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TAX GUIDE 2017-18

A complete guide
on the latest tax reforms, income tax structure and things to do to make **2017-18** a successful financial year for you

TAX PLANNING

KEY CHANGES AND ACTION POINTS

START YOUR TAX SAVING PLAN

MAXIMIZE YOUR TAKE HOME SALARY

FIVE SMART THINGS TO DO

PAPERWORK FOR AN INDIVIDUAL

INDEX

TAX PLANNING
Objective & Importance

Tax planning is a way by which you arrange your financial affairs in such a way that without breaking up any law you take full advantage of all Exemptions, Deductions, Rebates and Reliefs allowed by law so that your tax liability will be reduced.

Actually Government provide deductions, exemptions, reliefs or rebate for the benefits of economy and society. Like if you made donation to Scientific research [u/s 8GGA I then it's good for Society and economy too .

Concept

Discussion

Success

START YOUR TAX SAVING

- Claim Deductions under sections SOC to SOU,
- It will reduce your tax liability and you have to pay less tax
- Minimize the war between Taxpayer and Tax Administrator, Tax payer wants to pay less tax and Tax Administrator wants to extract most of the tax, by using Tax Planning this war is minimized as taxpayer is using all legal ways to reduce tax liability.
- Makes Investment :- By tax planning, Taxpayer will invest his money in some good funds which will result in productive returns for tax payer and transfer money to government for investment too.
- Helps in growth of economy,
- Makes society grow,
- Money saved by you will resutt in investment which will result in employment generation.

IMPORTANCE OF TAX PLANNING

Tax Payer | **Government** | **Society**

For Tax Payer

Taxpayer has to pay less tax by using tax planning because he is using all available exemptions, deductions, reliefs, and rebates. All is done within the boundaries of Law.

For Government

To use deduction or exemptions you have to invest money in some scheme which results that you money is transferred back to government and then they can use it to develop the country.

For Society

If government invest or start any new project or even tax payer invest his saved money so he will generate employment, Government can invest in better projects which develops society.

We will bring you the latest updates on the same as they happen. Stay tuned to Fingyan by following Fingyan Official Facebook Page and sign up for our free newsletter.

INCOME TAX
Key Changes And Action Points For The FY **2017-18**

- Restrictions on Cash Transactions
- Restrictions on Cash Receipts
- Restriction on in House property loss
- Changes in Capital gains
- Cap on Depreciation
- Presumptive tax concession for cheque transactions
- Income from unexplained sources-consequences
- Tax on deemed gifts (Sale/purchase lower than Fair Market Value)
- Stiff penalties including for late filing of IT Returns
- Annual Information Reporting and Compulsory quoting of PAN
- Changes in Tax & Surcharge rates

FINANCE ACT 2017,

- Finance Bill 2017 has been passed by both the houses of parliament and received assent from the President of India on 31st March, 2017 and became Finance Act 2017
- Far reaching changes have been made in the Finance Act and Income Tax (Amendment) Act, 2016
- Imposed huge penalties followed by prosecution for contravention
- We would like to bring few important highlights for your attention and further compliance

RESTRICTION ON CASH TRANSACTIONS

- If you have purchased a two-wheeler by paying Rs 15,000 in cash and Balance Rs 30,000 in Cheque – Depreciation eligibility will be only on Rs 30,000/-.

- No deduction allowed for donation U/s 80G in excess of Rs 2000/- if paid in cash

- No person shall receive Rs 2 lacs or more
  - in aggregate from a person in a day or
  - Per Transaction or
  - Per event/occasion from a person (other than by an A/c Payee Cheque/draft/ECS) (Sec 269 ST)

- Penalty at 100% of the amount involved

- Covers all cash receipts be it cash sales, advance for sales, lease advance, etc.

- Following cash transactions amount to Violation of Sec 269ST attracting penalty

Accepting Cash >= Rs.2 Lacs	**Instance**
In a Day Per Person	If you receive Rs 70,000 each against 5 invoices from same customer on one single date
Against one Bill Per Person	If you collect against one bill of Rs.4,00,000 at Rs. 20,000 on 20 different days
Against one event or occasion per Person	If you collect Rs 1,00,000 on one day and Rs.1,50,000 on another day towards lease deposit

- Any cash is deposited directly into your bank accounts by others (including customers) of Rs.2 lakhs or more in a day or with respect to a single transaction or event or occasion would also amount to violation.

