

UNION BUDGET 2017

- Our Views

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Highlights

- The Hon'ble Finance Minister Mr. Arun Jaitley presented his 4th Union Budget 2017 along with the railway budget for the period.
- Budget 2017 was unique in itself as it changed the age-old tradition of being presented on the last day of February,
- Also for the first time in independent India, the Railways budget was merged with the General Budget which brings out focus on a multi-modal approach for development of railways, highways and inland water transport.

- Budget 2017 with its focused approach detailed out the government's view of ***“Transform, Energise and Clean India.”***
- Certain direct tax amendments have been proposed.
- The indirect tax laws on the other side have been majorly left unchanged with only a few amendments in critical areas that needed attention . This in itself is symbolic of the desire and belief of the Government to roll out GST by 1 July, 2017.
- With some clever balancing on the fiscal side, and a commitment to reduce the deficit to 3% next year, the Government has its task cut out.

Budget 2017 – In general

- The Drugs and Cosmetics Rules will be amended to ensure the availability of drugs at reasonable prices and to promote the use of generic medicines.
- A new regulatory framework for medical devices will be introduced in harmony with international standards to attract investments and enhance the affordability of devices.
- The Model Shops and Establishment Bill, 2016, has been shared with the States for their consideration and adoption with focus on creating employment opportunities for women and ensuring ease of doing business and adoption of modern business practices.
- With a view to ensure transparency in political funding, the maximum limit of cash donations deductible under section 80G has been proposed to be reduced to INR 2,000 from INR 10,000.

Direct Tax Reforms

- An overview



Income Tax rate cut to 5 % for individuals having income between INR 2.5 lakhs to INR 5 lakhs.

- Earlier rate for the aforementioned income group was 10%. A major relief coming for lower income group.

Total Annual Income	Proposed Tax Rate	Existing tax rate
Up to INR 250,000**	Nil	Nil
INR 250,000- INR 500,000	5%	10%
INR 500,000 – INR 1,000,000	20%	20%
Above INR 1,000,000	30%	30%

* Education Cess as applicable.

** Basic exemption limit for resident individuals above 60 years but less than 80 years of age at any time during the FY is INR 300,000 and for resident individuals 80 years of age or more is INR 500,000 (unchanged).



10 % surcharge proposed to be levied on individuals having income above INR 50 lakh and upto INR 1 crore to make up for INR 15,000 crore loss of due to cut in personal Tax rates.

□ As a result, the Maximum marginal tax rate (MMR) for individuals having income up to INR 1 crore will change to 33.99% (from 30.9%). There is no change in the MMR of 35.54% for income above INR 1 crore (wherein a surcharge of 15% applies).



The rebate under Section 87 A of the Income tax Act, is proposed to be reduced to INR 2,500 from the present limit of INR 5,000 and will be available only in case of income up to INR 3.5 lakhs.

*** Earlier the said rebate was available on income up to INR 5 Lakhs.*



Start ups to pay tax on profits for three out of seven years.

*** earlier this was allowed for three out of five years.*

** Surging from Cash to Cashless Economy

- The monetary threshold for disallowing revenue expenditure incurred in cash under section 40A of the Act has been reduced from ₹20,000 to ₹10,000.
- Further, the mode of payment specified under section 40A of the Act has been expanded to cover the use of the electronic clearing system through a bank account in addition to an account payee bank cheque/ draft.

*** The proposed amendment shall be applicable from AY 2018-19 onwards.*

- Excise duty and basic customs duty on micro ATMs as per standards version 1.5.1, fingerprint reader/ scanner, iris scanner, miniaturised point-of-sale (POS) card reader for mPOS (other than mobile phones or tablet computers) and parts and components for use in the manufacture of such products has been exempted till 30 June, 2017



CAPITAL GAIN TAX

Long term Capital Gains:

- The holding period in respect of immovable properties to qualify as long-term capital asset has been proposed to be reduced to 24 months from 36 months.
- Base year is also proposed to be moved from 1981 to 2001 for the purpose of indexation.
- Equity shares in a company or a unit of an equity-oriented fund acquired on or after 1 October, 2004, on which STT has not been paid on purchase, is proposed to be taxed as long-term capital gains.
 - **Presently, the capital gains arising on transfer of above assets is exempt from tax, if the sale transaction suffers STT.
- Section 54 EC allows for an exemption from long-term capital gains in respect of investments made in certain specified bonds i.e., NHAI or RECL. It is now proposed to extend the exemption in respect of investments to be made in certain other bonds to be notified by the central government.

Corporate Taxation

- Corporate tax rates for foreign companies remain unchanged at the present rates of 40% plus education cess & surcharge.
- For domestic companies having annual turnover up to INR 50 Crores however, the corporate tax rate has been slashed down to 25%.
- In other cases, the tax rates remain unchanged at 30% (plus applicable surcharge and education cess).
- For partnership firms/ LLPs the tax rates remain unchanged.
- Tax rates of both MAT and AMT remain unchanged at 18.5% (plus applicable surcharge and education cess).

Indirect Tax Reforms

- An overview



- No major reforms have been proposed in the Indirect tax laws since GST is likely to be implemented soon.
- The limited changes that have been made in terms of Indirect tax laws largely towards incentivizing goods that promote digital economy and are primarily used in the renewable energy sector.

Overall Impacts



**** COSTLIER:**

- Cigarettes, pan masala, cigar, cheroots, bidis, chewing tobacco
- LED lamp components
- Cashew nuts (roasted and salted)
- Aluminum ores and concentrates
- Polymer coated MS tapes used in manufacturing of optical fibres
- Printed circuit board used in making mobile phones

**** CHEAPER:**

- Booking railway tickets online
- RO membrane elements for household usage
- LNG
- Solar tempered glass used in solar panels
- Fuel cell-based power generating systems
- Wind operated energy generator
- Vegetable tanning extracts used in making leather products
- Point of Sale (PoS) machines card and fingerprint readers
- Group insurance for Defence services



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