



Budget 2018

Key Highlights

Dhiren H Pandya & Associates

Chartered Accountants

Ahmedabad - Mumbai

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Prepared by Dhiren H Pandya & Associates, for client service and internal use only.
This document summarizes the key indicator of Budget Performance and key proposals of the Finance Bill 2018.
However, this publication is not intended to give legal, tax, accounting or other professional advice
Expert guidance may be sought before acting upon the proposals.



Economic Performance & Budget Financials

Dhiren H Pandya & Associates

Economic Performance

Key Indicators

Particulars	2014-15	2015-16	2016-17	2017-18
Growth in %				
-GDP (factor cost, constant prices) \$	7.5	8.0	7.1 ^a	6.5 ^b
-Agriculture & allied sectors (factor cost, constant prices) ^{\$\$}	-0.2	0.7	4.9	2.1 ^b
-Index of Industrial Production ^f	4.0	3.3	4.6	3.2 ^c
Imports (at c.i.f , in USD billion)	461.5	396.4	392.6	224.0 ^P
Export (at f.o.b, in USD billion)	316.5	266.4	280.1	149.2 ^P
Inflation in % (Average in terms of WPI)	1.2	-3.7	1.7	2.9 ^d
Forex reserves (in USD billion)	341.6	360.2	370.0	409.4 ^d
Net Foreign Investment (FDI/ FII/ FPI, in USD billion)	73.5	31.9	43.2	34.1 ^P
Exchange Rate(INR/USD) (annual average)	61.14	65.47	67.07	64.45 ^e

^a Provisional Estimates ^b First Advance Estimate ^{\$} GDP at Factor cost at 2011-12 prices

^{\$\$} Growth at constant price at 2011-12 Prices ^f Base 2011-12 = 100

^c April To November 2017 ^d April to December 2017 ^e April To October 2017 ^P H1&Preliminary

Budget Financials

Key Budget Financials

(₹ in Crores)

Particulars	2016-17	2017-18	2017-18	2018-19**
	Actual	(B.E.)	(R.E.)	(B.E.)
1. Revenue Receipt	1374203	1515771	1505428	1725738
2. Capital Receipts [§]	600991	630964	712322	716475
3. Total Receipt (1+2) [§]	1975194	2146735	2217750	2442213
4. Total Expenditure(5+6)	1975194	2146735	2217750	2442213
5. Revenue Expenditure	1690584	1836934	1944305	2141772
6. Capital Expenditure	284610	309801	273445	300441
7. Revenue Deficit(5-1) As a percentage of GDP	316381 -2.1%	321163 -1.9%	438877 -2.6%	416034 -2.2%
8. Effective Revenue Deficit(7-Grants in Aid for Creation of capital Assets) As a percentage of GDP	150648 -1.0%	125813 -0.7%	249632 -1.5%	220689 -1.2%
9. Fiscal Deficit{6-(1+Recoveries of Loan + Other receipts)} As a percentage of GDP	535618 -3.5%	546531 -3.2%	594849 -3.5%	624276 -3.3%
10. Primary Deficit (8-Interest Payments) As a Percentage of GDP	54904 -0.4%	23453 -0.1%	64006 -0.4%	48481 -0.3%

