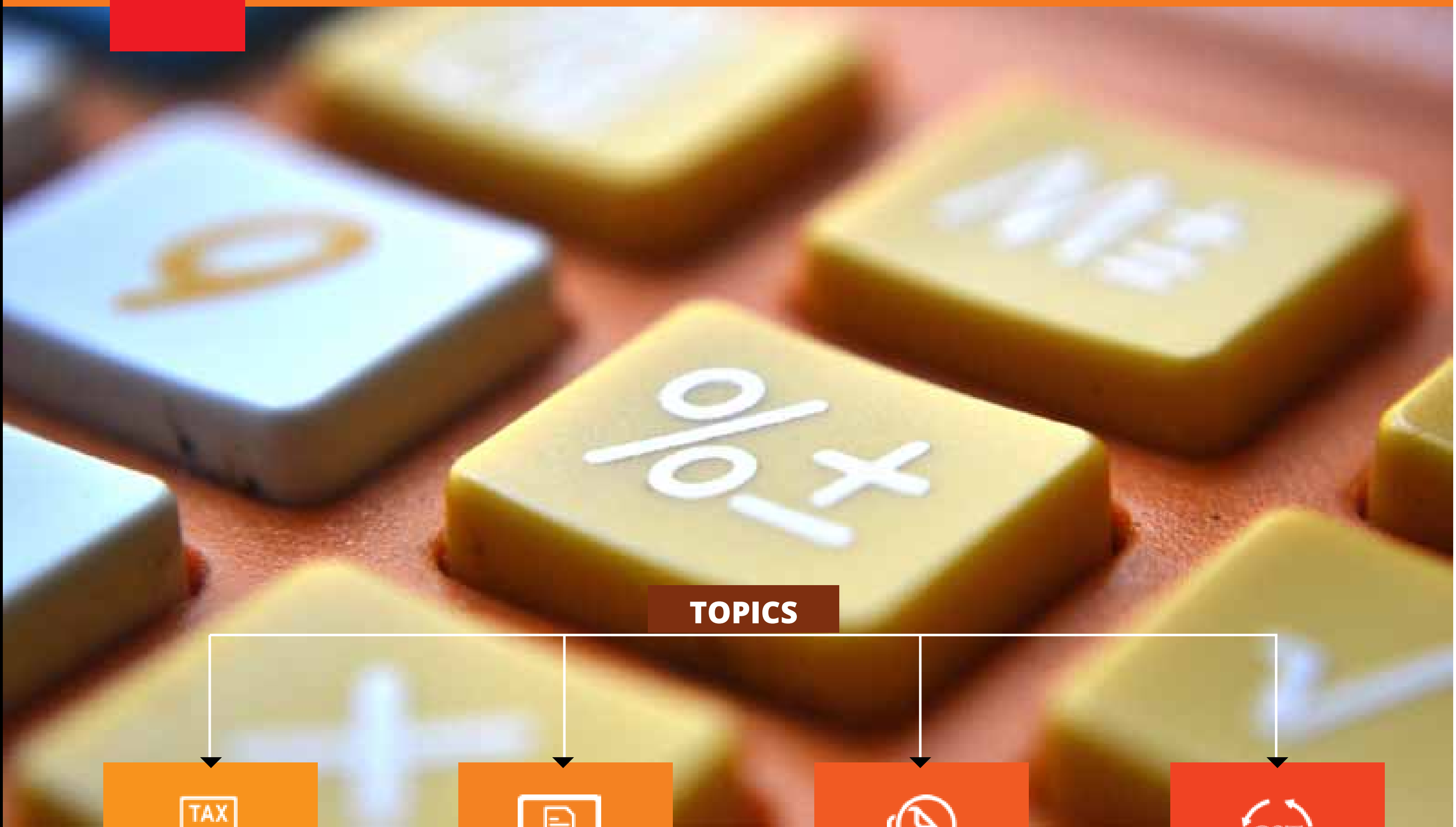
TAX GUIDE 2018-19

A complete guide on the latest tax reforms,income tax structure and things to do to make 2018-19 a successful financial year for you



TOPICS

- All You Need To Know About Tax
- Guide For e-Filing ITR Online
- Key Highlights of Budget 2018-19
- GST

Foreword

Income tax is the unfortunate reality of income. If given a choice, most of us wouldn’t want to pay tax on the income we earn. But we should, because the income tax we pay is an important source of revenue for the government. As citizens of India, we are also consumers of the country’s public infrastructure and facilities. When we want these facilities and infrastructure to improve, it is also our duty and responsibility to contribute towards building and maintaining it. Paying income tax and filing income tax returns is one way of doing that.

