

Budget 2018

Booster dose for rural India, bitter pill for investors



*B*Hive

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I am sure the New India which
we aspire to create
Now will emerge

Union Finance Minister Arun Jaitley presented the Union Budget 2018 in Parliament on Thursday. Continuing with the trend from last year, the Railways Budget was included in the General Budget. This was the last full Budget of the government led by Prime Minister Narendra Modi. With eight states going to elections this year and the General Election due next year, the political implications of the Union Budget 2018 will be far and lasting.

For Finance Minister Arun Jaitley, the Union Budget 2018 has been tightrope walk between balancing populism with fiscal prudence and keeping deficit in check.

Jaitley announced a slew of populist measures and said the government was taking steps to build “A New India”. Ahead of a slew of assembly elections in 2018 and 2019 Lok Sabha elections, the Union Budget 2018 was clearly focused on women, farmers, youth, poor, the middle class and disadvantaged communities.

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GOOD

- ❖ Minimum support price for Kharif crops hiked by 1.5 times
- ❖ No TDS for senior citizens on FDs and post office deposits upto Rs.50,000.
- ❖ Rise in custom duty on mobile phones from 15% to 20%.
- ❖ Standard deduction of Rs.40,000 for salaried people
- ❖ No legal status for crypto-currencies.
- ❖ Package worth Rs.7,100 crore for the textile sector.
- ❖ The government to contribute 12% of wages for new employees for Employee Provident Fund
- ❖ Free gas connection for 8 crore poor women under Ujjwala scheme.
- ❖ Lower tax rate of 25% to companies with a reported turnover up to Rs.250 crore.
- ❖ 100% tax deduction to companies registered as farmer-producer companies with turnover of Rs.100 crore.
- ❖ Infrastructure outlay increased from Rs.4.94 lakh crore to almost Rs.6 lakh crore.
- ❖ Expansion in airport capacity by five times To handle 1 billion passengers.
- ❖ Elimination of 4,267 unmanned rail crossings at broad gauge network.
- ❖ Rs.56,000 crore for SCs and Rs.39,000 crore for STs.
- ❖ Ayushman Bharat Programme. Rs.5 lakh/ year per family for 10 crore families for health expenses.
- ❖ Deduction for senior citizens increased to Rs.50,000 for medical insurance

BAD

- ❖ No change in personal income taxes. The middle class had expected change in tax slabs while others had expected raising of exemption limit.
- ❖ The government has opted for wider fiscal deficit at 3.5 per cent of GDP for 2018-19 and projected 2018-19 deficit at 3.3 per cent of GDP. Higher fiscal deficit not good for government credibility and FDI among other things.
- ❖ No tax cut for big corporates which could have helped revive private investment as well as create more jobs

UGLY

- ❖ Government introduces LTCG tax of 10% on capital gains over Rs.1 lakh

Agriculture and Rural Economy

- ❑ Agri-Market Development Fund with a corpus of 2000 crore to be set up for developing agricultural markets
- ❑ The Minimum Support Price of all crops shall be increased to at least 1.5 times that of the production cost
- ❑ 470 APMCs have been connected to eNAM network; rest to be connected by Mar-18.
- ❑ Raise institutional credit for agriculture to Rs.11 Lakh Crore for 2018-19.
- ❑ Government proposes to launch 'Operation Greens' on the lines of 'Operation Flood'.
- ❑ Government will subsidies removal of crop residue to tackle problem of pollution due to burning of crop residue
- ❑ Bamboo is green gold. Restructured National Bamboo Mission to be launched with an allocation of Rs.1290 crore



Social Security

- ❑ Government plans to construct 2 crore more toilets under Swachh Bharat Mission
- ❑ By 2022, every block with more than 50 per cent ST population and at least 20,000 tribal people will have 'Ekalavya' school at par with Navodaya Vidyalas:
- ❑ Government to substantially increase allocation under national livelihood mission to Rs.5,750 crore in next fiscal; focus will be on providing maximum livelihood projects in rural areas.
- ❑ 76% cent of loan accounts are of women and more than 50% belong to SC, ST and OBC under the Mudra Yojana.



- ❑ PM Awaas Yojana: Dedicated Affordable Housing Fund will be set up to fund the housing for poor people.
- ❑ Rs.16,000 crore to be spent on providing electricity connection to 4 crore poor households



Employment & Jobs

- ❑ Target of 3 lakh crore for lending under PM MUDRA Yojana for 18-19
- ❑ Government will contribute 12 per cent of wages of new employees in EPF for all sectors for the next 3 years.
- ❑ Seventy lakh formal jobs have been created this year.
- ❑ Contributions from women employees will be brought down from 12% to 8%.

