Key Takeaways from Union Budget-2018

In the Union Budget 2018, there has been a clear effort to empower rural economy by providing support to agriculture and boosting infrastructure and social sectors. Reduced tax burden for senior citizens has been met with great cheer and is a good step. Populist demand of tax benefits to individual taxpayers has been given a miss this time but the Budget has paved way for considerable relaxation of conditions regarding tax incentives associated with new employment. This Budget is a perfect mix of pragmatism and populism on part of the Finance Minister who has tried to strike the right chords.

Given below are the key takeaways from the Union Budget 2018:

Budget is generous for:

- For senior citizens, exemption of interest income on bank deposits raised to Rs 50,000.
- Govt to reduce hardships faced in realty deals; no adjustment to be made in case circle rate does not exceed 5% of sale consideration.
- Standard deduction of Rs 40,000 allowed for transport, medical reimbursement for salaried tax payers, which was Rs. 19,200 and 15,000 earlier. (Net benefit will be 5,800/-)
- Domestic Companies having total turnover or gross receipts not exceeding Rs 250 crores in Financial year 2016-17 shall be liable to pay tax at 25% as against present ceiling of Rs 50 crore in Financial year 2015-16.
- Rs 7.5 lakh per senior citizen limit for investment in interest-bearing LIC schemes doubled to Rs 15 lakh
- Cash payments exceeding Rs 10,000 by trusts and institutions will be disallowed in a bid to curb cash economy.
- Employees PF Act to be amended to reduce contribution of women to 8% from 12 % with no change in employer's contribution
- Contribution of 8.33% to EPF for new employees by the govt for three years and 12% govt contribution to EPF in sectors employing large number of people.
- Govt to formulate a comprehensive gold policy to develop gold as an asset class; gold monetisation scheme to be revamped. Gold monetisation scheme being revamped so that people can open gold deposit accounts in a hassle-free manner.
- Rs 50,000 additional benefit to senior citizens for investment in mediclaim.
- 100% tax exemption for the first five years to companies registered as farmer producer companies with a turnover of Rs. 100 crore and above.
- 76% of MUDRA loans for women.
- VCFs, angel investors to get new measures for growth and new tax rules to increase funding of startups.
- 100% tax exemption for the first five years to companies registered as farmer producer companies with a turnover of Rs. 100 crore and above.

- About 10 crore poor and vulnerable families will be targeted under healthcare protection scheme, which will offer up to Rs 5 lakh per family. This will be the world largest government-aided programme.
- 4 new government medical colleges and hospitals to be set up by upgrading existing district hospitals.
- One medical college per every three Parliamentary constituencies.
- 1,000 best B. Tech students to be made PM research fellows — to do PhDs in IITs and IISc. They will spend few hours every week teaching in technical institutions**.**
- Provision of Section 43CA, 50C and 56(2)(x) being amended to allow 5% of sale consideration in variation vis a vis stamp duty value. On account of location, disadvantage etc.
- Provision of TDS will be applicable to Charitable Trusts also, due to this expenditure incurred without deduction of tax and in cash will not be eligible as application of income under section 10(23C) and section 11(1)(a).
- Deemed dividend to be taxed in the hands of the company itself as Dividend Distribution of tax @ 30%.
- No adjustment under section 143(1) while processing on account of mismatch with 26AS and 16A.
- Assessments to be E assessment under new section 143(3A)
- Agriculture Commodity Derivates income /loss also not to be considered as speculative under section 43(5).

Curb the benefits:

- Propose to tax long term capital gains exceeding Rs 1 lakh in listed stock at 10%.
- Imported electronics, including phones and TVs, will now get more expensive as government proposes to increase custom duty on mobiles from 15% to 20% and on some other mobile parts to 15%, and some parts of TVs to 15%.
- Propose to increase the health and education cess to 4%.
- Penalty for non filing financial return as required under section 285BA being increased to Rs 500 per day.
- All companies irrespective of income to file return and in case it is not filed, such companies will be liable for prosecution irrespective of the fact weather it has tax liability of Rs 3,000 or not.
- PAN to be obtained by all entities including HUF other than individuals in case aggregate of financial transaction in a year is Rs 2,50,000 or more. All directors, partners, members of such entities also to obtain PAN.
- Conversion of stock in trade to capital asset to be charged as business income in the year of conversion on Fair Market value on the date of conversion.
- Interest on compensation, enhanced compensation. Claim or enhancement claim and subsidy, incentives to be taxed in the year of receipt only as per new Section 145B.
- 54EC benefit of investment in Bonds to be restricted to Capital gain on land and building only. Further period of holding being increased from 3 years to 5 years.

Backing to ICDS

- Income Computation and Disclosure Standards (ICDS) being given statutory backing in view of decision of Delhi High Court decision.
- Marked to market loss computed as per ICDS to be allowed under section 36.
- Gain or loss in Foreign Exchange as per ICDS to be allowed under new section 43AA.
- Construction Contract income to be computed on percentage completion method as per ICDS.
- Valuation of Inventory including Securities to be as per ICDS.

So, this budget showcases a good balancing exercise put on by the Finance Minister to address past uncertainties and at the same time making sure that it has got something for the masses keeping in mind 2019 general elections.