Union Budget - 2018

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NEW PROVISIONS

OTHER THAN CORPORATE/BUSINESS

Sec 16: -

This section provides for deduction from income chargeable to tax under the head Salaries. ***A new clause (ia) is inserted which provides for Standard Deduction of Rs. 40K subject to the amount of salary as deduction.***

Transport allowance and reimbursement of medical expenses is proposed to be withdrawn. Transport allowance for differently abled person will continue.

Sec 10(12A): -

This section provides for exemption on partial withdrawal from NPS. The existing benefit is extended to non-employees also.

Sec 80TTA: -

This section provides for deduction of interest on savings bank account. ***It is provided that deduction the section is not available to persons covered U/S 80TTB.***

Sec 80TTB: -

Deduction of interest on deposit with banking company/ Co-operative Society engaged in banking business / Post Office of up to Rs. 50,000/- allowed to Senior Citizen.

Sec 194A: -

This section provides for deduction of tax at source on interest other than interest on securities. ***It is proposed to provide that in case of senior citizen TDS is applicable on interest in excess of fifty thousand rupees.***

Sec 80D:

Individual: -

Existing	Amount	Proposed	Amount
Amount paid on account of medical expenditure on health of assessee or any member of family in aggregate **(A)**	Rs. 30,000/-	Amount paid on account of medical expenditure on health of assessee or any member of family in aggregate **(A)**	Rs. 50,000/-
Amount paid on account of medical expenditure on health of any parent of the assessee **(B)**	Rs. 30,000/-	Amount paid on account of medical expenditure on health of any parent of the assessee **(B)**	Rs. 50,000/-
Aggregate amount of Health Insurance Premium and total of A and B	Rs. 30,000/-	Aggregate amount of Health Insurance Premium and total of A and B	Rs. 50,000/-
Medical Expenditure on health of very senior citizen not covered by Health Insurance	Rs. 30,000/-	Medical Expenditure on health of **senior citizen** not covered by Health Insurance	Rs. 50,000/-
Medical Insurance Premium on the health of Senior Citizen / Very Senior Citizen	Rs. 30,000/-	Medical Insurance Premium on the health of Senior Citizen	Rs. 50,000/-

HUF: -

Existing	Amount	Proposed	Amount
Amount paid on account of medical expenditure incurred on the health of any member of the Hindu undivided family	Rs. 30,000/-	Amount paid on account of medical expenditure incurred on the health of any member of the Hindu undivided family	Rs. 50,000/-
Aggregate of Health Insurance Premium and expenditure mentioned above	Rs. 30,000/-	Aggregate of Health Insurance Premium and expenditure mentioned above	Rs. 50,000/-
Health Insurance Premium on the health of member who is a Senior Citizen/Very Senior Citizen	Rs. 30,000/-	Health Insurance Premium on the health of member who is a Senior Citizen/Very Senior Citizen	Rs. 50,000/-

It is further provides that where the health premium paid for more than one year proportionate amount should be considered for deduction.

Sec 80DDB: -

Existing	Amount	Proposed	Amount
Amount actually paid for medical treatment of specified disease or ailment of assessee / dependent / any member of HUF who is a senior citizen	Rs. 60,000/-	Amount actually paid for medical treatment of specified disease or ailment of assessee/dependent/any member of HUF who is a senior citizen	Rs.1,00,000/-

CORPORATES /BUSINESS

Sec 36(1): -

This section provides for deduction from the income chargeable U/S 28. ***A new clause (xviii) is inserted to provide that marked to market loss or other expected loss computed in accordance with ICDS notified U/S 145(2) be allowed as deduction. (W E F 01-04-2017)***

Further no deduction will be allowed in respect of marked to market loss or expected loss except as mentioned above (Sec 40A (13)) (W E F 01-04-2017)

Sec 43(5): -

This section provides for definition of Speculative Transaction. ***A new proviso is inserted which provides (for clause (e) of the first proviso) that for trading in agricultural commodity derivatives which are not subject to CTT is not a speculative transaction.***

Sec 43AA: -

A new section is inserted to provide for treatment of income or loss arising out of change in foreign exchange rates of foreign currency transactions be computed with reference to ICDS notified U/S 145(2).

Sec 43CA: -

This section for determination amount of consideration in case transfer of stock in trade being building, land or both for consideration less than value adopted or assessed or assessable for payment of stamp duty. ***A new proviso is inserted which provides for adoption of actual consideration received or accruing as a result of transfer for stamp duty value in case where such value does not exceed 105% of actual consideration.***

Further adoption of stamp duty value on the date of agreement as per Sec 43CA (3) will apply only in case where the amount of consideration or part thereof is received way of account payee cheque or account payee draft or ECS through bank account.