B.E. Budget Estimate, R.E. Revised Estimate

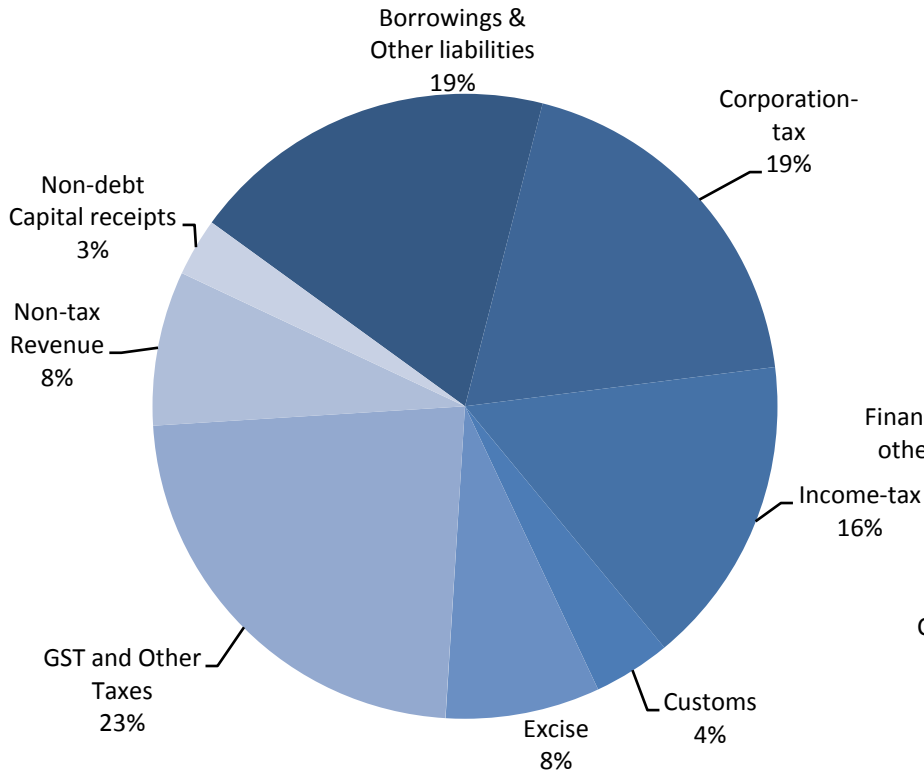
**GDP for BE 2018-19 has been projected at ₹ 18722302 crore assuming 11.5% growth over the estimatesd GDP of ₹ 16784679 crore for 2017-18(RE) .

§ Excluding receipts under Market Stabilisation Scheme.

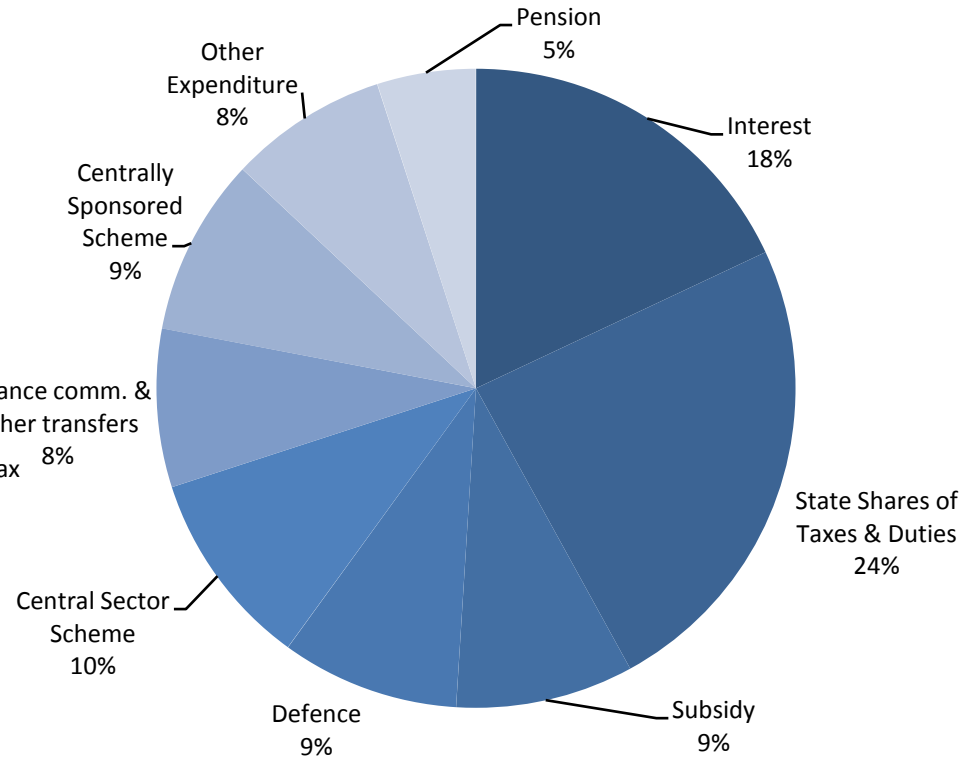
Budget Financials

Where the Rupee comes from & Where the rupee goes to

Where the Rupee comes



Where the Rupee Goes



Key Policy Announcements

Agriculture :

