

MAJOR CHANGES IN BUDGET 2017

A) TAX RATES

- i) No change in exemption slab. However, the slab rate of tax between Rs.2.5 lakh and Rs. 5 lakh will be reduced from 10% to 5%.
- ii) Individual /HUF/AOP/BOI/artificial juridical person having income above Rs.50 lakh will be subject to surcharge of 10% of income-tax. In case of these taxpayers (as well as other taxpayers) having income above Rs.1 crore, the current surcharge of 15% will continue.
- iii) A small size domestic company (total turnover / gross receipt in the previous year 2015-16 does not exceed Rs.50 crore) will pay tax @ 25%.
- iv) Under presumptive income-tax scheme of section 44AD, business income will be calculated @ 6% in respect of turnover of the gross receipt which is received by on account payee cheque/draft/electronic clearing system on or before the due date of submission of income.

B) OTHER CHANGES

1. Section 2

Investment in land or building or both shall become a long term capital asset if held for more than 24 months.

2. Section 10(38)

As a measure to reduce money laundering Section 10(38) has been amended to provide that the long term capital gain on sale of listed shares shall be exempt only if such shares are acquired before October 2004 or if the shares are acquired after October 2014 then STT should have been paid on their acquisition.

It has also been clarified that the above provisions shall not be applicable to modes of acquisition notified like shares acquired through Bonus shares, IPO shares, Rights issue etc.

However, no clarification has been given where shares were acquired without paying STT through ESOPs, private placements, acquisition of shares by strategic / financial investors, VC funding, etc. which are not covered by this exemption. Clarification in this regard is pending.

3. Section 11

If a Trust registered u/s 12AA, pays donation to another trust registered u/s 12AA as a corpus donation, then such payment shall not be treated as application of income.

4. Section 23

Where property held as stock in trade and not let out, then no tax on notional rent on such property shall be paid for the period upto one year from the end of the financial year in which the certificate of completion of property is issued.

5. Section 40A(3)

In Section 40A(3) regarding cash payments, it has been amended that payments above Rs.10,000 in cash would not be allowed as deduction in place of Rs.20,000/- earlier.

➤ The Section has been amended to also include payment by use of electronic clearing system through a bank account in addition to payment by way of account payee cheque / Demand Draft.

6. Section 44AB

No Tax Audit u/s 44AB is required if assessee declaring income u/s 44AD and its turnover does not exceed Rs.2 Crores.

7. Section 45

In the case of joint development agreement, capital gain shall be taxable in the previous year in which completion certificate is issued.

8. Section 50CA

Where assessee sells unquoted shares of a company at less than market value, the capital gain shall be computed on market value.

9. Section 55

For computing capital gains, if the property was acquired before 01.04.2001, then its value as on 01.04.2001 can be considered as cost if it is beneficial to the assessee. Earlier value as on 01.04.1981 could be considered.

10. Section– 56(2)(vii) & 56(2)(viia) have become inoperative w.e.f 01.04.2017

- After 01.04.2017, Section 56(2)(x) has been inserted
- Earlier section 56(2)(vii) & 56(2)(viia) were not applicable for purchase of asset by a listed company, private trust, AOP etc. but now all persons are covered.

11. Section 71

Loss from house property exceeding Rs. 2 Lacs cannot be adjusted from income under any other head.

12. Section 92BA

The provisions regulating specified domestic transaction under section 92BA will not be applicable in the case of specified persons under section 40A(2)(b). unless entities involved in related party transactions enjoy specified profit linked deduction.

13. Section 115BBG

Tax on transfer of carbon credits @ 10%

14. Section 115JAA

Carry forward of MAT credit allowed upto 15 years in place of 10 years.

15. Section 153

- Scrutiny for Assessment Year 2018-19 to be completed upto September, 2020.
- Scrutiny for Assessment Year 2019-2020 to be completed upto March, 2021.

16. Section 194 IB

Individual or HUF paying rent above Rs.50,000/- per month shall deduct TDS @5%. The payer will not be required to obtain TAN and payment of TDS can happen only once a year.

17. Section 234E - Fee for late filing of ITR

- If filed upto 31st December then Rs.5,000/-
- If beyond 31st December then Rs.10,000/-

18. Section 241A

Withholding of refund only after approval of commissioner if return is under scrutiny.

19. Section 269ST - Receipt in cash above Rs.3 Lac

- Penalty u/s 269ST @ 100% of cash receipt.

20. Section 271J

Penalty of Rs.10,000/- on professional for issuing incorrect certificate.

(MUKUL BAGLA)
Sr. Partner (Taxation)
M/s O.P. Bagla & Co.