FINANCE ACT 2017, HOUSE PROPERTY INCOME

House Property Loss can be set off against other head of Income only up to Rs.2 lacs in the same year, balance loss has to be C/f to next year for set off against house property income only

F.Y. 2016-17		F.Y. 2017-18	
Business Income	5,00,000	Business Income	5,00,000
Rental Income	60,000	Rental Income	60,000
Interest on HL	(4,5,0,000) (3,90,000)	Interest on HL	(4,50,000) (2,00,000)
Net Income	1,10,000	Net Income	3,00,000
Loss C/F	_	Loss C/F	1,90,000

FINANCE ACT 2017, CAPITAL GAINS

- In case of immovable properties Holding period reduced from 36 months to 24 months to qualify as long term capital asset. (Please note that other capital assets like jewelry holding period should be 3 years for claiming Long Term)

Particulars Example	Earlier Treatment	Post Amendment Treatment
Sold on 16.04.2017	90,00,000	90,00,000
Purchased on 16.01.15	60,00,000	60,00,000
Indexed Cost	NA	68,57,143
Capital Gain	30,00,000 (Short-Term)	21,42,857 (Long-Term)
Tax Amount	7,46,750	4,41,428
Reinvestment Option U/s 54 & 54 EC	Not Available	Available

- Exemption of Long Term Capital gain on sale of listed company shares through Stock exchange if STT is paid is amended, that such shares acquired on or after 1st Oct 2004, exemption will be available only if STT is paid at the time of acquisition. Also, List of exceptions is expected to be notified soon.

- One must establish that either shares were purchased prior to 1st Oct 2004 or produce evidence that STT was paid at the time of purchase.

CASH ON DEPRECIATION

- CBDT issued a Notification on 7th March, 2017 imposing cap on depreciation rates as under:
- Highest rate of Depreciation has been restricted to 40 per cent w.e.f financial year 2017-18. Impact can be understood as under:

Asset	Depreciation Rate FY 2016-17	Depreciation Rate FY2017-18
Computer, Laptops, Software etc.	60%	40%
Renewable Energy Devices, etc.	80%	40%
Air Pollution Control Equipment, etc.	100%	40%

COMPULSORY QUOTING OF PAN – KEY CHANGES

- W.e.f. 01.01.2016 certain transaction require PAN to be compulsorily quoted:
- Sale or purchase by any person of goods or services of any nature other than immovable properties, shares, motor vehicle in excess of Rs.2 Lacs per transaction, irrespective of mode of payment
- Hotel/Restaurant bills in excess of Rs. 50,000/- paid by cash (increased from Rs. 25,000/-)
- Sale or purchase of immovable property exceeding Rs 10 lacs (increased from Rs. 5 Lacs
- Purchase or Sale of unlisted shares Rs. 1 Lac (increased from Rs.50000/-)

TAXATION OF GIFTS/ DEEMED GIFTS

Following Gifts/Deemed Gifts chargeable to tax in the hands of the receiver of gifts (any person including individual, HUF, firm etc.)

- Cash gift in excess of Rs. 50,000/-
- Immovable Property in excess of Rs. 50,000 as a gift

- Immovable property at a consideration which is lesser than Stamp Duty value of Property by more than Rs. 50,000.Other than immovable Property (i.e. shares, jewelry, paintings, etc.) in excess of Rs. 50,000 as a gift

- Other than immovable Property at a consideration which is lesser than Stamp Duty value of Property by more than Rs. 50,000.

- If cash gifts of Rs. 2 lakhs or more are received, apart from tax penalty u/s 269ST would attract equivalent to the amount involved. Even cash gifts received from parents on the occasion of marriage would attract above penalty

- Gifts from relatives, on occasion of marriage, under a will, in contemplation of death by donor, by any trust are not regarded as gifts for purpose of taxation.