- ❖ GrAMs (Grameen Agriculture Markets) to be introduced in line of APMCs at village level
- ❖ GrAMs to be electronically linked to NAM and exempt from regulation of APMC
- ❖ Physical infrastructure of GrAMs to be developed MGNREGA and other government schemes.

Health:

- ❖ National Health Protection Scheme: Health insurance cover upto ₹5Lacs to be provided to 10 Crores poor and vulnerable families (around 50 crore beneficiaries)

Infrastructure :

- ❖ Smart cities Project: 99 cities selected – ₹2.04 Lac crore Outlay – Project worth ₹2350 crores completed – Project worth ₹20,852 crore in pipeline



Direct Taxes

Dhiren H Pandya & Associates

Head Office: 204, Mahalaya Complex, Off C.G.Road, Swastik cross roads, Navrangpura, Ahmedabad – 380009 URL:www.dhpa.in

Personal Taxation

❖ No change in rates of Tax for Individuals / HUFs

❖ Salaried Personnel:

- Deduction upto ₹40000 in addition to existing entertainment allowance and professional tax deduction
- Exemption of reimbursement of medical expenses by employer to be withdrawn
- Compensation received on termination of, or modification of terms of employment, shall be chargeable to tax as income from other sources

Cess / Charitable or Religious Trust

❖ Education Cess/Health & education Cess:

Particulars	Existing	Proposed
Education Cess	2%	Nil
Secondary and Higher Education Cess	1%	Nil
Health and Education Cess	Nil	4%

❖ Cash payment by Trusts:

- Payments made by charitable or religious trust in cash exceeding ₹10000 per day per person to be 100% disallowed

❖ Non Deduction of TDS by Trusts:

- Payments made by charitable or religious trust to resident on which TDS is applicable without deducting TDS then 30% of such amount shall be disallowed

Personal Taxation - Senior Citizens

- ❖ **Medical deductions for Senior & Very Senior Citizens:**
 - Medical insurance and preventive health check ups u/s 80 D increased to ₹50000 (earlier ₹30000)
 - Actual expenses for medical treatment of specified diseases u/s 80DDB increased to ₹100000 (earlier ₹60000 for senior citizens and ₹80000 for very senior citizens)

- ❖ **Deduction for Interest on deposits u/s 80TTB**
 - Deposit with banks, co-operative banks, post offices
 - Deduction upto ₹50000
 - Only for Resident Senior Citizens
 - Hence no deduction u/s 80TTA to Senior citizens

- ❖ **Threshold of TDS deduction on interest U/S 194A:**
 - Increased to ₹50000 from ₹10000 for senior citizen
 - In respect of Interest other than interest on securities

Corporate Taxation

❖ Rate of tax for domestic company:

Turnover / Gross Receipts	Existing	Proposed
<=50 Crores	25%	25%
<=250 Crores	30%	25%
Others	30%	30%

❖ Corporate Insolvency:

- Carry forward of losses allowed to Companies whose application for corporate insolvency resolution under Insolvency and Bankruptcy Code, 2016 has been admitted
- Such companies to get relief from MAT

Business & Profession

❖ Presumptive Taxation in case of Goods Carriage:

- For transporters with ≤ 10 Goods Carriage:

Tonnage of Goods Carriage	Existing (₹)	Proposed (₹)
Upto 12 MT	7500/month per Goods Carriage	7500/month per Goods Carriage
More than 12 MT	7500/month per Goods Carriage	1000 / ton Monthly per Goods Carriage

- Total number of Goods Carriage not to exceed 10

❖ Conversion of Inventory to Capital Asset:

- Profit (notional) accruing from such conversion at Fair Market Value as on the date of conversion to be taxed as Business income