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1.1 What is an Income Tax?

Income tax is a tax levied directly on the income of an individual/organization/business by the government for the purpose of financing its various operations.

There are two types of income tax - direct tax and the newly launched Goods and Services Tax (GST) which subsumed all other indirect taxes such as VAT, service tax, excise etc.

Income tax collected by government is not only used for various government schemes but also acts as a fiscal stabilizer that aid in distributing wealth evenly among the population.

According to the Income Tax Act of India, income from the following sources is considered taxable:

Income from salary
Income from house property
Income from profits and gains of business or profession
Income from capital gains
Income from other sources

1.2 Why do you have to file Income Tax Returns?

Irrespective of whether you live in India currently or not, filing an income tax return is compulsory, if your total Indian income exceeds **Rs.2,50,000.**

Even if you don't meet the **Rs.2,50,000** threshold, it's a good practice to file or **e-file** your income tax return. An income tax return is an important document that you must produce at the time of availing a home loan, as it reflects your financial prosperity. An income tax return as a proof of income shows your capacity to repay a loan.

If you are planning to go abroad for higher studies or are about to take up a job outside of India, you'll need at least three years' filed income tax returns to show as proof of income. People processing your visa application may request for this financial information to evaluate your financial health, which in return shows that you can support yourself on your own in their country.

1.3 What is Income from Other Sources?

Income from other sources is a residual category used to classify income that is not classified taxed under any other head of income. Income from other sources must be calculated by the taxpayer based on the mercantile system used by the taxpayer, i.e cash basis or accrual basis. In this article, we look at income from other sources in detail along with list of allowed deductions.

Items Classified as Income from Other Sources

Apart from income that cannot be classified under any other heads, there are certain types of incomes which are always taxed under income from other sources. Such incomes are as under:

Dividends are always taxed under income from other sources. However, dividends from domestic company are normally exempt from tax, as the company declaring dividend pays dividend distribution tax
Winnings from lotteries, crossword puzzles, races including horse races, card game and other game of any sort, gambling or betting of any form is classified as income from other sources
Interest received on compensation or on enhanced compensation is taxed under the head "Income from other sources"
Gifts received by an individual or HUF (which are chargeable to tax) are also taxed under this head

The following types of income can be classified as Income from Other Sources, if it is not taxed under the head "Profits and gains of business or profession":

- Any contribution to a fund for welfare of employees received by the employer
- Income received by way of interest on securities
- Income from letting out or hiring of plant, machinery or furniture
- Income from letting out of plant, machinery or furniture along with building; both the lettings are inseparable
- Money received under a Key Man Insurance Policy including bonus

1.4 Understanding Income Tax in India

Income tax refers to the tax levied by the government for financing its various operations. Taxes are of two types, direct and indirect. Whereas Income Tax is a direct tax, VAT, service tax, excise and the latest one to subsume all these taxes Goods and Services Tax (GST) are all indirect taxes.

Apart from funding the activities of the government, taxes also act as a fiscal stabilizer that aid in distributing wealth evenly among the population. Furthermore, taxes are instrumental in cushioning the effects of economic cycles. The payment of Income Tax in India is made according to the provisions made under the Income Tax Act.

According to the Indian Income Tax laws, income from the following sources is deemed taxable:

Salaries	Income from house property	Profits and gains of business or profession	Capital gains	Income from other sources

The sum of income from all the sources above is calculated according to the provisions of Income Tax Act. The tax rates in India vary according to the earnings of an individual and are referred to as Income Tax slabs. These Income Tax rates are revised every year during the budget.
Income tax is calculated on an annual basis. It is levied on the income earned in the previous year which is also known as the Assessment Year. In the eyes of the law, the Financial Year begins on the 1st of April in a given year and ends on the 31st of March of the following year.