Sec 43CB: -

A new section inserted to provide for computation of income arising from Construction Contract or a Contract for providing services as per percentage of completion method as per ICDS notified U/S 145(2).

Profits and gains arising from a contract for providing services with duration of not more than ninety days shall be determined on the basis of project completion method and in case of services involving indeterminate number of acts over a specific period of time shall be determined on the basis of straight line method.

It provides further contract revenue shall include retention money and contract cost should not be reduced by income in the nature of interest, dividends, capital gains. (W E F 01/04/2017)

Sec 44AE: -

This section provides for computation of income from transportation business on presumptive basis. ***It is proposed to compute presumptive income @ Rs. 1000/- per ton per month or part thereof in case of heavy goods vehicle or higher amount actually earned whichever is higher.***

In case other than heavy goods vehicle an amount of Rs. 7500/- per month or part of the month or higher amount actually earned whichever is higher.

Sec 49(9): -

This section provides for Cost of Acquisition of Capital Asset. ***A new subsection (9) is inserted which provides that cost of acquisition in case where inventory is converted in to Capital Asset shall be the FMV on the date conversion determined in prescribed manner.***

Sec 50C: -

This section provides determination of consideration in case transfer of Capital Asset, being land, building or both for a consideration less than value adopted or assessed or assessable for payment of stamp duty.

A new proviso is inserted which provides for adoption of actual consideration received or accruing as a result of transfer for stamp duty value in case where such value does not exceed 105% of actual consideration.

Sec 54EC: -

This provision provides for exemption from LTCG. ***It is amended to provide for that the exemption under this section is available to gains from transfer of Long-Term Capital Asset, being land or building or both.***

The section further amended to provide for investment in any bonds redeemable after five years issued on after 01/04/2018 of NHAI/REC/ Bond notified in this behalf.

Sec 56: -

This section provides for chargeability of income under the head other sources. ***A new sub-clause inserted in Sec 56(2)(X) where in it is provided that income is chargeable under this clause in case the difference between Stamp Duty Value and consideration is more than highest of Rs. 50K or 5% of actual consideration.***

It is further provided that transaction of money or property between a wholly owned subsidiary and its holding company is not subject to tax U/S 56.

Sec 79: -

This section impose restriction on carry forward and set off losses in case of change in shareholding more than 51%.

It is proposed to amend to provide that any change in shareholding in case of company whose resolution plan has been approved under IBC, 2016 is not subject to Sec 79.

Sec 80AC: -

Any deduction U/S 80-IA/80-IAB/80-IB/80-IC/80-ID/80-IE be admissible for the period 01/04/2006 before 01/04/2018 only when the return of income for such assessment year is filed on or before the due date specified U/S 139(1).

It is further provided that deduction under the heading C- Deduction in respect of certain incomes under Chapter VIA be allowed in relation to assessment year commencing on or after 01/04/2018 be allowed only if the return of income is filed within the due date specified U/S 139(1)

<u>Sec 80-IAC: -</u>

This section for deduction in case of eligible start up. ***It is proposed to amend the term eligible business by providing that business carried on eligible start up engaged in innovation, development or improvement of product or processes or services or a scalable business model with high potential of employment generation or wealth creation.***

It further provides that Eligible Start- up means a company or LLP engaged in eligible business incorporated on or after 01/04/2016 but before 01/04/2021.

<u>Sec 80JJAA: -</u>

This section provides for deduction on additional wages paid. ***It is provided that in case of assessee engaged in the business of manufacturing of apparel or footwear or leather products additional employee means inter-alia who has worked for 150 days during the previous year.***

It further provided that an employee who has not worked for minimum period of 240 /150 days during previous year but has worked for 240/150 days in the succeeding year shall be deemed to have been employed in the succeeding year.

<u>Sec 80PA: -</u>

Producer Company having a total turnover of less than one hundred crore rupees in any previous year deriving profits and gains from <u>marketing of agricultural produce</u> grown by the members or purchase of <u>agricultural implements, seeds, livestock or other articles</u> intended for agriculture for the purpose of supplying them to the members or <u>processing of agriculture produce of members</u> be allowed a deduction of an amount equal to one hundred per cent. of the profits and gains attributable to such business for the previous year relevant to an assessment year commencing on or after the 01/04/2019 but before the 01/04/ 2025.

