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Budget 2017 Changes in Income Tax and TDS

by **CA Maninder Singh**

Changes in Income Tax

Change in Income Tax Slab Rate for Individuals

EXISTING SLAB RATE

INCOME	TAX
UPTO 2,50,000	Nil
2,50,000 – 5,00,000	10% of Income Greater than 2,50,000
5,00,000 – 10,00,000	20% of Income Greater than 5,00,000 + 25,000
> 10,00,000	30% of Income Greater than 5,00,000 + 1,25,000

Applicable for ITR of Financial Year 2016-17 (AY 2017-18)

Applicable for Payroll till 31 March 2017

NEW SLAB RATES

INCOME	TAX
UPTO 2,50,000	Nil
2,50,000 – 5,00,000	5% of Income Greater than 250000
5,00,000 – 10,00,000	20% of Income Greater than 5,00,000 + 12,500
> 10,00,000	30% of Income Greater than 5,00,000 + 1,12,500

Applicable for ITR of Financial Year 2017-18 (AY 2018-19)

Also applicable for Payroll from 1 April 2017

Change in Rebates

Existing

Rebate of Max 5000 if Income between 250000 – 500000

New

Rebate of 2500 if Income between 250000 – 350000

Changes in Surcharge

Existing

If Income More than 1 Crores, then 15% Surcharge

New

If Income between 50 lacs to 1 Crores, then 10% Surcharge

If Income More than 1 Crores, then 15% Surcharge

Income Tax Slab Rate for Companies

Existing Income Tax Rate (Financial Year 2016-17 or AY 2017-18)

Income	Tax %
Normal Cases	30%
Small Company if FY 2014-15 turnover upto 5 cr	29%

Surcharge Rate

Income upto	Surcharge rate
Upto 1 Cr	0%
1 - 10 Cr	7%
>10 Cr	12%

Education Cess Rate 3%

New Income Tax Rate (Financial Year 2017-18 or AY 2018-19)

Income	Tax %
Normal Cases	30%
Small Company if last year turnover upto 50 cr	25%

Surcharge Rate

Income upto	Surcharge rate
Upto 1 Cr	0%
1 - 10 Cr	7%
>10 Cr	12%

Education Cess Rate 3%

Change in Long Term Capital Gain

If Asset held for more than ~~3~~ years 2 years, it is a Long Term Capital Asset and Long Term Capital Gain will be charged on it.

New (Financial Year 2017-18 or AY 2018-19)

- On Long Term Capital Gain, Indexation will be applicable on Asset
- Base Year is 2001
- For Assets held before 1/4/1981, FMV as on 1/4/2001 is applicable

Financial Year	CII	Financial Year	CII
2001-02	100	2009-10	148
2002-03	105	2010-11	167
2003-04	109	2011-12	184
2004-05	113	2012-13	200
2005-06	117	2013-14	220
2006-07	122	2014-15	240
2007-08	129	2015-16	254
2008-09	137	2016-17	264

Cash Payment Greater than 10000 Disallowed

- Cash Payments > 10000 are disallowed under Section 40(a)
- In case of fixed assets (CAPEX) purchased in cash more than 10000, depreciation will not be charge on it.

Section 44AD Scheme

- For FY 2016-17 (AY 2017-18)
- If Turnover of Business upto 2 Crore, then
- 8 % of Turnover is Profit for Cash Transactions
- 6% of Turnover is Profit for Other Transactions
- No need to make books of accounts
- No need to do Audit

While other changes are applicable from FY 2017-18 (AY 2018-19), this budget change is applicable from FY 2016-17 (AY 2017-18) onwards

Section 44ADA Presumptive Income of Professionals

Applicable for Financial Year 2016-17 (AY 2017-18)

IF Gross Receipts upto 50 lacs

- 50% of Receipts will be Profit
- No need for Audit
- No need to maintain books of accounts

If Professional says that his profit less than 50%, then compulsory books of accounts and compulsory audit

