

Income Tax :

Some important changes which will take effect from financial year 2017-18:

With the passage of the Finance Bill on 22nd March, 2017, the Lok Sabha has completed the budgetary exercise for 2017-18. Below are some of the most important income-tax changes that will come into effect:

1. With a decrease in tax rate from 10 per cent to 5 per cent for total income between Rs 2.5 lakh and Rs 5 lakh, there is tax saving of up to Rs 12,500 per year and Rs 14,806 (including surcharge and cess) for those with income above Rs 1 crore.
2. Tax rebate is reduced to Rs 2,500 from Rs 5,000 per year for taxpayers with income up to Rs 3.5 lakh (earlier Rs 5 lakh). Due to the combined effect of change in tax rate and rebate, an individual with taxable income of Rs 3.5 lakh will now pay tax of 2,575 instead of 5,150 earlier.
3. Surcharge at 10 per cent of tax levied on rich taxpayers, with income between Rs 50 lakh and Rs 1 crore. The rate of surcharge for the super rich, with income above Rs 1 crore, will remain 15 per cent.
4. Holding period for immovable property to be considered "long term" reduced to 2 years from 3. This will ensure immovable property held beyond 2 years is taxed at reduced rate of 20 per cent and eligible for various exemptions on reinvestment.
5. The base year for indexation of cost (adjustment of inflation) has been shifted to April 1, 2001 from April 1, 1981.
6. Tax exemption will be available on reinvestment of capital gains in notified redeemable bonds (in addition to investment in NHAI and REC bonds).
7. A simple one-page tax return form is to be introduced for individuals with taxable income up to Rs 5 lakh (excluding business income). Those filing returns for the first time in this category will generally not be subject to scrutiny.
8. Delay in filing tax return for the year 2017-18 will attract penalty of Rs 5,000 if filed by Dec 31, 2018 and Rs 10,000 if filed later. Such fee will be restricted to Rs 1,000 for small taxpayers with income up to Rs 5 lakh.
9. Deduction for first-time investors in listed equity shares or listed units of equity oriented fund under the Rajiv Gandhi Equity Savings Scheme is withdrawn from 2017-18. If an individual has already claimed deduction under this scheme before April 1, 2017, he/she shall be allowed to avail a deduction for the next two years.
10. Time period for revision of tax return cut to one year (from 2 years) from the end of the relevant FY or before completion of assessment, whichever is earlier.

11. **Cash transaction capped at Rs 2 lakhs** : The Union Budget 2017 had presented a cap on cash transactions at Rs 3 lakhs. However, Finance Minister Arun Jaitley made an amendment to this proposal and reduced the cash transaction even further to Rs 2 lakhs. This curb on cash transaction is proposed as another effort of the NDA government to push digital payments and make India a cashless economy. This rule restricts cash transaction at Rs 2 lakh per person per day per event, which will mainly affect all traders and businessmen who deal in cash.
12. **Adhaar Card mandatory for filing IT returns** : The BJP government has made Adhaar Card a mandatory document while filing Income Tax returns. Adhaar Card has also been made mandatory for obtaining or retaining PAN cards, forcing people to apply for their Adhaar Card. This step will help in easy monitoring of the various transactions that are made by every individual. Adhaar Card has already become mandatory in banks, and this rule will not allow people to pay their taxes without Adhaar Card.
13. **Tax reforms for Corporates** : The corporate tax has been reduced from 30% to 25% for small firms with an annual turnover of up to Rs 50 crore. This step has been taken to boost investments and encourage start-ups and small forms. Real estate firms have also been offered tax exemptions if they finish their project within five years. The previous bill allowed tax exemptions for real estate builders who finish their construction in 3 years. Also, start-ups have the option of being exempted from income tax for any three years in their initial seven years in the industry