Sec 115BBE: -

This section provides for taxability of Income referred to in Sec 68/69/69A/69B/69C/69D. ***It is provided that no deduction in respect of any expenditure or allowance or set off of any loss shall be allowed to the assessee under any provision of this Act in computing his income declared by the assessee in the return of income as well as income determined by the AO under the above-mentioned sections. (W E F 01/04/2017***

Sec 115JB: -

This section for taxability of book profit. ***A new clause (iih) is inserted which provides that the aggregate amount of unabsorbed depreciation and brought forward loss (excluding depreciation) of a company of a company against whom an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under section 7 or section 9 or section 10 of the Insolvency and Bankruptcy Code, 2016 be reduced while computing book profits.***

Sec 115R: -

This section provides for levy of additional tax on distribution of income. ***It is proposed to amend the said section so as to provide that where any income is distributed to any person by an equity-oriented fund, the fund shall be liable to pay additional income-tax at the rate of ten per cent. on income so distributed.***

NON-RESIDENT AND CROSS BORDER

Sec 9(1): -

This section provides income deemed to accrue or arise in India. Income from business connection in India is deemed to accrue or arise in India.

The existing definition of Business Connection (Sec 9(1)(i)) read with explanation 2) covers transaction carried on through agent. ***An amendment is proposed to the definition of Business Connection. It provides that Business Connection shall include any business activity carried through agent who habitually concludes contracts or habitually plays the principal role in concluding the contracts by non-resident subject to satisfaction of conditions mentioned there in.***

The above change covers the transactions carried by physical presence of agent.

A further change is proposed to cover the transactions carried electronically which do not require physical presence of itself or any agent in India. It provides that Business Connection include significant economic presence in India.

The Significant Economic Presence in India mean download of data or software in India subject to monetary limit to be prescribed or systematic continuous solicitation of its business activities or engaging in interaction with such no. of users as may be prescribed.

Sec 10(6D): -

Section 10 provides for exclusion of income from Gross Total Income. ***A new sub-section 6D is inserted which provides that income arising to non-resident by way of royalty or fees for technical services rendered in or outside India to the National Technical Research Organization is not chargeable to tax.***

Sec 10(48B):-

This section provides for exemption income accruing or arising by foreign company on account of left over stock of crude oil in facility in India. ***It is further provided that the benefit of exemption is extended to income arising on termination of agreement or arrangement.***

Sec 115JB: -

This section for taxability of book profit. ***A new explanation 4A is inserted which clarifies that the provisions of this section shall not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, where its total income comprises solely of profits and gains from business referred to in section 44B or section 44BB or section 44BBA or section 44BBB and such income has been offered to tax at the rates specified in those sections. (W E F 01/04/2001)***

Sec 286: -

This section provides for furnishing of report in respect of international group. ***It is proposed to amend that CbCR in case of parent entity or alternative reporting entity resident in India or Constituency entity resident in India having non-resident parent entity outside India which is not required to file CbCR report in their country or territory shall file the report within 12 months from the end of reporting accounting year.***(W E F 01/04/2017)

ICDS

Sec 145A: -

New section 145A provides that for the purpose of determining the income chargeable under the head Profits and gains of business or profession

- Inventory shall be made at lower of actual cost or net realizable value in accordance with the income computation and disclosure standards notified under sub-section (2) of section 145;

- Valuation of purchase and sale of goods or services and of inventory shall include the amount of any tax, duty, cess or fee (by whatever name called) actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation;

- Valuation of inventory being un listed securities or listed but not quoted on a recognized stock exchange with regularity from time to time, shall be valued at actual cost initially recognized in accordance with the income computation and disclosure standards notified under sub-section (2) of section 145;

- Valuation of inventory being listed security regularly quoted be valued at lower of actual cost or net realizable value in accordance with the income computation and disclosure standards notified under sub-section (2) of section 145

Sec 145B: -

Interest received by an assessee on any compensation or on enhanced compensation, as the case may be, shall be deemed to be the income of the year in which it is received.

It is further provided that claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realization is achieved. (W E F 01/04/2017)

NEW LEVY

Sec 28: -

This section provides for chargeability of income under the Head Profits and Gains from Business or Profession. ***A new clause(via) is inserted which provides for taxability of conversion of Stock in Trade into Capital Asset.***

As a result, profits or gains arising from conversion of inventory in to capital assets or its treatment as capital asset shall be charged to tax as a business income. The FMV of inventory on the dated of conversion determined in the prescribed manner shall be deemed to be full value consideration.

Sec 2(24) which defines the term 'Income' is amended thereby included the receipt mentioned in Sec 28 (via).

A new sub-clause(e) is inserted in Sec 28(ii): -

Any Compensation received or receivable (Revenue or Capital) in connection with the termination of or modification of the terms and conditions of any contract relation to business is made chargeable to tax.

Sec 56: -

This section provides for chargeability of income under head other sources. ***A new clause (XI) is inserted to provide that compensation or other payment due to or received by any person in connection with termination of his employment or modification of terms and conditions is chargeable to tax U/S 56.***

Sec 112A: -

Capital gains arising from transfer of long-term capital asset being equity share in a Company or Unit of Equity Oriented Fund or Unit of Business Trust be chargeable to tax @10% of gain exceeding Rs. 1 Lakh. (W E F 01/04/2018)

Capital gain shall be computed without giving indexation benefit.