Capital Gains / Real Estate

❖ Exemption u/s 54EC

- Applicable **only** on sale of long term land and/or building
- Investment in specified bonds – redeemable after 5 years instead of 3 years

❖ Sale of immovable property:

- In case of Capital Gains and Business Gains, stamp duty value to be the sale consideration only if stamp duty value exceeds the actual consideration by 5%
- In other cases, stamp duty value to be the sale consideration if stamp duty value exceeds the actual consideration by 5% or ₹50000 whichever is higher

Capital Gains

❖ Long Term Capital Gain on listed equity shares/ Units of Equity Oriented Funds :

- Taxable @ 10% of value of Capital Gain in excess of ₹100000 (without indexation benefit)
- Cost of acquisition to be higher of actual cost of acquisition or NAV / highest listed price of 31-01-2018 (if purchased before 01-02-2018)
- Benefit of computation of Capital Gains in foreign currency in case of non-resident not available
- Applicable only when STT is paid both at the time of acquisition and sale in case of equity shares, and at the time of sale in case of units of Equity Oriented Fund
- Mutual Fund with 65% exposure to equity covered under new capital gain tax rate
- Fund investment in other fund with 90% exposure to equity funds covered

Deductions

❖ Disallowance in case of late filing of return:

- Deductions under Chapter VIA C [Section 80HH onwards – new industrial units, export of software, etc]
- To be disallowed if return is filed late (w.e.f. 01-04-2018)

❖ 80 D Deduction

- Lumpsum mediclaim paid for more than 1 year eligible for proportionate deduction in respective years

❖ Deduction for specified start-ups u/s 80IAC:

- Incorporated between 01-04-2006 and 01-04-2021 (earlier upto 01-04-2019)
- Total turnover \leq ₹25 crore in 7 years since its incorporation

Deductions

❖ Additional deduction for new employees u/s 80 JJAA :

- Change in Minimum number of days worked by new employee

Industry	Existing (days)	Proposed (days)
Apparel	150	150
Footwear	240	150
Leather products	240	150
Other	240	240

- If minimum number of days criteria not fulfilled in the relevant year, deduction still available if the criteria fulfilled in the succeeding year

Dividend Distribution Tax / Other Provisions

❖ Private Companies:

- **Deemed dividend** u/s 2(22)(e) now covered under scope of Dividend Distribution Tax
- Taxed @ 30% without grossing up

❖ Equity Oriented Funds (EOF):

- Income distributed by EOF to its unit holders to be taxed @ 10% (w.e.f. 01-04-2018)

❖ Requirements of PAN:

- Every person other than individual, with aggregate financial transactions \geq 250000 in a year to have a PAN
- Director, officer, partner, karta, etc of above mentioned entities also to have a PAN

Other Provisions

❖ Non submission of data required by Banks, Financial Institution u/s 285BA:

Particulars	Existing penalty	Proposed penalty
Before Issuance of Notice	₹100/day	₹500/day
After issuance of Notice	₹500/day	₹1000/day

❖ Exemption:

- Benefit of Tax free withdrawal from NPS extended to non employee subscriber also upto 40% of the amount receivable on closure of the account / opting out

Income Computation & Disclosure Standards

Amendments in ICDS

- ❖ **ICDS 1:** Marked to market loss or other expected loss shall be allowed as deduction u/s 36
- ❖ **ICDS 2:** Cost of inventory to be actual cost for listed security & not lower of cost or NRV
- ❖ **ICDS 3:** (a) Contract for Service segregated from construction contract & following methods introduced:

Contract	Duration	Method
Contract for providing service	Not more than 90 days	Project completion
	Indeterminate number of acts over a specific period of time	Straight line method.

