

## UNION BUDGET 2018-19 HIGHLIGHTS

Union Finance Minister Shri Arun Jaitley, unveiled his last full budget today (01-02-2018) before the general elections of 2019. This is his fifth annual budget and the first union budget after GST.

### **Macro Economic**

- ❖ Fiscal Deficit pegged at 3.5%, projected at 3.3% for 2018-19.
- ❖ India is poised to become \$ 5 trillion economy from its current size of \$ 2.5 trillion and is all set to be the fifth fastest growing economy.
- ❖ IMF GDP growth forecast at 7.4% in 2018 and 7.8% in 2019.

### **Emphasized Areas for 2018-19 Union Budgets:**

Agriculture and Health dominated the 2 hour budget speech. Employment and Education were also focus areas. Micro small and medium enterprises found special mentions in the budget with the measures ranging from tax sops to easier access to loans.

### **Key Highlights of Finance Bill 2018:**

#### **TAX RELATED - Direct Tax & Indirect Taxes:**

##### **Direct Taxes**

- No personal income tax slab rate changes proposed in the budget.
- Proposal to extend reduced rate of 25 percent currently available for companies with turnover of less than 50 crore (in Financial Year 2015-16), to companies reporting turnover up to Rs. 250 crore in Financial Year 2016-17, to benefit micro, small and medium enterprises.
- Tax on Long Term Capital Gains exceeding Rs. 1 lakh at the rate of 10 percent, without allowing any indexation benefit. However, all gains up to 31 January, 2018 will be exempted.
- Hike in deduction limit for health insurance premium and/ or medical expenditure from Rs. 30,000 to Rs. 50,000 under section 80D for senior citizens.

- Increase of deduction limit for medical expenditure for certain critical illness from Rs. 60,000 (in case of senior citizens) and from Rs. 80,000 (in case of very senior citizens) to Rs. 1 lakh for all senior citizens, under section 80DDB.
- Exemption of interest income on deposits with banks and post offices to be increased from Rs. 10,000 to Rs. 50,000 to Senior citizens. TDS not required to be deducted under section 194A. Benefit also available for interest from all fixed deposit schemes and recurring deposit schemes.
- Standard Deduction for a salaried employee of Rs 40,000 provided. However benefit of transport allowances of Rs 19200 and medical reimbursement of Rs 15000 under sec 17(2) of the Income Tax Act, 1962 are being withdrawn the net benefit will be Rs. 5,800.
- Proposal to increase Health and Education Cess on personal income tax and corporation tax to 4 percent from present 3 percent.
- Deduction of 30 percent on emoluments paid to new employees Under Section 80-JJA to be relaxed to 150 days for footwear and leather industry, to create more employment.
- 100 percent deduction proposed to companies registered as Farmer Producer Companies with an annual turnover up to Rs. 100 crore on profit derived from such activities, for five years from 2018-19.
- Equity oriented mutual funds will now face Dividend distribution tax @ 10% to bring it at parity with the new LTCG tax rate.
- 54EC benefit of investment in bonds to be restricted to capital gains on land and building only. Further, period of holding being increased from 3 years to 5 years.
- All companies irrespective of income to file return and in case it is not filed such Company will be liable for prosecution.
- Deemed dividend to be taxed in the hands of the company itself as Dividend distribution of tax @30%.
- Penalty for non- filing financial return as required under section 285BA being increased to Rs. 500 per day.
- **Indirect Taxes**
- Customs duty on crude edible vegetable oils like groundnut oil, safflower seed oil hiked from 12.5% to 30%; on refined edible vegetable oil from 20% to 35%.
- Customs duty on imitation jewelry hiked from 15% to 20%.

- Import duty on LCD/LED/OLED panels, parts of TVs hiked to 15%; duty on smart watches, wearable devices, footwear doubled to 20%.
- Government has proposed to cut import duty on raw cashew to 2.5% from 5%.
- Government proposes to levy Social welfare surcharge of 10% on imported goods.
- Customs Duty on certain products, such as mobile phones and televisions has been increased, to encourage 'Make in India' Scheme.

### **FINANCIAL SECTOR:**

- Government will contribute 12% of the wages of new employees in EPF in all sectors for next 3 years.
- Women contribution to EPF reduced to 8% for first 3 years.
- Govt will evolve a scheme to assign a Unique ID for all the companies.
- Proposal to roll out E-assessment across the country to almost eliminate person to person contact leading to greater efficiency and transparency in direct tax collection.
- Cash Payments exceeding Rs.10,000 by trusts will be disallowed and will be subject to tax.
- SEBI to mull asking large companies to meet 25% debt from Bond Market.
- MSME Sector to get Rs. 3,793 Crores in the form of capital support and interest subsidy.
- Pradhan Mantri Mudra Yojana lending target at Rs.3 lakh Crores for next financial year.
- The Finance Minister has proposed to increase the investment limit of the pension scheme Pradhana Mantri Vaya Vandana Yojana to Rs. 15 lakh from Rs. 7.5 lakh.
- Government has proposed to take necessary steps to curb the use of crypto currencies like bit coin and others.

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