1.5 Save Income Tax

While the government expects you to pay income tax, it also allows you to legally save on income tax. You don't have to pay income tax if you earn less than Rs.2.5 lakh in a year. Income more than that is taxed as per different slabs, with the tax rates going up with increase in income. No matter how much taxable income you earn, there are certain exemptions and deductions available to all individual and HUF taxpayers that can be used to pay less income tax.

Tax saving options in India

The most popular tax-saving options available to individuals and HUFs in India are under Section 80C of the Income Tax Act. Section 80C includes various investments and expenses that can be used to claim deductions. The Section 80C limit is Rs.1.5 lakh in a financial year, which means that you can use this entire amount to reduce your taxable income.

Saving tax beyond Section 80C

Apart from the deductions available under Section 80C, there are various other Section 80 deductions that can also be claimed to save on income tax. These deductions include health insurance premiums, tax benefits on home loans, Another way to save tax is by creating a Hindu Undivided Family (HUF). An HUF can be created by married Hindu individuals. An HUF would include the creator, who is called Karta, and his or her family members. The advantage of an HUF is that you can split your income between two entities–yourself as an individual taxpayer and the HUF. This way, you can avail the same tax-saving deductions twice.

How to plan your tax-saving investments for the year

The best time to start planning your tax-saving investments is at the beginning of the financial year. Most taxpayers procrastinate till the last quarter of the year and end up taking hurried decisions. Instead, if you plan at the start of the year, you can make investments that can also help you fulfill your long-term goals. Tax-saving investments should be used to build wealth as well, not only to just save tax.

Use the following pointers to plan your tax-saving for the year:

- Check the tax-saving expenses that you're already making that you can claim. This includes expenses like insurance premium, children's tuition fees, etc
- Deduct this amount from 1.5 lakh to figure out how much to invest. The entire amount doesn't need to be invested if expenses are covering it
- Choose tax-saving investments based on your goals and profile. ELSS funds, PPF, NPS and fixed deposits are some of the popular options

This way, you can figure out how much you need to invest to save taxes. It is best to begin investing in the first quarter of the financial year so that you can spread the investments over the year. Doing this won't burden you at the end of the year and will also allow you to make informed investment decisions.

1.6 Different Types of ITR Forms

ITR 1 SAHAJ	Individuals with income from salary & interest
ITR 2	Individuals & Hindu Undivided Families (HUF) not having income from business or profession
ITR 3	Individuals/HUFs being partners in firms and not carrying out business or profession under any proprietorship
ITR 4	Individuals & HUFs having income from a proprietary business or profession
ITR 4S SUGAM	Individuals/HUF having income from presumptive business
ITR 5	Firms, AOPs,BOIs and LLP
ITR 6	Companies other than companies claiming exemption under section 11
ITR 7*	Persons including companies required to furnish return under section 139(4A) or section 139(4B) or section 139(4C) or section 139(4D)

*ITR-7: The ITR-7 income tax form is to be filed by individuals or companies that are required to submit their returns under the following sections:

Section 139(4A)

Under this section, returns can be filed by those individuals who receive income from any property that is held for charity or religion in the form of a trust or legal obligation

Section 139(4B)

Under this section, returns are to be filed by political parties provided their total income earned is above the non-taxable limit

Section 139(4C)

Under this section, returns are to be filed by the following entities:

- Any institution or association mentioned under Section 10(23A)
- Any association involved with scientific research
- Any institution mentioned in Section 10(23B)
- Any news agency
- Any fund, medical institution or educational institution

Section 139(4D)

Under this section, returns are to be filed by entities such as colleges, universities or any other such institution wherein income returns, or loss are not required to be provided in accordance with other provisions outlined in this section.

2.1 Who Should e-File

- Online filing of tax returns is easy and can be done by most assessees
- Assessee with a total income of Rs. 5 Lakhs and above
- Individual/HUF resident with assets located outside India
- An assessee required to furnish a report of audit specified under sections 10(23C) (IV), 10(23C) (v), 10(23C) (VI), 10(23C) (via), 10A, 12A (1) (b), 44AB, 80IA, 80IB, 80IC, 80ID, 80JJAA, 80LA, 92E or 115JB of the Act
- Assessee required to give a notice under Section 11(2) (a) to the assessing officer
- A firm (which does not come under the provisions of section 44AB), AOP, BOI, Artificial Juridical Person, Cooperative Society and Local Authority (ITR 5)
- An assessee required to furnish returns U/S 139 (4B) (ITR 7)
- A resident who has signing authority in any account located outside India
- A person who claims relief under sections 90 or 90A or deductions under section 91
- All companies