Healthcare

- ❑ Providing Rs5 lakh per family per year for medical reimbursement, under National Health Protection Scheme. This will be world's largest health protection scheme
- ❑ National Health Protection Scheme to cover 10 crore poor and vulnerable families, benefiting approximately 50 crore people.
- ❑ Ayushman Bharat Program for addressing health care holistically. 1.5 lakh health and wellness centres will be set up to provide diagnostic services and free essential drugs.



Education

- ❑ One government medical college to be ensured for every 3 parliamentary constituencies by upgrading 24 district-level colleges.
- ❑ Scheme for revitalizing school infrastructure, with an allocation of 1 lakh crore rupees over four years called RISE - Revitalizing Infrastructure in School Education
- ❑ Eklavya schools to be started for Scheduled Tribe population

Railway & Other Proposals

Railway Proposals



Rs.1,48,528 crore for Capital Expenditure

Progressive growth of WiFi, CCTV at all cities



Renewal of 3600 KM long railway tracks



12,000 wagons, 5160 coaches and 700 locomotives are being procured



600 modern stations will be constructed



An institute in Vadodara for high speed railway projects

Mumbai's local train network will have 90 kilometers of double line tracks at a cost of over Rs.11,000 crore



4000 kms of electrified railway network is for commissioning during 2017-18

Proposes to construct 150 kms of rail Suburban network in next fiscal with a cost of Rs.11,000 crores



eliminate 4,267 unmanned rail crossings

Increase in Emoluments



Emoluments of President have been revised to Rs.5 lakh per month (1.5Lakhs at present)

Emoluments of Vice President have been revised to Rs.4 lakh per month (1.25Lakhs at present)



Emoluments of Governor have been revised to Rs.3.5 lakh per month (1.1Lakhs at present)



New law to provide automatic revision of emoluments indexed to inflation for MP's

[The remuneration of an MP includes a basic salary of Rs.50,000 per month and Rs.45,000 as constituency allowance, apart from other perks. The government spends roughly Rs.2.7 lakh on every MP per month.]

Direct Tax

Salaried Individuals

#No Change in Tax Rates



Section	Particulars	Wef.
16(ia)	Standard Deduction for Salaried employees up to Rs.40,000/- from salary. No documents required.	A.Y 2019-20
17(2) & 10(14)	Medical Reimbursement of Rs.1,250 per month on submission of bills & Transport Allowance of Rs.1,600 - Withdrawn	A.Y 2019-20
56	Compensation received by any person in connection with termination or modification of employment contract - Income	A.Y 2019-20

Individual Assessee <60years	
Taxable income	Tax
Up to Rs.2.5L	Nil
Rs.2.5L to Rs.5L	5%
Rs.5L to Rs.10L	20%
Above Rs.10L	30%

Resident Senior Citizen >60yrs	
Taxable income	Tax
Up to Rs.3L	Nil
Rs.3L to Rs.5L	5%
Rs.5L to Rs.10L	20%
Above Rs.10L	30%

Resident Senior Citizen >80yrs	
Taxable income	Tax
Up to Rs.5L	Nil
Rs.5L to Rs.10L	20%
Above Rs.10L	30%

Surcharge: 10% of tax - total income exceeds Rs.50 lakh
15% of tax - total income exceeds Rs.1 crore

Rebate: if his total income does not exceed Rs.3.5L - Rs.2,500 or actual amount of Tax



Mr.Suhās
Resident Individual
with Salary of
Rs.534,200/-

Particulars	Pre Budget	Post Budget	Difference
Basic	3,44,733	3,44,733	
Conveyance	(19,200)	-	
Medical	(15,000)	-	
Other Taxable Allowance	1,89,467	1,89,467	
Total	5,00,000	5,34,200	
Less: Std. Deduction	-	(40,000)	
Net Amount	5,00,000	4,94,200	5,800
Tax Payable			
Income Tax	12,500	12,210	290
Add: Cess @ 3% or 4%	375	488	
Total Taxes	12,875	12,698	177

Particulars	Pre Budget	Post Budget	Difference
Basic	20,11,400	20,11,400	
Conveyance	(19,200)	-	
Medical	(15,000)	-	
Other Taxable Allowance	5,22,800	5,22,800	
Total	25,00,000	25,34,200	
Less: Std. Deduction	-	(40,000)	
Net Amount	25,00,000	24,94,200	5,800
Tax Payable			
Income Tax	5,62,500	560,760	1,740
Add: Cess @ 3% or 4%	16,875	22,230	
Total Taxes	5,79,375	5,83,190	(3,815)