PENALTY/FEES FOR DELAY IN FILING THE RETURN

Fees for late filing of ITR introduced (to be paid before filing). Such fees to be paid under self-assessment- mandatorily irrespective of cause

Sec 271 F – Penalty (up to AY:2018-19) – (271 F)	Amount Payable
Delay in filing the return after the AY	Rs. 5,000

Sec 271 F – Penalty (up to AY:2018-19) – (271 F)	Amount Payable
Where Taxable Income < 5 Lacs Any Delay in Filing the Return	Rs. 1,000
Where Taxable Income >= 5 Lacs ITR furnished after due date but before 31st December of AY In all other cases	Rs. 5,000 Rs. 10,000

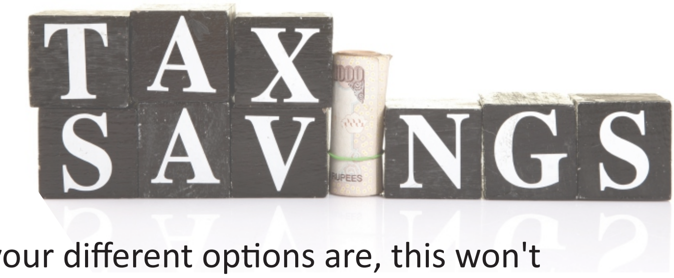
Section	Nature of Default	Penalty Leviable
271 H	Failure to deliver/cause to be delivered a statement within the time prescribed in Section 200(3) / 206C (3), or Furnishes incorrect information in the statement	Rs. 10,000 to Rs. 1 Lac
272 A (1)	Refusal or failure to: answer questions, sign statement, summons & notices u/s 143(2) etc. compliance.	Rs. 10,000 for each default
272 B	Failure to quote PAN in specified transactions	Rs. 10,000

FINANCE ACT, 2017 – TAX SLABS FOR INDIVIDUALS

Rates	Individuals	Resident Sr. Citizens (60 to 79 Years)	Resident Super Sr. Citizens (80 Years & Above)
Nil	2.5 Lacs	3 Lacs	5 Lacs
5%	2.5 Lacs to 5 Lacs	3 Lacs to 5 Lacs	Nil
20%	5 Lacs to 10 Lacs (Rs. 12,500 + 20%)	5 Lacs to 10 Lacs (Rs. 10,000 + 20%)	5 Lacs to 10 Lacs
30%	More than 10 Lacs (1,25,000 + 30%)	More than 10 Lacs (1,10,000 + 30%)	More than 10 Lacs (1,00,000 + 30%)

- Rebate up to Rs. 2500/- to Resident Individuals whose Taxable Income (TI) < Rs 3.50 lacs
- Surcharge @ 10% if Taxable Income > Rs 50 lacs and 15% if Taxable Income > Rs 1 Crore
- Cess @ 3% For All Assesses Continues
- Tax Rate for Firms/LLP`S – 30% + Surcharge At 12% For TI In Excess Of 1Crore

START YOUR TAX SAVING PLANS EARLY



Most people usually wait until the very last moment every year before scrambling to get their tax saving investments in order. Don't be like those people' Instead, start at the beginning of the financial year, and you could save yourself from a lot of grief.

Now, you might be wondering how to put an effective tax plan together for your investments. If you know what your different options are, this won't be too difficult. The first thing you need to know is that there are different small-term and long-term investment options you can opt for. These not only help you save tax but yield good returns as well. And not just that, these small investments if started at an early age, will not only help you secure your future, they will take care of your retirement planning as well'

Small Term Investment

Long Term Investment

Good Returns

SO, WHAT ARE THE AVAILABLE INVESTMENT OPTION THAT WILL HELP YOU SECURE YOUR FUTURE?

INSURANCE POLICIES

Paying small premium amounts (monthly, quarterly or annually) towards any kind of life or Health Insurance policies, will not only help you save taxes but secure your family and help you save on medical expenditures as well. Remember 'health is wealth', so choose a Health Insurance policy or Life Insurance policy that best suits your needs. It wouldn't be a bad idea to invest a little extra and cover your spouse, children and parents as well'

PUBLIC PROVIDENT FUND

If you have just started earning, try investing some money in the Public Provident Fund (PPF). You can start with investing an amount as low as Rs. 500. With PPF you earn returns up to 8.75% (this changes every year) and of course, it's tax free. You should also know that it's backed by the Government, so it's less of a risky investment as well. What more could you ask for?

NATIONAL SAVINGS CERTIFICATE

Another great investment option for salaried individuals is a National Saving Certificate. Here, you can choose to invest anything between a Rs. 100 to a few thousand. The tenure can be five or ten years and the interest rates are as high as 8.5% for five years and 8.8% for 10 years. (this changes every year) NSCs are tax free and fall under the Section 80C of the Income Tax Act. However, the interest earned on an NSC is taxable. So, instead of withdrawing your money and paying tax on the interest, re-invest the same interest and continue enjoying the tax benefits. Cool idea, isn't it?