2.2 Types Of e-Filing

- Use Digital Signature Certificate (DSC) to e-file. It is mandatory to file IT forms using Digital Signature Certificate (DSC) by a chartered accountant
- If you e-file without DSC, ITR V form is generated, which should then be printed, signed and submitted to CPC, Bangalore by ordinary post or speed post within 120 days from the date of e-filing
- You can file e-file IT returns through an E-return Intermediary (ERI) with or without DSC

2.3 Steps to Follow To File Income Tax Returns

Filing your income tax returns online doesn't have to be a complicated process. Simply follow the below steps.

First, log on to IncomeTaxIndiaeFiling.gov.in And register on the website.

- Your Permanent Account Number (PAN) is your user ID
- View your tax credit statement or Form 26AS. The TDS as per your Form 16 must tally with the figures in Form 26AS
- Click on the income tax return forms and choose the financial year
- Download the ITR form applicable to you. If you're exempt income exceeds Rs. 5,000, the appropriate form will be ITR-2 (If the applicable form is ITR-1 or ITR 4S, you can complete the process on the portal itself, by using the 'Quick e-file ITR' link - this has been explained below)
- Open excel utility (the downloaded return preparation software) and fill out the form by entering all details using your Form 16
- Check the tax payable amount by clicking the 'calculate tax' tab
- Pay tax (if applicable) and fill in the challan details
- Confirm all the data provided in the worksheet by clicking the 'validate' tab
- Generate an XML file and save it on your desktop
- Go to 'upload return' on the portal's panel and upload the saved XML file
- A pop-up will be displayed asking you to digitally sign the file. In case you have obtained a digital signature, select 'Yes'. If you have not got digital signature, choose 'No'
- The acknowledgment form, ITR Verification (ITR-V) will be generated which can be downloaded by you
- Take a printout of the form ITR-V and sign it in blue ink
- Send the form by ordinary or speed post to the Income-Tax Department-CPC, Post Bag No. 1, Electronic City Post Office, Bangalore, 560 100, Karnataka within 120 days of filing your returns online

2.4 Things to Watch Out For

- If the same mobile number or email address is used for more than four taxpayers, you cannot file returns on the website, unless the required change is done. For instance, in some cases, more than five returns may be filed yours, wife, mother, mother-in-law and the Hindu undivided family (HUF) of which you are the Karta, the executor of a will
- If your name mentioned in your bank documents or official statements is even slightly different from the one given in the PAN card, the portal will consider you a different individual. In certain instances, some individuals give their father's name as their 'middle' name in their PAN card, but do not use it for their bank accounts
- If a non-resident Indian must file income tax returns, he will need both an India number and a foreign number

For Salaried People And Individuals:

- No change in Tax Rate. All persons including individuals, HUF, Firms and Companies to pay same tax. However, Education cess is being increased from 3 to 4 % to be known as Education and Health cess
- Long term Capital gain exemption under section 10(38) in respect of listed STT paid shares being withdrawn. However, capital gain up to 31.1.2018 shall not be taxed as cost of acquisition will be taken as Fair Market Value as on 31.1.2018
- Standard Deduction of Rs.40, 000 for salaried employees. However, benefit of transport allowance of Rs.19, 200 and Medical Reimbursement of Rs 15,000 under Section 17(2) are being withdrawn. Thus, net benefit to salaries class only Rs. 5,800
- PAN to be obtained by all entities including HUF other than individuals in case aggregate of financial transaction in a year is Rs.2,50,000 or more. All directors, partners, members of such entities also to obtain PAN
- 54EC benefit of investment in Bonds to be restricted to Capital gain on land and building only. Further period of holding being increased from 3 years to 5 years

Relief to Senior Citizens

- Exemption of interest income on deposits with banks and post offices are proposed to be increased from Rs. 10,000 to Rs. 50,000
- TDS shall not be required to be deducted under section 194A
- Benefit will also be available for interest from all fixed deposit schemes and recurring deposit schemes
- Hike in deduction limit for health insurance premium and/ or medical expenditure from Rs. 30,000 to Rs. 50,000 under section 80D.
- Increase in deduction limit for medical expenditure increased to Rs. 1 lakh under section 80DDB