This section is not applicable in case transfer undertaken on recognized stock exchange located in IFSC where the consideration for such transfer is received or receivable in foreign currency.

Cost of acquisition in case of long-term capital asset acquired by assessee before 01/02/2018 shall be computed with reference to FMV as on 31/01/2018.

Cost of acquisition in such case shall be highest of the following: -

- **(I) Actual Cost of Acquisition;**
- **(ii) Lower of the following: -**
  - **I. FMV of the such asset;**
  - **ii. Full Value Consideration received or accruing as result of transfer**

The provisions the Sec 112A are applicable to Domestic Companies referred to in Sec 115BA as we as FII referred to in Sec 115AD.

Sec 2(22) Deemed Dividend: -

This section provides for definition of dividend for the ITA. ***An explanation 2A is inserted by providing that in case of amalgamation of company the accumulated profits of the amalgamated company shall include profits, whether capitalized or not or loss of the amalgamating company as on the date of amalgamation.***

This definition has impact on clause (a)/(b)/(d)/(e) of section 2(22).

It is further provided that dividend referred to Sec 2(22) (e) shall be charged to Dividend Distribution Tax (DDT) @30% - Sec 115-O

Education Cess:-

Education Cess on income-tax and Secondary and Higher Education Cess on income-tax shall be discontinued. ***A new cess called Health and Education Cess shall be levied @4% of income-tax including surcharge in all cases.***

CHARITABLE INSTITUTIONS

Sec 10(23C): -

This section provides for exemption to various funds/ educational/medical institutions subject to conditions. ***A new proviso is inserted to provide that in determining the application of income (for educational institution/medical institution) the effect of provisions of non-compliance of TDS provisions U/S 40(a)(ia) and payment more than Rs. 10k U/S 40A(3)/(3A) should also be taken into consideration.***

Sec 11: -

This section provides for exemption to income of Charitable Institution. ***A new explanation is inserted which provides that in determining the amount of application of income the effect of provisions of non-compliance of TDS provisions U/S 40(a)(ia) and payment more than Rs. 10k U/S 40A(3)/(3A) should also be taken into consideration.***

Sec 10(46): -

This section provides for exemption to specified income arising to a body or authority or Board or Trust or Commission (by whatever name called), not engaged in any commercial activity, established or constituted by or under a Central, State or Provincial Act, or constituted by the Central Government or a State Government, with the object of regulating or administering any activity for the benefit of the general public.

It is proposed to amend the said clause so as to provide such exemption to specified income arising to a class of body or authority or Board or Trust or Commission also.

PROCEDURAL

Sec 139A: -

This section provides that every person specified therein and who has not been allotted a permanent account number shall apply to the Assessing Officer for allotment of a permanent account number.

A new clause (v) in the said sub-section so as to provide that every person, not being an individual, which enters into a financial transaction of an amount aggregating to two lakhs fifty thousand rupees or more in a financial year shall apply for PAN.

It is further proposed to insert a new clause (vi) so as to provide that the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of the person referred to in clause (v), or any person competent to act on behalf of the person referred to in clause (v), shall also apply to the Assessing Officer for the allotment of permanent account number.

Sec 140: -

This section provides for return by whom to be verified. ***It is proposed to amend the said section so as to provide that where in respect of a company an application has been admitted by the Adjudicating Authority under section 7 or section 9 or section 10 of the Insolvency and Bankruptcy Code, 2016, the return shall be verified by the insolvency professional appointed by such Adjudicating Authority.***

Sec 143: -

This section provides for processing of return of income after making the adjustments specified. ***A new proviso is inserted to provide that no adjustment under sub-clause (vi) of the said clause shall be made in respect of any return furnished for the assessment year commencing on or after the 01/04/ 2018.***

Sec 253: -

This section provides for appeals to the Appellate Tribunal. ***It is proposed to provide that an order passed by a Commissioner (Appeals) under section 271J also appealable to the Appellate Tribunal***

Sec 271FA: -

This section provides for penalty for failure to furnish statement of financial transaction or reportable account. ***It is proposed to amend the said section so as to increase the penalty from one hundred rupees to five hundred rupees and from five hundred rupees to one thousand rupees, for each day of continuing default.***

TAXABILITY OF LONG TERM CAPITAL GAIN FROM STOCK MARKET

Stock market is one of many potential places to invest the money. Investing in stock is often risky, which draws attention to the huge gains and losses of some investors. If you are able to analyse the stock market and take manageable risk, you can take advantage of the stock market to get better returns and secure your financial position.