SAVINGS ACCOUNTS

The government has recently launched a tax saving option of up to Rs. 10,000 which you can avail of by simply opening a Savings Account with any bank. Though interest rates are generally not very high, you save on your taxes.

FIXED DEPOSITS

Opening a Fixed Deposit in any bank is also an excellent choice of investment as it will help you earn great returns. The best part, you can open a Fixed Deposit account for a minimum of seven days to a maximum period of 10 years. Depending on the tenure and the bank policies, you can earn up to 9% interest on a Fixed Deposit account

RECURRING DEPOSITS

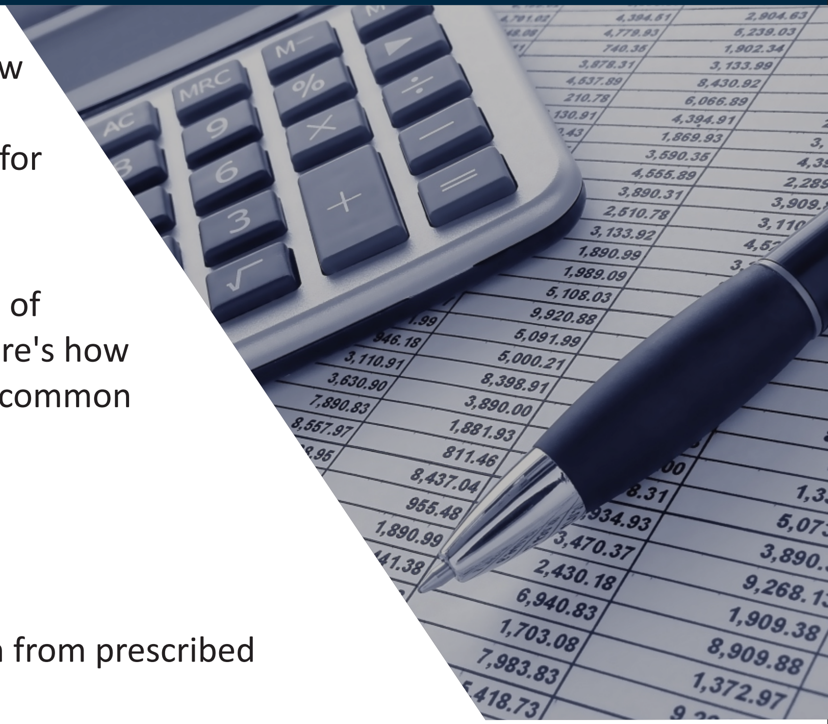
Did you know you can open a Recurring Deposit with just Rs. 10 atany bank or post office? It's a smart regular investment which will help you earn a decent amount of interest. The tenure can either be six months or you can choose to invest up to 10 years. A small investment with fixed returns, Recurring Deposits might not help you save a lot of tax, but a systematic investment never hurt anybody.

SYSTEMATIC INVESTMENT PLAN (SIP)

If you aren't completely risk averse, then a Systematic Investment Plan (SIP) might be just the thing for you. Your money will be invested in specific Mutual Funds which will help you earn good returns and you will be eligible for tax benefits under the Equity-linked Savings Schemes as well. So, like we said earlier, the financial year has just begun, so, pick one or all of these investment options and start investing I This way, you won't have to worry about your tax being deducted.