(b) Contract revenue shall include retention money

International Financial Service Centre

- ❖ **Transaction by Non-Resident in stock exchanges located in IFSC not to be regarded as transfer (hence no Capital Gain) for following securities:**
 - Bond or GDR
 - Rupee denominated bond of Indian company
 - Derivative
- ❖ **MAT/AMT applicable at concessional rate of 9% to a unit located in IFSC**

Taxation of Commodity Derivatives

❖ Changes in Commodity Transaction Tax:

Taxable commodities transaction	Existing Rate	Proposed Rate	Payable by
Sale of a commodity derivatives	0.01%	0.01%	Seller
Sale of an option on commodity derivatives	Nil	0.05%	Seller
Sale of an option on commodity derivatives where option is exercised	Nil	0.0001%	Purchaser

❖ Agricultural Commodity Derivative:

- Income from such derivatives to be considered Non-Speculative

GST, Excise and Others

Dhiren H Pandya & Associates

Head Office: 204, Mahalaya Complex, Off C.G.Road, Swastik cross roads, Navrangpura, Ahmedabad – 380009 URL:www.dhpa.in

Central Excise – Rate Changes

Central Excise:

Particulars	Existing (BED)	Proposed (BED)	Movement
Additional duty of Excise (Road cess) on Petrol and high Speed diesel oil	₹6 Per litre	Nil	↓
Unbranded Petrol	₹6.48 Per litre	₹4.48 Per litre	↓
Branded Petrol	₹7.66 Per litre	₹5.66 Per litre	↓
Unbranded Diesel	₹8.33 Per litre	₹6.33 Per litre	↓
Branded Diesel	₹10.69 Per litre	₹8.69 Per litre	↓

Road & Infrastructure Cess introduced:

Products (Imported / Produced)	Rate (w.e.f. Feb 2, 2018)
Petrol	Rs. 8 per litre
High speed Diesel oil	Rs. 8 per litre

Goods & Service Tax

- ❖ Changes in GST are done monthly by GST Council, Hence, the same is not covered in Budget 2018 or Finance Bill 2018
- ❖ Nomenclature for “Central Board of Excise and Customs (CBEC)” to be “Central Board of Indirect Taxes and Customs”

Customs

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Customs

Advance Ruling:

- ❖ Time for pronouncing Advance ruling reduced to 3 months from 6 months

Electronic cash ledger:

- ❖ Electronic cash ledger for payment of taxes etc. in lines with GST to be introduced

Abolition of Cess:

- ❖ Education cess and Secondary and Higher Education Cess on imported goods has been abolished.

Social Welfare Surcharge

Social Welfare Surcharge to be levied on Customs duty on following products:

Products	Rate of Surcharge
Petrol	3%
High speed Diesel oil	3%
Silver (Including silver plated with gold & platinum)	3%
Gold (including gold plated)	3%
Other imported Goods specified in First schedule to the customs Tariff Act, 1975 such as live animal, meat, fish, dairy produce etc.	10%

Customs – Major Rate Changes

Food Processing	Existing (BCD)	Proposed (BCD)	Movement
Cashew nuts in shell [Raw cashew]	5%	2.5%	↓
Fruit juices and vegetable juices including cranberry juice	30%	50%	↑
Cranberry Juice	10%	50%	↑
Orange fruit juice	30%	35%	↑
Miscellaneous Food preparations (other than soya protein)	30%	50%	↑

Edible oils of vegetable origin	Existing (BCD)	Proposed (BCD)	Movement
Crude edible vegetable oils	12.5%	30%	↑
Refined edible vegetable oils	20%	35%	↑

Customs – Major Rate Changes

Refractory Items	Existing (BCD)	Proposed (BCD)	Movement
Refractory ceramic construction goods[other than siliceous fossil or similar siliceous earths]	5%	7.5%	↑
Other refractory ceramic goods	5%	7.5%	↑
Ceramic goods of siliceous fossil meals or similar siliceous earths	10%	7.5%	↓

Diamonds and Precious stones	Existing (BCD)	Proposed (BCD)	Movement
Cut and polished colored gemstones	2.5%	5%	↑
Diamonds including lab grown diamonds-semiprocessed, half-cut or broken Non-industrial diamonds including lab-grown diamonds(other than rough diamonds)	2.5%	5%	↑

