



Finance Minister announces several measures for revenue mobilization in the General Budget 2017-18 along with a reduction in tax rates for small tax payers

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In a major relief to small taxpayer and to bring more people in the tax net, the Union Finance Minister Shri Arun Jaitley announced a reduction in tax rates from 10 per cent to 5 per cent for individual income between Rs. 2.5 to 5 lakhs. The total amount of tax foregone on account of this measure is expected to be Rs 15,500 crores. So the Finance Minister also announced several revenue mobilization measures in the Budget 2017-18.

While presenting the General Budget 2017-18 in Parliament today , the Union Finance Minister proposed the following measures:

I. Extend the provisions of Section 115BBDA of the Income-tax Act which provides for levy of tax at the rate of 10 per cent on dividend income exceeding Rs 10 lakh, to all resident persons except domestic companies or trust or institution or fund registered under section 12AA or referred to in section 10(23C). Presently, these provisions are applicable only to the individuals, Hindu undivided family (HUF) and firms.

II. Widen the scope of Section 56 of the Income-tax Act to provide that any money, immovable property or specified movable property received without consideration or with inadequate consideration, by any person, subject to certain exemption and exceptions, shall be taxable if its value exceeds Rs 50000.

III. In case of transfer of unquoted equity shares, where the fair market value, determined in the prescribed manner is less than the consideration received, such fair market value shall be the deemed value of consideration for the purpose of computation of capital gains.

IV. Some restrictions have been put on the exemption from long term capital gains in case of transfer of listed shares acquired after 1st October, 2004.

V. Introduction of a new provision in the Income-tax Act to provide for tax deduction at source at the rate of 5 per cent by an individual or HUF, other than those whose books of account are required to be audited, while making payment of rent of an amount exceeding Rs 50,000 per month.

VI. In order to align the transfer pricing provisions with the OECD transfer pricing guidelines and international best practices a new section will be inserted to provide that the assessee shall make secondary adjustment where the primary adjustment to the transfer price has been made in certain cases. The provision shall apply if the primary adjustment exceeds one crore rupees and the excess money attributable to the adjustment is not brought to India within the prescribed time.

VII. In order to address the issue of thin capitalisation, a proposal has been made that the interest paid by an Indian company or permanent establishment of a foreign company, shall not be allowed as deduction in computing its taxable profit subject to certain conditions.

VIII. Provisions have also been made to address the existing anomaly of interest deduction in respect of let-out property vis-à-vis self-occupied property.

IX. The donation by an entity registered under Section 12A or approved under section 10(23C), to other entity, registered under Section 12A, with the direction that such donation shall form part of the corpus, shall not be treated as application of income for charitable purposes.

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