Present taxable situations on Stock Market:

Speculative Business:

- Transaction in which a contract for purchase or sale of any commodity, including stocks and shares is periodically or ultimately settled ***otherwise than by actual delivery or transfer*** of the commodity or scrip.
- It involves high risk, in expectation of significant returns. The motive is to take maximum advantage from fluctuations in the market.

Non-SpeculativeBusiness:

- Any income deriving from Trading in derivatives is treated as Non-speculative business
- Derivative trading is defined as agreement between two parties to buy or sell a fixed amount of shares at fixed price on a given date. Derivative trading normally includes futures and options trading on the various stock, commodity and currency exchanges in India.

Short Term Capital Gains. (“STCG”)

- Any gain arising from transfer of capital asset being shares within one year from date of purchase are termed as Short-term Capital Gain.
- At present, all the short-term capital gains arising from the transfer of shares are taxable at a rate 15 per cent.

Long Term Capital Gains.("LTCG")

- Any gain arising from transfer of capital asset being shares made after a year of purchase are termed as LTCG.
- LTCG arising from the transfer of **LISTED SECURITIES** (Equity shares, units of equity oriented funds/business trusts), are exempt from income tax under section 10(38) of the Act. The said exemption is available on the transactions that are subjected to STT.

Long Term Capital Gains (LTCG) under the new tax regime for long term capital gains:

LTCG means gains arising from the transfer of long-term capital asset. The Finance Bill, 2018 proposes to provide for a new long-term capital gains tax regime for the following assets–

i Equity Shares in a company listed on a recognised stock exchange;
ii Unit of an equity-oriented fund; and
iii Unit of a business trust.

The proposed regime applies to the above assets, if:-

a. the assets are held for a minimum period of twelve months from the date of acquisition; and
b. the Securities Transaction Tax (STT) is paid at the time of transfer. However, in the case of equity shares acquired after 1.10.2004, STT is required to be paid even at the time of acquisition (subject to notified exemptions).

Applicability of the proposed amendment U/s 112A:

a. The provisions of this section will apply from the Financial Year (FY) 2018-19 i.e. AY 2019-20.
b. The exemption available on LTCG rising from transfer of listed securities is proposed to be withdrawn with effect from 1stApril,2018. Section 10 (38).
c. With effect from 1stApril, 2018 all the LTCG arising from transfer of such capital asset shall be taxed at concessional rate of 10%.

d. The tax on Long term capital gains shall be levied in excess of Rs. 1 lakh.
e. This concessional rate @ 10% is applicable for
    a. the assets are held for a minimum period of twelve months from the date of acquisition; and
    b. the Securities Transaction Tax (STT) is paid at the time of transfer. However, in the case of equity shares acquired after 1.10.2004, STT is required to be paid even at the time of acquisition (subject to notified exemptions).
f. However, the above condition would not be applicable in case the transfer is undertaken on a recognised stock exchange located in any International Financial Services Centre, and the consideration is received in foreign currency.
g. The provisions the Sec 112A are applicable to Domestic Companies referred to in Sec 115BA as we as FII referred to in Sec 115AD.

Proposal of grandfather investments made upto 31 January 2018:

There is also a proposal to grandfather investments made on or before 31 January 2018. To explain this further, a method of determining the Cost of Acquisition ("COA") of such investments has been specifically laid down according to which the COA of such investments shall be deemed to be the **higher of-**

1. The actual COA of such investments; and
2. The lower of-
    - Fair Market Value ('FMV') of such investments; and
    - the Full Value of Consideration received or accruing as a result of the transfer of the capital asset i.e. the Sale Price

Further, the **FMV** would be the highest price quoted on the recognized stock exchange on 31 January 2018 (either BSE or NSE). In case there is no trading of the said asset in such stock exchange, the highest price on a day immediately preceding 31 January 2018 shall be considered to be the FMV. In effect, the taxpayer can claim the highest price quoted on the recognized stock exchange on 31 January 2018 as the COA and claim the deduction for the same.

The computation of long-term capital gains in different scenarios is illustrated as under - Amount in Rs.

Particulars	Scenario			
	A	B	C	D
Purchase Price on 01/01/2017	100	100	100	100
FMV on 31/01/2018	200	200	50	200
Sale Price 01/04/2018 (X)	250	150	150	50
COA (based on prescribed method of computation) (Y)	200	150	100	100
Capital Gains / (Loss) (X-Y)	50	Nil	50	(50)

Some other examples of trading in listed equity shares:

Particulars	Scenario				
	1	2	3	4	5
Sales Consideration (A)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Date of Sale	31-03-18	01-04-18	01-04-18	01-04-18	01-04-19
Actual Cost of Acquisition (B)	800,000	800,000	800,000	800,000	800,000
Date of Purchase	01-01-17	01-01-17	01-01-17	01-01-17	01-03-18
Quoted Price on Stock Exchange as on 31/01/2018 (C)	850,000	750,000	900,000	1,100,000	1,100,000
Deemed Cost of Acquisition (D)*	800,000	800,000	900,000	1,000,000	800,000
Long-term Capital Gains (E = D-A)	200,000	200,000	100,000	-	200,000
Exemption for Capital Gains (F = E - 1,00,000)	200,000	100,000	100,000	-	100,000
Tax on Capital Gains (F * 10%)	-	10,000	-	-	10,000