Agriculture and Rural Sector:

- 100% deduction to companies registered as Farmer Producer Companies with an annual turnover up to Rs. 100 crores
- MSP for all unannounced Kharif crops increased to 150%
- Institutional credit for agri-sector increased to Rs.10 lakh crore in 2017-18
- Fisheries, aquaculture and animal husbandry corpus at Rs. 10,000 crores
- New scheme Operation Greens with an outlay of Rs. 500 Crores
- Govt to develop and upgrade existing 22,000 rural haats
- Agri-Market Infrastructure Fund with a corpus of Rs.2000 crore
- Allocation for Ministry of Food Processing doubled to Rs.1400 crore
- Loans to Self Help Groups (SHG) of women to increase to Rs. 75,000 crores by March 2019
- Increased allocation of National Rural Livelihood Mission to Rs 5750 crore
- Under Ujjwala Scheme distribution of free LPG connections will be given to 8 crore poor women
- Housing for All by 2022 – more than one crore houses to be built by 2019 in rural areas
- Plan for employment of 321 crore person days, 3.17 lakh kilometers of rural roads, 51 lakh new rural houses, 1.88 crore toilets, and 1.75 crore new household electric connections

Other Sectors include SMEs Railway, and Health:

- Estimated budgetary expenditure on health, education and social protection at Rs.1.38 lakh crore
- Ekalavya Model Residential School to be set up for tribal children
- Investments for research & infra in premier educational institutions at Rs.1 lakh crore in next 4 years
- Allocation on National Social Assistance Programme at Rs. 9975 crores
- World's largest government-funded health care programme titled National Health Protection Scheme announced
- NHPS to cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries)

- NHPS to provide coverage up to 5 lakh rupees per family per year for hospitalization
- Rs. 1200 crore for the National Health Policy, 2017 – additional Rs.600 crore for TB patients
- 24 new Government Medical Colleges and Hospitals
- Clean Ganga: Of 187 projects have been sanctioned, 47 complete
- Banks of Ganga declared open defecation free
- Major thrust for Medium, Small and Micro Enterprises (MSMEs) – allocation at Rs. 3794 crores
- Target of Rs.3 lakh crore for lending under MUDRA Yojana
- 70 lakh formal jobs to be created this year
- Govt to make 12% contribution of new employees in the EPF for all the sectors for 3 years
- Outlay of Rs.7148 crore for the textile sector
- Increase budgetary allocation on infrastructure for at Rs.5.97 lakh crore
- To develop 10 prominent tourist sites into Iconic Tourism destinations
- 35000 kms road construction in Phase-I at an estimated cost of Rs.5,35,000 crore
- Railways Capital Expenditure pegged at Rs.1,48,528 crore
- 4000 kilometers of electrified railway network slated for commissioning
- Work on Eastern and Western, dedicated freight corridors
- Over 3600 km of track renewal targeted in current fiscal
- Redevelopment of 600 major railway stations
- Mumbai's local train network to have 90 kilometers of double line tracks at Rs. 11,000 crores cost
- 150 km of additional suburban network planned for Mumbai
- Suburban network of 160 km at for Bengaluru metropolis

KEY HIGHLIGHTS FROM UNION BUDGET 2018-19

Following are the tax slabs applicable from April 1,2018. No changes have been made in the old tax slabs. However, a standard deduction of Rs. 40,000 has been introduced in lieu of medical allowance and transport allowance.

Tax slabs

Up to 60 years	60 to 80 years	Above 80 years
	Up to ₹ 2.51akh	
Nil	Nil	Nil
	₹ 2.5 Lakh to ₹ 51akh	
5%	5%	Nil
	₹ 5 Lakh to no lakh	
20%	20%	20%
	Above no lakh	
30%	30%	30%

* Rs. 3 lakh to Rs. 5 lakh in case of 60 to 80 years

Health - and - education cess 4%
Rebate of Rs. 2,500 if your total taxable ioncome is below Rs. 3.5 Lakh