Mr.Pavan
Resident Individual
with Salary of
Rs.25,34,200/-



Senior Citizen



Section	Particulars	Wef.
80TTB	Interest on Deposits earned by Senior Citizens - Not taxable up to Rs.50,000	A.Y 2019-20
194A	Limit for TDS on Interest on Deposits for Senior Citizens increased to Rs.50,000/- from Rs.10,000/-	A.Y 2019-20
80D	Medical Insurance premium and Medical expenses linked deduction for Senior Citizens increased to 50,000/- from existing 30,000/-	A.Y 2019-20
80DDB	Increase in the deduction available for medical treatment of specified diseases from 60,000 to 1,00,000/- for both senior citizen and very senior citizen	A.Y 2019-20

Non Resident



Section	Particulars	Wef.
10(6D)	Non-Residents Individual providing Technical services to The National Research Organisation in or outside India - Exempt	A.Y 2019-20
47	Transfer of few bonds and derivatives (Capital assets) by Non resident is not regarded as Transfer - Not taxable as Capital Gain	A.Y 2019-20

Surcharge on Tax Deducted at source when payments are being made to Non-Residents:

- @ 10% if the amount paid/ payable is >50L and < 100L in a Financial Year
- @ 15% if the amount paid/ payable is > 100L in a Financial Year

Trusts



Section	Particulars	Wef.
11(1)	Provision of TDS deduction and Disallowance of Expense on account of making payments in cash above 10,000/- made applicable	A.Y 2019-20

Producer Companies



Section	Particulars	Wef.
80PA	Producer Companies having < 100Cr Turnover - get 100% deduction on profits for 5 Assessment years from 01-Apr-2019	A.Y 2019-20

Firms

Tax Rates: No Change - @ 30% on Total Income

Surcharge: No Change - @ 12% if the amount paid/ payable is > 100L in a Financial Year

Companies

A] Domestic Company:



Basic Tax	
Category	Tax
Domestic companies having less than 250Crore Turnover in F.Y 2016-17	25%
Other Domestic Companies	30%

Surcharge	
Category	Tax
Taxable income more than Rs.1 crore	7%
Taxable income more than Rs.10 crores	12%

B] Foreign Company

Basic Tax	
Category	Tax
No Change in Rates	40%

Surcharge	
Category	Tax
the amount paid/ payable is >1Crore and <10Crore in a Financial Year	2%
the amount paid/ payable is > 10Crore in a Financial Year	5%

Section	Particulars	Wef.
115-O	Divident Distribution Tax on Deemed dividend U/ s 2(22)(e) increased to 30% from 15%	A.Y 2019-20

Business Entities

Section	Particulars	Wef.
9(1)(i)	Business Connection in India explained to include habitual exercise of controls in India on behalf of Non-Resident to identify the existence of PE in India. Significant economic presence in India constitutes business connection in India	A.Y 2019-20
28(l)	Compensation received from any person in connection with termination of modification of any contract - Income	A.Y 2019-20
28(li)	Conversion of Inventory in to Capital Asset becomes Income	A.Y 2019-20
36	Marked to Market loss as per the ICDS shall be Expense	01-Apr-17
43CB	Computation of Income from construction & service contracts to be as per ICDS, except if the contract is for less than 90days	A.Y 2019-20
80AC	Requirement of filing of returns with in the due date to claim deduction extended to 80-IA, 80-IAB, 80-IB, 80-ID and 80-IE.	A.Y 2019-20
80JJAA	Additional Deduction of 30% for hiring new employees extended to Footwear and Leather products manufacturing industries also.	A.Y 2019-20
139A	PAN to be obtained by every entity having a financial transaction above 2.5Lakhs in a FY and All the persons who are competent to act on behalf of such entities also must obtain PAN	A.Y 2019-20



Small Business



Section	Particulars	Wef.
44AE	Presumptive Income for business from goods carriage In case of Heavy goods vehicle weighing > 12MT - Income shall be Rs.1000 per MT per Vehicle per month	A.Y 2019-20

