY 2018:19**

Particulars		Individual / HUF	Domestic Company / Firm	Criteria for Deduction
Nature of Payments	Section Code	Rate	Rate	Payment in excess of
1. Salary	192	As per applicable tax slab		
2. Interest other than Interest on Securities	194 A	10 %	10 %	Banking Rs .10000 p.a. Other Rs. 5000 p.a.
3. Winning from Lotteries & Puzzles	194B	30 %	30 %	Rs. 10000 p.a.
4. Payment to Contractors	194C	1%	2%	Rs. 75000 per contract or Rs. 100000 p.a.
4.1 Payment to Advertising / Sub Contractors	194C	1%	2%	
5. Insurance Commission	194D	5%	5%	Rs. 15000 p.a.
6. Commission & Brokerage	194H	5%	5%	Rs. 15000 p.a.
7. Rent - Land & Building	194IB	10 %	10%	Rs. 180000 p.a.
7.1 Rent - Plant & Machinery	194IA	2%	2%	
8. Professional Fees & Technical Services	194J**	10%	10%	Rs. 30000 p.a.
9. Immovable Property other than Agricultural Land	194IA	1%	1%	Rs. 50,00000
10. Payment of rent by individual & HUF to resident	194IB	5%	NA	Rent exceeding Rs. 50,000 per month

\*\* Section 194 J proposed to be amended to provide for lower rate of deduction of tax from **10 % to 2%** in case of payments made or credited to a person **engaged only in the business of operation of call centre.**