A. Points to be considered

S No.	Scenario	Tax Implications
1	Purchase and sale before 31/01/2018	Exempt under Section 10(38)
2	Purchase before 31/01/2018 and Sale after 31/01/2018 but on or before 31/03/2018	Exempt under Section 10(38)
3	Purchase before 31/01/2018 Sale on or after 01/04/2018	LTCG taxable **Gains accrued before 31/01/2018 exempt** Capital Gains computed in the manner as discussed above
4	Purchase after 31/01/2018 Sale on or after 01/04/2018	LTCG taxable Capital Gains computed in the manner as discussed above
5	Purchased on or after 01/02/2018 and Sold on or before 31/03/2018	STCG
6	LTCL arising from transfer made between 1st February, 2018 and 31st March, 2018	Exemption from LTCG U/s 10(38) will be available for the said period, hence, the LTCL arising during this period will **not be allowed** to be set-off or carried forward.
7	Carry forward of Long-Term Capital Losses ("LTCL") on sale of such shares on or after 01.04.2018.	1. Allowed to be set-off and carried forward in accordance with existing provisions of the Act. 2. It can be set-off against any other LTCGs. 3. Unabsorbed LTCL can be carried forward to subsequent eight years for set-off against LTCG.
8	LTCG on transfer of **Bonus** and **Rights** shares acquired on or before 31 January 2018	The FMV of such shares as on 31 January 2018 as the COA of such shares and hence, the gains accrued upto 31st January, 2018 will continue to be exempt.

B. Other Points to be considered:

1. The holding period will be counted from the date of acquisition.

2. The benefits of indexation are not available while computing tax on LTCG.

3. Grandfathering effect/FMV concept were not applicable if purchased the said capital asset on or after 01stFebruary, 2018. Hence the cost is only the purchase price.

4. TDS provisions will not be made applicable on payments made to residents. However, the tax at the rate of 10% shall be deducted by the buyers on payments to non-residents.

5. Section 112 of the Act provides for taxing of the LTCG on listed equity shares at 10% without indexation benefit at the option of the taxpayer. Therefore, in case the taxpayer is not eligible for the concessional rate of taxation under the proposed section 112A (on account of non-payment of STT on acquisition or sale of shares), he may take recourse to section 112 of the Act.

6. Applicability to Resident Individual or a HUF.

7. Claiming of Basic Exemption: Where the Total Income as reduced by such long-term capital gains is below the Basic Exemption Limit, then the long-term capital gains shall be reduced by Unexhausted Basic Exemption Limit and the balance shall be subjected to tax.

   Hence, while calculating LTCG, resident individual & HUF can avail the basic exemption.

   Eg., if the person is having only LTCG then basic exemption of Rs. 2,50,000 plus 1,00,000/- ie., up to an amount of Rs. 3,50,000/- there will not be any tax. Accordingly, the investments can be planned in the family members names subject to sources of income.

8. Chapter VI-A Deductions - Where the gross total income of an assessee includes any long-term capital gains then the deduction under Chapter VI-A shall be allowed only on the gross total income of the assessee as reduced by such capital gains - No Chapter VIA deductions – No Claim U/s 80C to 80U.

i.e, Where Total Income assessee consists of Income from **Only** Long Term Capital Gains arising from transfer of Long Term Capital Asset being Listed Securities, then the assessee has to forgo the benefit of Chapter VI A deductions.

9. Rebate U/s 87A - Furthermore the assessee shall also forgo benefit of rebate under section 87A on the tax payable on such Long-Term Capital Gains.

10. Sec 54EC:-

This provision provides for exemption from LTCG. It is amended to provide for that the exemption under this section is available to gains from transfer of Long-Term Capital Asset, being land or building or both. The section further amended to provide for investment in any bonds redeemable after five years issued on after 01/04/2018 of NHAI/REC/ Bond notified in this behalf.

11. Exemption from Long Term Capital Gain U/s 54F:

An Individual or HUF can invest such income on LTCG for purchase of Residential House Property subject to the following conditions.

The assessee should purchase one residential House Property situated in India;

- within 1 year before transfer or 2 years after transfer or
- Construction within 3 years after the date of transfer

Conditions:

On the date of Transfer	Should not own more than one residential house property
After date of transfer of Original Asset	Should not- • Purchase any other Residential house within a period of 2 years or • Construct any other Residential house within a period of 3 years
Amount Exempted	• In proportionate to the investment of Net Sale Consideration. • i.e., Capital Gain*Amount Invested/ Net Sale Consideration.