Customs – Major Rate Changes

Automobiles and Automobile parts	Existing (BCD)	Proposed (BCD)	Movement
Specified parts/accessories of motor vehicles, motor cars, motor cycles	7.5%/10%	15%	↑
Truck and Bus radial tyres	10%	15%	↑
CKD imports of motor vehicles, motor cars, motor cycles	10%	15%	↑
CBU imports of motor vehicles	20%	25%	↑

Watches and Clocks	Existing (BCD)	Proposed (BCD)	Movement
Wrist watches, pocket watches and other watches, including stop watches	10%	20%	↑
Clocks with watch movements	10%	20%	↑
Other clocks, including alarm clocks	10%	20%	↑

Customs – Major Rate Changes

Electronics / Hardware	Existing (BCD)	Proposed (BCD)	Movement
LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	7.5%/10%	15%	↑
Specified parts and accessories including lithium ion battery of cellular mobile phones	7.5%/10%	15%	↑
Smart watches/wearable devices	10%	20%	↑
Cellular mobile phones	15%	20%	↑

Textiles	Existing (BCD)	Proposed (BCD)	Movement
Silk Fabrics	10%	20%	↑

Jewellery	Existing (BCD)	Proposed (BCD)	Movement
Imitation Jewellery	15%	20%	↑

Customs – Major Rate Changes

Capital goods and Electronics	Existing (BCD)	Proposed (BCD)	Movement
Ball screws, linear motion guides, CNC systems for manufacture of all types of CNC machine tools falling under headings 8456 to 8463	7.5%	2.5%	↓
Printed Circuit Board Assembly (PCBA) of charger/adaptor and moulded plastics of charger/adaptor of cellular mobile phones	NIL	10%	↑

Footwear	Existing (BCD)	Proposed (BCD)	Movement
Footwear	10%	20%	↑
Parts of footwear	10%	15%	↑

Miscellaneous items	Existing Tariff rate of (BCD)	Proposed Tariff rate of (BCD)	Movement
Electrodes of a kind used for furnaces (Export duty unchanged)	NIL	20%	↑

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Customs – Major Rate Changes

Furniture	Existing (BCD)	Proposed (BCD)	Movement
Seats and parts of seats [other than aircraft seats and their parts]	10%	20%	↑
Other furniture and parts	10%	20%	↑
Mattresses supports; articles of bedding and similar furnishing	10%	20%	↑
Lamps and lighting fitting, illuminated signs, illuminated name plates and the like [except solar lanterns or solar lamps]	10%	20%	↑

Miscellaneous items	Existing Tariff rate of (BCD)	Proposed Tariff rate of (BCD)	Movement
Lithium-ion batteries	10%	20%	↑
Medical devices	7.5%	10%	↑

Customs – Major Rate Changes

Miscellaneous items	Existing (BCD)	Proposed (BCD)	Movement
Candles, tapers and the like	10%	25%	↑
Kites	10%	20%	↑
Sunglasses	10%	20%	↑
Date, sealing or numbering stamps, and the like	10%	20%	↑
Cigarette lighters and other lighters and parts thereof other than flints and wicks	10%	20%	↑
Scent sprays and similar toilet sprays, and mounts and heads there for; powder-puffs and pads for the application of cosmetic or toilet preparations.	10%	20%	↑

Budget Team

CA Dhiren H Pandya, Partner

Email: dhiren@dhpa.in

CA Varun Pandya, Partner

Email: varun@dhpa.in

CA Nirali Pandya

CA Urvi Gandhi

Unnati Shukla

Priyanka Patel

CA Bharat Purohit

Krupa Shah

Pankti Shah

Bharat Bhagat

Dhiren H Pandya & Associates

Dhiren H Pandya & Associates

Ahmedabad Office:

204, Mahalaya Complex,
Near Hotel President,
Off. C.G.Road, Navrangpura,
Ahmedabad 380009

Mumbai Office:

K-3- Shop,10,Hilton Society,
Shree Ram Nagar, S.V.Road,
Borivali (West)
Mumbai 400092

Phone: +91 79 26400005

+91 79 26426729

Email : info@dhp.a.in

URL : <http://www.dhpa.in>



: <http://www.facebook.com/1dhpa>