Due Dates of Advance Tax

In Case of All Business except Section 44AD Business and Section 44ADA Business

Due Date	% of Tax
15 - Jun	15%
15 - Sep	45%
15 - Dec	75%
15 - Mar	100%

For Section 44AD Business and **Section 44ADA Professionals**

Due Date	% of Tax
15 - Jun	Nil
15 - Sep	Nil
15 - Dec	Nil
15 - Mar	100%

Cash Donations Trust and Political Parties

- Political Parties can take Cash Donations of upto 2000
- Trust can take cash Donations upto 2000

Donation under 80G in Cash

If Donation amount is more than 2000, it can't be made in Cash

If made in cash, then deduction not allowed

Cash Receipt more than ~~3 Lacs~~ **2 Lacs** not allowed

Section 269ST No person can receive cash more than ~~3 lacs~~ **2 lacs** in following cases

1. Total Cash Transactions per day to per party can't be more than ~~3 lacs~~ **2 lacs**
2. Single Transaction can't be more than ~~3 lacs~~ **2 lacs** (even if paid in parts)
3. Different transactions relating to single event can't be more than ~~3 lacs~~ **2 lacs**

Penalty

It is equal to amount of contravention (Section 271DA)

Example:- If 4 Lacs received in cash, then 4 lacs will be penalty

Exception

Government, Banks and Other Notified persons can receive amount more than ~~3 lacs~~ **2 lacs**

Note :- Earlier the limit notified in budget was 3 lacs but it was later change 2 lacs.

Loss under House Property Setoff of 2 lacs for even Rented Property

- In case of Self Occupied Property, Maximum 200000 is allowed as Deduction for Interest on housing loan
- In case of Rented Property, Deduction for Interest on housing loan is allowed without any limit
- Loss if any can be setoff with any other Income without any limit **only upto 2 lacs**
- Remaining loss can be carry forward for 8 years and adjusted against loss from House Property

Changes in ITR Dues Dates (AY 2016-17 to 2018-19)

FY 2015-16 (AY 2016-17)

- Due Date of ITR is normally 31-July-2016 (30 Sept 2016 in case of Audit)
- However, Return can be filed late also till
 1. 31-March-2017 (Without penalty)
 2. 31-March-2018 (With Penalty of Rs 5000)
- Hence, Return can be filed till one year from end of Assessment Year)
- If return filed on time, then only it can be revised under Section 139(5)

FY 2016-17(AY 2017-18)

- Due Date of ITR is normally 31-July-2017 (30-Sept-2017 in case of Audit)
- However, Return can be filed late also till 31-March-2018 (**Without penalty**)
(Now It cannot be filed after 31-March-2018)
- Hence Return can be filed till end of Assessment Year *(and not one year from end of assessment year)*
- Both Original and Revised Return can be revised
- However, Revised Return can be filed till 31-March-2019 *(till one year from end of assessment year)*

FY 2017-18 (AY 2018-19)

- Due Date of ITR is normally 31 July 2018 (30 Sept 2018 in case of Audit)
- However, Return can be filed late also till
 1. 31 Dec 2018 (**With Penalty of 5000**)
 2. 1 Jan 2019 to 31 Mar 2019 (**With Penalty of 10000**)

(Note If Total income is upto 5 lacs, then Penalty is reduced to 10000)

- Penalty to be taken into account while determining demand and refund.
- Both Original and Revised Return can be revised
- However, Revised Return can be filed till 31.3.2019 till end of assessment year and (not one year from end of AY)

Compulsory Maintenance of Books Limit Increased (Section 44AA)

It is compulsory to maintain books of accounts if

Turnover > ~~1000000~~ 25,00,000

or

PGBP Income > ~~120000~~ 2,50,000

or both

in any of last 3 years

(In case of new business, where turnover is likely to exceed 25,00,000 or Total income Likely to Exceed 2,50,000 during Current Year)

Section 80CCD (1) Contribution by Employee to National Pension Scheme

FY 2016-17

Maximum amount which can be contributed was

1. In case of employee:- 10% of Salary+10% of Salary by employer
2. In Case of Self Employed/Business-10% of GTI

FY 2017-18

Maximum amount which can be contributed is

1. In case of employee:- 10% of Salary+10% of Salary by employer
2. In Case of Self Employed/Business-20% of GTI

Changes in TDS

Form 15H for TDS on Insurance Agent

15H Form now applicable to insurance commission agents

Existing (Financial Year 2016 - 2017 or AY 2017-18)

Insurance Agent get Commission from Insurance Companies.