12. Exemption of Long Term Capital Gain on investment in notified units of Specified Fund U/s 54EE:

- Investment Option: Invested in **Units of Specified Fund** as may be notified by the Central Government, where such units are issued before 1st April,2019.
- Quantum of Exemption: The lower of Capital Gain or the amount invested.
- Time Limit for Investment: Investment is to be made within 6 months from date of transfer.
- Ceiling Limit for Investment: The maximum amount of investment in the units of specified fund in any financial year is Rs.50 lakhs.
- Condition: Unit should not be transferred for a period of 3 years from date of its acquisition. In case transferred, then the amount of capital gains arising from the transfer of the original asset shall be deemed to be the income chargeable under the head "Capital gains".

13. Reduced Corporate Tax @ 25% to SME Sector (only for Companies):

The FM has enhanced the scope of reduced tax benefit @ 25% (as against regular Tax rate of 30%) for all the companies having reported turnover upto Rs. 250 Crores (as against Rs. 50 Crores).

14. Sec 2(22) Deemed Dividend: -

This section provides for definition of dividend for the ITA. An explanation 2A is inserted by providing that in case of amalgamation of company the accumulated profits of the amalgamated company shall include profits, whether capitalized or not or loss of the amalgamating company as on the date of amalgamation.

This definition has impact on clause (a)/(b)/(d)/(e) of section 2(22).It is further provided that dividend referred to Sec 2(22) (e) shall be charged to Dividend Distribution Tax (DDT) @30% - Sec 115-O.

TAXIMPACT ON INVESTMENT IN MUTUAL FUNDS:

Mutual funds area popular investment vehicle for investors especially with limited knowledge, time or money.

The gains that you earn from investments in mutual fund are also a form of income (under capital gains) and they too are taxed (capital gains tax). The taxation on mutual fund gains vary as per the holding period and depending on the type of mutual fund.

The holding period of mutual fund units can be short-term or long-term. The longer you hold a mutual fund, the more tax-efficient your investments become

Let us now discuss on two major types of mutual funds

1. Growth / Equity Oriented Mutual Fund:

   The aim of growth funds is to provide capital appreciation over the medium to long- term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, growth, etc. and the investors may choose an option depending on their preferences.

2. Income / Debt Oriented Mutual Fund:

   The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, Government securities and money market instruments. Such funds are less risky compared to equity schemes.

Period of Holding

Period of Holding of mutual funds is as follows:

Particulars	**Short-term**	**Long-term**
Equity funds	Less than 12 months	12 months and more
Debt funds	Less than 36 months	36 months and more

Taxation of Debt Funds

Short Term Capital Gain: In case Debt Fund unitsare held for less than 36 months, they are subject to short-term capital gains tax (SCGT) as per the income tax slab you fall under.

Long Term Capital Gain: In case they are held for more than 36 months, they are subjected to long-term capital gains tax (LCGT) at the rate of 20% after indexation.

Taxation on Equity Funds

Short Term Capital Gain: Short-term gains from equity funds, are taxed at a flat short-term capital gains tax (SCGT) rate of 15%

Long Term Capital Gain: Long-term gains from Equity Funds are completely tax-free. This includes tax-saving mutual funds–ELSS funds. This means that if you hold your equity fund investments for over a year, you don't have to pay any long-term capital gains tax (LCGT) on the gains you earn.

However, Budget,2018 has bought into purview, the tax on Long-term Capital Gains on sale of Equity shares / units of Equity Oriented Fund if more than Rs 1 lakh at @ 10% without the benefit of indexation.

Other Amendment in the Budget,2018:

- A Mutual Fund is liable to pay tax on any amount of income distributed to its unit holders. However, for any income distributed to a unit holder of equity-oriented funds is at present not chargeable to Dividend Distribution Tax (U/s 115R)
- It is now amended in Budget,2018 that where any income is distributed by a Mutual Fund, being an equity-oriented fund, the fund shall be liable to pay additional income tax at the rate of 10% on income so distributed.