All Other Assessee



Section	Particulars	Wef.
10(38)	Tax Exemption on the Long Term Capital Gain on sale of Equity shares/ Equity oriented Mutual Funds - Removed	A.Y 2019-20
43	Income from Trading in Agricultural Commodity derivatives is not Speculation Income	A.Y 2019-20
43CA & 50C	Variance up to 5% on the Stamp value as compared to the Transaction value of sale of Immovable property, will not impact the sale consideration for the purpose of computing capital gains	A.Y 2019-20
54EC	Period of Investment in Bonds to claim exemption from Capital Gains increased to 5 years from 3 years.	A.Y 2019-20
112A	Tax payable at 10% on LTCG on account of sale of Equity shares or Equity oriented Mutual funds, without providing Indexation and Rebate U/ s 87A	A.Y 2019-20
143(1)	No Adjustment to Income shall be made due to the mismatch in the ITR and 26AS	01/ 04/ 2018

Other General



Health and Education Cess

Health and Education Cess introduced in place of Education and Secondary and Higher Education Cess

The rate of Health and Education Cess shall be at **4%** on the Income Tax



- ❖ On the indirect taxes side, this being the first budget after the roll out of the GST, the budget proposals are mainly on the customs side.
- ❖ Budget 2018 levied social welfare surcharge at 3%-10% on imports.
- ❖ The Education Cess and Secondary and Higher Education Cess on imported goods was abolished. In its place it is proposed to impose a Social Welfare Surcharge at the rate of 10 percent of the aggregate duties of Customs, on imported goods, to provide for social welfare schemes of the government. However, goods which were so far exempt from Education Cesses on imported goods, will however continue to be so.
- ❖ New Rs.8 per liter infra-cess on imported petroleum products petrol, diesel. But it will not lead to increase in oil prices as Budget 2018 proposed to abolish a cess of Rs.6 per liter and reduced basic excise duty by Rs.2 per liter.
- ❖ With the roll of GST, the Budget also proposes to change the name of the Central Board of Excise and Customs (CBEC) to the Central Board of Indirect Taxes and Customs (CBIC)

Processed Foods

Particulars	Now	Before
Orange fruit juice	35	30
Other fruits and vegetables	50	30
Cranberry juice	50	10
Miscellaneous food preparations other than soya	50	30

Perfumes And Toiletry

Particulars	Now	Before
Perfumes and toilet waters	20	10
Beauty and skin care preparations	20	10
Preparations for use on hair	20	10
Preparations for oral or dental hygiene	20	10
Shaving/ after-shave preparations, deodorants	20	10
Scents sprays and similar toilets sprays and mounts and heads; powder-puffs and pads for the application of cosmetic or toilet preparations	20	10

Automobiles And Auto Parts

Particulars	Now	Before
Specified parts/ accessories	15	7.5
Completely knocked-down imports	15	10
Completely build units of motor vehicles	25	20
Truck and bus radial tyres	15	10

Others		
Particulars	Now	Before
Solar tempered glass for manufacture of solar cells/ panels/ modules	0	5
Raw materials, parts or accessories for making cochlear implants	0	2.5
Cashew nuts in shell raw cashew	2.5	5

Edible Vegetable Oils		
Particulars	Now	Before
Crude edible vegetable oils like groundnut, olive, cotton seed, safflower seed, Saffola, coconut, palm kernel/ babassu, linseed, maize cord, castor and sesame, and other fixed vegetable fats	30	12.5
Refined edible vegetable oils of the same kind:	35	20

Electronics And Hardware		
Particulars	Now	Before
Mobile phones	20	15
Mobile phone parts and accessories	15	7.5
Printed circuit boards assembly and moulded plastics of mobile phone. charger/ adapter	10	0
Smart watches/ wearables	20	10
LCD/ LED/ OLED panels and other parts	15	7.5
12 specified parts for LCD/ LED TV panels	10	0
Preform of silica used to make telecom-grade optical fibre/ cable	5	0

Textiles		
Particulars	Now	Before
Silk Fabric	20	10

Footwear		
Particulars	Now	Before
Footwear	20	10
Footwear parts	15	10

Diamonds, Precious Stones And Jewellery		
Particulars	Now	Before
Cut and polished coloured gemstones	5	2.5
Lab grown, semi-processed, half-cut or broken diamonds	5	2.5
Imitation jewellery	20	15

Furniture		
Particulars	Now	Before
Seats and parts except aircraft seats/ parts)	20	10
Other furniture and parts	20	10
Mattresses supports, articles of bedding and similar furnishing	20	10
Lamps and illuminated signs, name plates, etc	20	10

Watches And Clocks		
Particulars	Now	Before
Wrist, pocket and other watches	20	10
Clocks with watch movements	20	10
Other clocks, including alarm clocks	20	10