Standard dedection is not applicable to income from profession

Sample tax calculation

Income from salary		20,00,000	5,00,000
Standard deduction		**40,000**	**40,000**
Income after standard deduction		19,60,000	4,60,000
Deduction under Section SOC		**1,50,000**	**1,50,000**
Taxable Income		18,10,000	3,10,000
	Applicable Rate (%)	**Tax you pay (₹)**	**Tax you pay (₹)**
Below ₹2.5 lakh	Nil	0	0
₹ 2.5 to ₹ 5 lakh (a)	5	12,500	3,000
₹ 5 lakh to ₹ 10 lakh (b)	20	1,00,000	0
Above ₹10 lakh (c)	30	2,43,000	0
Gross tax (a+b+c)		3,55,500	3,000
Rebate under Section 87A		NA	2,500
Tax before cess (d)		3,55,500	500
Health-and-education cess (e) 4% of (d)		14,220	20
Total tax to be paid (d+e)		3,69,720	520

Ready Made Tax Calculator

Gross total		Age < 60			60-80 yrs	Above80 yrs			
Income	**'17-'18***	**'18-'19****	**Gain/loss**	**'17-'18***	**'18-'19****	**Gain/loss**	**'17-'18***	**'18-'19****	**Gain/loss**
300,000	NIl	NIl	NIl	NIl	NIl	NIl	.NIl	NIl	NIl
500,000	2,575	2,298	277	NIl	NIl	NIl	NIl	NIl	NIl
1,000,000	84,975	84,594	381	82,400	81,994	406	72,100	71,594	506
1,500,000	2,24,25	224,390	-365	221,450	221,790	-340	211,150	211,390	-240
2,000,000	378,525	380,390	-1,865	375,950	377,790	-1,840	365,650	367,390	-1,740
2,500,000	533,025	536,390	-3,365	530,450	533,790	-3,340	520,150	523,390	-3,240
3,000,000	687,525	692,390	-4,865	684,950	689,790	-4,840	674,650	679,390	-4,740
3,500,000	842,025	848,390	-6,365	839,450	845,790	-6,340	829,150	835,390	-6,240
4,000,000	996,525	1,004,390	-7,865	993,950	1,001,790	-7,840	983,650	991,390	-7,740
4,500,000	1,151,025	1,160,390	-9,365	1,148,450	1,157,790	-9,340	1,138,150	1,147,390	-9,240
5,000,000	1,305,525	1,316,390	-10,865	1,302,950	1,313,790	-10,840	1,292,650	1,303,390	-10,740
10,000,000	3,135,578	3,164,029	-28,452	3,132,745	3,161,169	-28,424	3,121,415	3,149,729	-28,314
15,000,000	5,054,854	5,101,849	-46,995	5,051,893	5,098,859	-46,966	5,040,048	5,086,899	-46,851
20,000,000	6,831,604	6,895,849	-64,245	6,828,643	6,892,859	-64,216	6,816,798	6,880,899	-64,101

"All Values in Rupees
*Tax payable for FY 2017-18 has been calculated with following assumptions: Deduction Rs.1.5 lakh has been fully utilised u/s 80C, medical reimbursement allowance of Rs.15000 and conveyance allowance of Rs.19,200 have also been completely utilised. **Tax payable for FY 2018-19 has been calculated with the following assumptions: Deduction of Rs.1.5 lakh has been fully utilised u/s 80C, standard deduction of Rs.40,000 has been utilised in lieu of medical reimbursement and conveyance allowance. Surcharge for income above Rs.50 lakh is 10% and for above 1 crore is 15%"

Tax Info for the Financial Year

Income tax slabs 2018-19 for Individuals & HUF			
Income Tax Slab(Rs.)	**Tax %**	**Education Cess**	**Surcharge**
0 to 250000	NIL	NIL	NIL
250001 to 350000	5%*	4%	NIL
250001 to 500000	5%	4%	NIL
500001 to 1000000	20%	4%	NIL
1000001 to 5000000	30%	4%	NIL
5000001 to 10000000	30%	4%	10%
10000001 & Above	30%	4%	15%
*Rebate of Rs.2500 can be claimed by individuals earning between Rs 2.5 lakh and Rs 3.5 lakh u/s87A			