Currently Insurance Companies deducts TDS at 10% on Commission if Commission made is more than 15000 p.a.

New (Financial Year 2017 - 2018 or AY 2018-19)

Rates of TDS and Commission are same.

Insurance Agents can give Form 15H Self Declaration to Insurance Company if their total income is less than Income Tax slab Rate.

If this form is given, Insurance Company will not deduct TDS.

Section 194J TDS on Call Centers Now 2%

Existing Rate (Financial Year 2016 - 2017 or AY 2017-18)

Section	Description	Cutoff	Rate of TDS
194J	Professional/Technical/Royalty/Non Compete Fees	30000	10%

New Rate of TDS (Applicable from 1 June 2017)

Section	Description	Cutoff	Rate of TDS
194J	Professional/Technical/Royalty/Non Compete Fees		
	Paid to Business Exclusively in Call Center Business	30000	2%
	Other Persons	30000	10%

Example

Suppose a Mobile Company Vodafone hires the services of A Ltd. where A Ltd will operate call center of Airtel at a cost of 1 lacs

- Vodafone will deduct 10% TDS in this case and pay A Ltd 90000 (Till 31 May 2017)
- From 1 June 2017, 2% TDS will be applicable. Vodafone will deduct 2% TDS in this case and pay A Ltd 98000

TDS Section 194 - IB TDS on Personal Rent @ 5%

In case of any person

Any Person liable to pay rent for more than 50000 p.m are to deduct TDS @ 5%

Section	Description	Cutoff	Rate of TDS
194-IB	Rent Paid	50000 PM	5%

Note:-

This section is not applicable to those Rent which are covered under Section 194I

Difference between Section 194I and Section 194 - IB

Section 194I	Section 194I-IB
It is applicable to those assesseees doing business and are covered in tax audit in last year	It is applicable to those assesseees doing business and are covered in tax audit in last year
Hence Not applicable on Personal Rent and Small Proprietorship/partnership	It is applicable to all business (even on personal rent).It is also applicable to Salaried Individuals
TDS Rate is 10%	TDS Rate is 5%
Cutoff is 180000 Per annum	Cutoff is 50000 Per Month
TDS is to be deducted Monthly	TDS is to be deducted Annually in last month(March) or last month of Rent Agreement
Tan No Required to Deduct TDS	No Tan No Required,Simple Pan No sufficient

Implication of Section 194-IB on Payroll

- Many Employees who are claiming HRA through fake Rent Receipts
- Those employees who are showing Rent receipts of more than 50000 p.m have now to deduct 5% TDS

TCS Rate if No Pan No Given

It is Higher of

- Double of TCS Rate
- 5%

Example

- If TCS Rate is 1%, then in case of no Pan number, TCS Rate is 2% or 5% whichever is higher i.e. 5%
- If TCS Rate is 2%, then in case of no Pan number, TCS Rate is 4% or 5% whichever is higher i.e. 5%
- If TCS Rate is 5%, then in case of no Pan number, TCS Rate is 10% or 5% whichever is higher i.e. 10%

No TCS in Following Cases

From 1 April 2017 onwards

1. Cash Sale of Jewelry more than 500000
2. No TCS on Purchase of Motor vehicles by
 - Central Govt
 - State Govt
 - Embassy/Consulate/Trade Representative of Foreign Business
 - Local Authority
 - Public Sector Company in Passenger Transport Business

About the Author



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CA Maninder Singh is a Chartered Accountant for the past 6 years. He provides courses for Practical Accounts, Taxation , GST and Efiling at teachoo.com.

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