BUDGET 2017

How To Cut Tax Outgo And Maximize Your Take Home Salary



Section 80C: The Rs 1.50 Lakh Tax-Saving Window

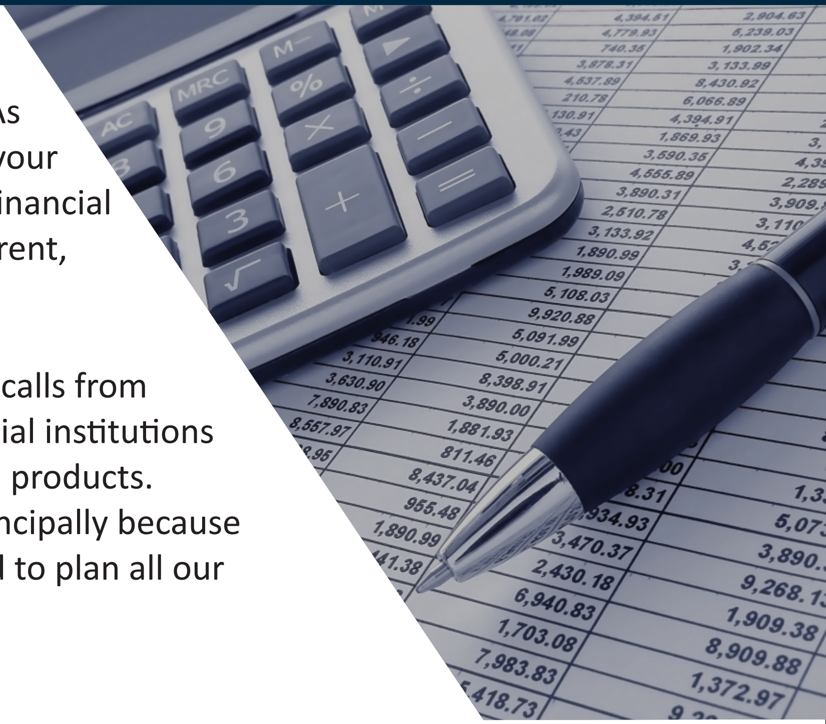
We would like to bring few important highlights for your attention and further compliance

Section 80C of Income Tax Act allows exemption of investment or spending from income tax. But here's how you can maximize your savings by making some common investments

1. Your Provident Fund contribution
2. Principal component of your housing loan from prescribed institutions
3. You can invest Rs 500 to Rs 1.5 lakh every year in a Public Provident Fund (PPF) account
4. Tuition fees of two children
5. Life insurance premiums for self, spouse and kids
6. Contribution to Unit-linked Insurance Plan for self, spouse and kids
7. Invest in National Savings Certificates (NSC) schemes (through post offices)
8. A 5-year term deposit with a bank under a notified scheme or a post office
9. You can invest up to Rs 1.5 lakh a year in Sukanya Samriddhi Account in the name of your daughter (limited to two children)

If your basic salary is over 1 lakh a month, most of your 80C limit will be used up by Provident Fund contribution alone, if you have opted to contribute to PF.

FIVE SMART THINGS TO DO IN THE NEW FINANCIAL YEAR



March ending and April beginning is not only a New Financial Year but also a new lunar year. As the New Financial Year beckons, you would see your annual appraisal increments flowing in. A New Financial Year can also bring new expenses like increased rent, revised tuition fee for the kids etc.

What you would also realize is a sudden drop-in calls from Mutual Fund companies, banks and other financial institutions asking you to invest in investment and insurance products. This marketing blitzkrieg happens every year principally because the majority of us for some strange reasons tend to plan all our investments towards
the end of the year.

While you celebrate your promotion or a salary raise, it is also an important time to plan your next financial year. And as all corporates do their yearly planning, it is imperative that you should also plan your personal finances for next year. Here are 5 things that you should do from a personal finance perspective in the New Financial Year.

REVIEW HOW YOU MANAGED YOUR MONEY LAST YEAR

If you had set up financial goals for the previous year, this is a good time to review them. Look at how you performed on each of the goals you set up for yourself. The top questions you should find answers to include.

1. Were your expenses more or less than what you budgeted for?
2. Did you put enough money for your long-term goals?
3. How did you manage your tax investments?
4. How did you respond to changing market trends to balance your investments and portfolio?
5. Is your portfolio aligned to your long term and medium term goals?
6. Did you deploy your money well or it was lying in your savings account?

REVIEW YOUR FINANCIAL PLAN OR SET UP ONE IF YOU DO NOT HAVE ALREADY

This is the time of the year when you should review your ongoing financial plan. Check if you are on track to achieve your long-term and medium-term goals. Do you need any changes in investment strategy etc. Do you foresee any major changes in your income or expenses this year for which your need to re-calibrate your financial plan.

If you do not have a financial plan, I strongly recommend that you should start working right away to build one. A good financial plan should be flexible, should provide for contingencies, manage your risks and set up achievable financial goals.

DO A FRESH BUDGETING EXERCISE

One important thing that changes in the New Financial Year is that you would have got an increment or a salary raise so your household income might change. Your expense profile might also change (like your rent can go up), kid's tuition fees can go up etc. So, this is a good time to do a fresh budgeting exercise. The start of the financial year seems to be a good time to relook at your budget sheet and rework the numbers for the upcoming year.