Income tax slabs 2018-19- for Senior citizens (Aged 60 years but less than 80 years)			
Income Tax Slab(Rs.)	**Tax %**	**Education Cess**	**Surcharge**
0 to 300000	NIL	NIL	NIL
300001 to 350000	5%*	4%	NIL
300001 to 500000	5%	4%	NIL
500000 to 1000000	20%	4%	NIL
1000001 to 5000000	30%	4%	NIL
5000001 to 10000000	30%	4%	10%
10000001 & Above	30%	4%	15%
*Rebate of Rs.2500 can be claimed by individuals earning between Rs 2.5 lakh and Rs 3.5 lakh u/s87A			

Income tax slabs 2018-19 - for Very Senior citizens (Above 80 years)			
Income Tax Slab(Rs.)	Tax %	Education Cess	Surcharge
0 to 500000	NIL	NIL	NIL
500001 to 1000000	20%	4%	NIL
1000001 to 5000000	30%	4%	NIL
5000001 to 10000000	30%	4%	10%
10000001 & Above	30%	4%	15%
Surcharge: If the total income exceeds Rs 50 Lakhs but below Rs 1 crore, a surcharge of 10% will be levied. 15% surcharge on income tax if the total income is over and above Rs. 1 cr.			

4.1 What Is It?

GST Full Form is Goods and Services Tax

Before learning more about Goods and Service Tax, let's try to understand how taxes in India work. The Government of any country needs money for its functioning and taxes are a major source of revenue for a Government. The taxes thus collected are spent by Govt. on the public.

These taxes are broadly classified into two types: Direct Tax and Indirect Tax

Direct Tax – Direct Tax is imposed on the Income of an individual. The amount of Tax payable varies on the income earned by the individual from various sources such as salary, house rent income etc. So, the more you earn, the more tax you pay to the Government which essentially means the rich pay more tax in comparison to the poor.

Indirect Tax – Indirect tax is not imposed directly on income of individuals. Instead, it is imposed on goods and services which in turn increase the cost (MRP) of Goods and Services. Unlike direct tax, indirect tax should be borne by the end customer, rich and poor alike., There are many indirect taxes. Some of these are levied by the Central Government whereas some are levied by the State Government making the indirect tax system an extremely complicated system.
GST has been introduced to replace multiple indirect taxes levied by State and Central Governments to simplify the indirect tax system.
GST has replaced almost 17 of the existing state and central indirect taxes (more to come) such as central excise duty, additional customs duty, VAT, entertainment tax, service tax etc.
It is called as Goods and Services Tax because it is applicable on the supply of both Goods and Services.

4.2 Advantages of GST

1. GST eliminates the cascading effect of tax

GST is a comprehensive indirect tax that was designed to bring the indirect taxation under one umbrella. More importantly, it is going to eliminate the cascading effect of tax that was evident earlier.

2. Higher threshold for registration

Earlier, in the VAT structure, any business with a turnover of more than Rs.5 lakh (in most states) was liable to pay VAT. Please note that this limit differed state-wise. Also, service tax was exempted for service providers with a turnover of less than Rs.10 lakh.

Under GST regime, however, this threshold has been increased to Rs.20 lakh, which exempts many small traders and service providers.

3. Composition scheme for small businesses

Under GST, small businesses (with a turnover of Rs.20 to 75 lakh) can benefit as it gives an option to lower taxes by utilizing the Composition scheme. This move has brought down the tax and compliance burden on many small businesses.

4. Simple and easy online procedure

The entire process of GST (from registration to filing returns) is made online, and it is super simple. This has been beneficial for start-ups especially, as they do not have to run from pillar to post to get different registrations such as VAT, excise, and service tax.

5. The number of compliances is lesser

Under GST, however, there is just one, unified return to be filed. Therefore, the number of returns to be filed has come down. There are about 11 returns under GST, out of which 4 are basic returns which apply to all taxable persons under GST. The main GSTR-1 is manually populated and GSTR-2 and GSTR-3 will be auto-populated.

6. Defined treatment for E-commerce operators

For the first time, GST has clearly mapped out the provisions applicable to the e-commerce sector and since these are applicable all over India, there should be no complication regarding the inter-state movement of goods anymore.

7. Improved efficiency of logistics

Earlier, the logistics industry in India had to maintain multiple warehouses across states to avoid

the current CST and state entry taxes on inter-state movement. These warehouses were forced to operate below their capacity, giving room to increased operating costs.
Under GST, however, these restrictions on inter-state movement of goods have been lessened.