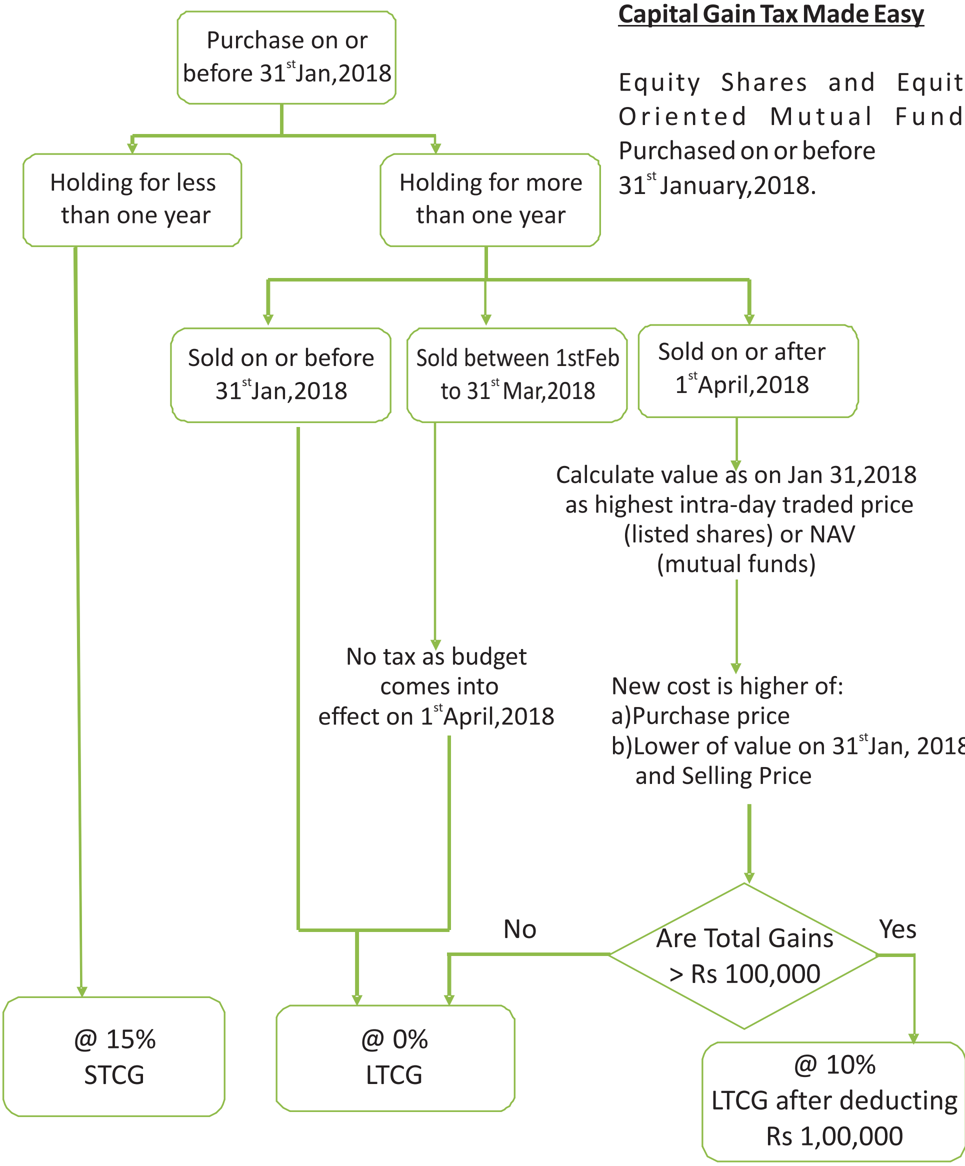
Moreover, investments in Mutual Funds are eligible for a deduction under 80C in respect of

- Contribution in the name of Individual(Individual himself, spouse of the individual and any child of individual) and HUF(any member of HUF) for participation in any such unit-linked insurance plan of the LIC Mutual Fund.
- as subscription to any units of any Mutual Fund
- as a contribution by an individual to any pension fund set up by Mutual Fund

Here Mutual Fund refers to Mutual Fund under section 10(23D) of Income Tax Act.

Capital Gain Tax Made Easy

Equity Shares and Equity Oriented Mutual Funds Purchased on or before 31st January, 2018.



ANNEXURE:-

By

Team SBS

Hyderabad: 6-3-900/6-9, #103 & 104, Veeru Castle, Durganagar Colony, Panjagutta, Hyderabad, Telangana
Kurnool: No. 302, 3rd Floor, V V Complex, 40/838, R.S. Road, Near SBI Main Branch, Kurnool, Andhra Pradesh
Nellore: 16-6-259, 1st Floor, Near Santi Sweets Opp: SBI ATM, Vijayamahal Centre, SPSR Nellore, Andhra Pradesh
Tada: 8-3-425/2, Flat No. 202, 2nd Floor, Bigsun Avenue, Near SRICITY, TADA, SPSR Nellore Dist, Andhra Pradesh
Visakhapatnam: # 39-20-40/6, Flat No.7, Sai Yasoda Apartments, Madhavadhara,Visakhapatnam (Urban),Vizag, Andhra Pradesh

Bengaluru: B104,RIRCO, Santosh Apartments, Wind Tunnel Road, Murugeshpalya, Old Airport Road, Bengaluru, Karnataka.