Electronics And Hardware		
Particulars	Now	Before
Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages other toys, puzzles of all kinds	20	10
Video game consoles/ machines, articles for funfair, table or parlor games and automatic bowling alley equipment	20	10
Festive, carnival or other entertainment articles	20	10
Article and equipment for sports or outdoor games, swimming pools and paddling pools; fish landing nets, butterfly nets and similar nets, decoy birds and similar hunting and shooting requisites	20	10
Roundabouts, swings, shooting galleries and other fair-ground amusements	20	10

Refractory Items		
Particulars	Now	Before
Articles of stone containing magnesite, dolomite or chromite	7.5	10
Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals or of similar siliceous earth	7.5	5
Other refractory ceramic goods	7.5	5

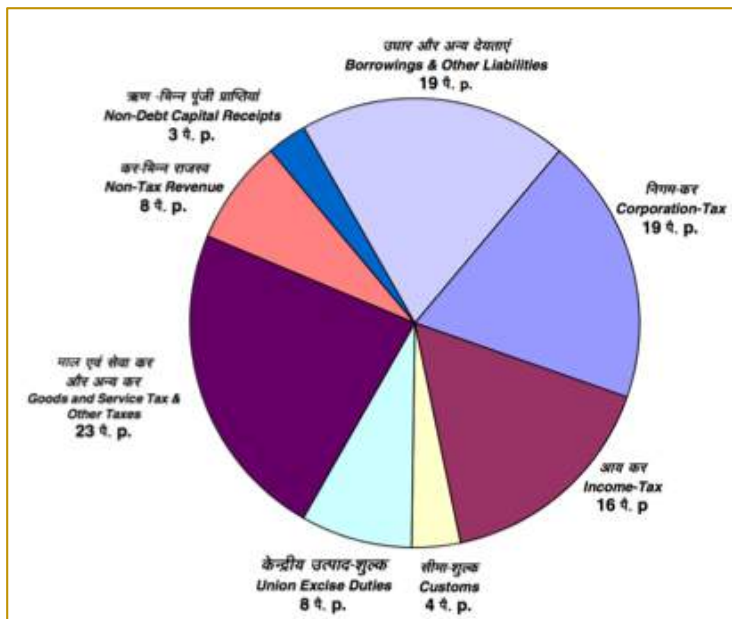
** The increase in tariff rates under Customs Duty is to promote the Make in India and to make Indian product more competitive in Indian Market

Financial Statements & Allocations

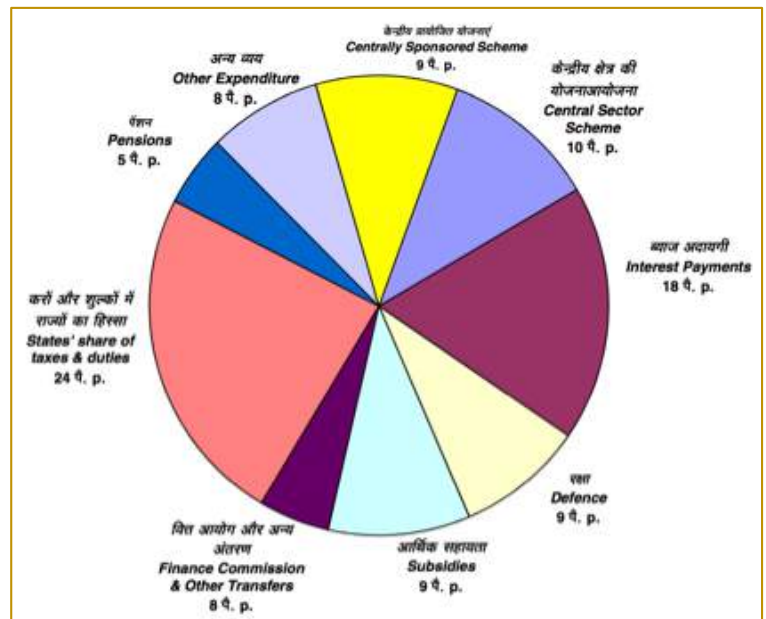
Financial Statements

Particulars (Figures in Crores)	2016-17 (Actuals)	2017-18 (Budget Estimates)	2017-18 (Revised Estimates)	2018-19 (Budget Estimates)
REVENUE				
Revenue Receipts	13,742	15,157	15,054	17,257
Capital Receipts	6,009	6,309	7,123	7,164
Sub-Total	19,751	21,467	22,177	24,422
DEFICIT				
Revenue Deficit	3,163	3,211	4,388	4,160
Fiscal Deficit	5,356	5,465	5,948	6,242
Primary Deficit	549	234	640	484

Rupee Comes From



Rupee Goes To



Growth has slowed down even as investments remain sluggish