START YOUR TAX PLANNING FOR THE YEAR RIGHT AWAY

"Plan your taxes before it is too late" is one of the messages you would have been hearing ad nauseam for last few months. Going forward, not many people will be talking to you about your taxes. Let me tell you a simple secret: the start of the year is the best time to plan your taxes for 2 reasons:

1. *Systematic investments grow your money faster and better than one time dumping that happens at the end of the year.*
2. *Starting early in the year will help you plan and invest in right instruments.*

If you're planning to invest in ELSS Mutual Funds, use an ELSS calculator to look at how your money can grow with monthly SIP.

FILE YOUR TAX RETURNS

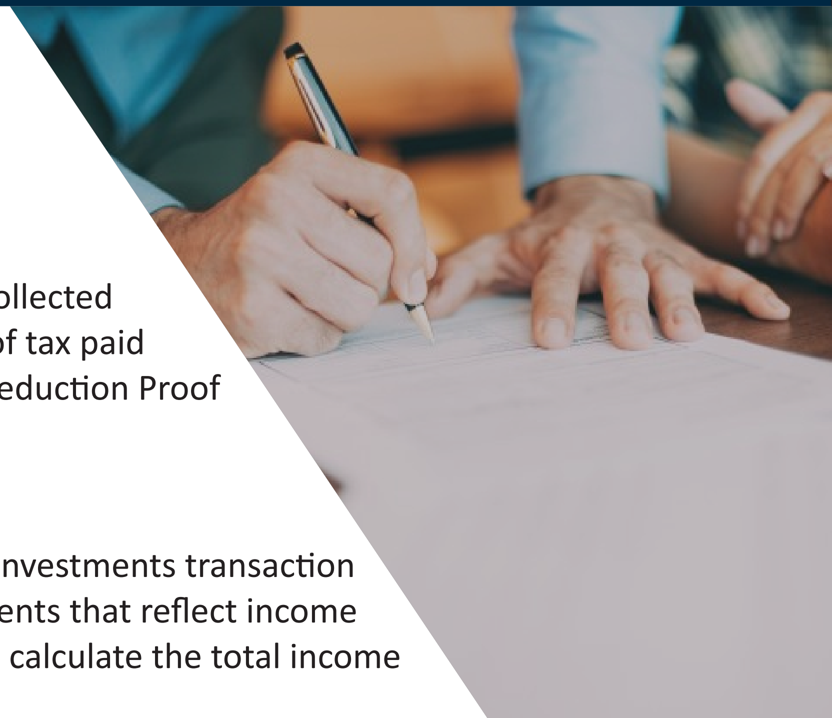
The start of the New Financial Year is also the time to file your tax returns for the previous year. Talk to your CA or use any online tool to file your tax returns. Filing tax returns have become lot easier now so you can do it on your own also.

Financial wellness is a journey which requires proper planning and regular updates to plan in light of new developments. Start thinking in terms of your money being proactive and not reactive. Have a great financial year ahead.

SMART CHECK:

Review existing plan	Plan early	File tax returns

PAPERWORK FOR INDIVIDUAL TAX FILING



It is important for individual taxpayers to start putting together the documents necessary for initiating the process of filing their tax returns.

DOCUMENTS

Typically, three sets of documents need t o be collected by the taxpayer: Proof of income earned Proof of tax paid Proof of expenses incurred that are subject to deduction Proof of investments that are allowed as deduction

PROOF OF INCOME

Salary slips, bank statements, shares and other investments transaction statements, property sale papers and all documents that reflect income during the financial year need to be collected to calculate the total income received by the taxpayer.

PROOF OF TAX PAID

Form 26AS lists all the tax payments made by or on behalf of the taxpayer. Salary earners need to collect Form 16 from their employer, and others need to collect form 16A from those who have deducted tax on their behalf. Advance tax challans for tax paid during the year also need to be submitted.

PROOF OF DEDUCTIBLE EXPENSES

Bank statements, receipts for deductible expenses incurred for business or profession, as well as receipts for medical and life insurance premiums need to be filed.

PROOF OF INVESTMENTS

This includes investment holding statements and proofs of investment in securities that are allowed as deduction under Section 80C, such as PPF account statements, NPS statements, salary slips, premium receipt for investment in life insurancel etc.

Initiate Early

Gather Proof

Verify

POINTS TO NOTE

The documents can be submitted in the form of hard copies or soft copies. Receipts issued for donations made during the year to approved institutions also need to be included to take advantage of the deduction provisions.

Source: India Infoline, Economic Times, fingyan.com, BankBazaar, Taxguru, EJ