4.3 How Will It Benefit Consumer

Here's how GST will benefit the consumers:

- GST helps to eliminate "tax on tax" or the cascading impact of tax, thus bringing down the overall cost of goods. GST shifts the tax incidence near to the consumer and benefits the industry through better cash flows and better working capital management

- **Input tax credit:** The mechanism of input credit under GST is one of the most important features of GST. This means that at the time of paying tax on output, manufacturers or service providers, for example, can reduce their tax payable by the amount they have already paid on inputs. For example, if a manufacturer's total tax on output comes to Rs. 5,000 while tax paid on input (purchases) is Rs. 3,000, the manufacturer needs to deposit only Rs.2,000 (Rs.5,000 - Rs.3,000) as tax, thus reducing the overall incidence of tax on final product. Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption

- But input credit is available to the recipient (the manufacturer in this case) only if details provided by the supplier in its return matches with those claimed by the recipient. Thus, it encourages suppliers of goods and services to become GST-complaint. So, GST helps in checking evasion of taxes

- In the current regime, tax rates vary from state to state. So, companies often choose warehouses for their inventory based on tax considerations. Under GST, the country will move to 'One Nation, One Tax' regime, giving companies freedom to set up their own warehouses to optimize cost and improve customer service

- Also, transportation costs could also fall due to reduction in long and winding queues at border check-points and other entry points within and between the states. This will reduce operational costs and will benefit companies. According to a World Bank report, corporates can save up to 40 per cent of their logistic costs incurred at check-posts and toll plazas

- Analysts say that GST will usher in a more stable tax regime. "The real value of GST will be in tax governance, where a system plagued with a plethora of discretionary, ad-hoc taxes will move toward a ruled-based, transparent and stable tax regime," said domestic brokerage Motilal Oswal in a note. Under GST, the Centre and the states will jointly administer and decide the taxes

- GST could also boost exports by making Indian goods competitive in global markets. Exports will be treated as zero rated supplies which means no tax will be payable on exports of goods or services. However, exporters can claim input tax credit

- For manufacturers or service providers, GST will help in ease of doing business. GST will bring in a simpler tax regime with fewer exemptions, reduce multiplicity of taxes, reduce compliance costs - no multiple record keeping for a variety of taxes, usher in simplified and automated procedures for various processes such as registration, returns, refunds and tax payments. All interaction needs to be through the common GSTN portal - so less public interface between the taxpayer and the tax administration

- However, there could be short-term challenges for business. The transition to GST could disrupt the working capital cycle of businesses in the initial phase due to "input credit lock-up" in initial months, according to ratings agency India Ratings. Moreover, service tax rates are likely to increase to 18 per cent as against 15 per cent

- Goods and Services Tax is seen boosting India's GDP or gross domestic product growth by 1.5-2 per cent over the long term. GST will deliver significant benefits by improved taxation efficiency and ease of doing business, and will convert India into one common market, Finance Minister Arun Jaitley has said.

FREQUENTLY ASKED QUESTIONS:

What are the benefits of filling income tax returns (ITR)?

Filing returns or not has never been a choice – it's a legal obligation and must be fulfilled by everyone who falls under the prescribed category. Apart from legal obligation, filing tax returns is helpful in the following situations:

- To get a home or personal loan
- For visa and immigration processing
- As a proof of income/ net worth certificate
- To claiming excess tax paid via refund
- Apply for a higher insurance cover
- And last and most important is, peace of mind

Why do I need to file tax return if my company deducts tax at source (TDS) and pays it to the government?

A) Although tax is deducted at source (TDS), and you're not liable to any more tax to the government, it is compulsory to file returns if your income exceeds the basic exemption limit. Tax returns act as a declaration to the government that you have derived income only from the source revealed by you, and no other. It's like getting a No Objection Certificate (NOC) from the library when you leave college, even if you never stepped into the library, to reveal to the authorities that you have no pending books to return.

Are gifts from certain relatives not taxable?

Gifts from following relatives are not taxable as per the Income Tax Act:

1. Spouse of the individual
2. Brother or Sister of the individual
3. Brother or Sister of the spouse of the Individual
4. Brother or sister of either of the parents of the individual
5. Any lineal ascendant or descendant of the individual such as grandfather, great grandfather, grandson or great grandson
6. Any lineal ascendant or descendant of the spouse of the individual such as grandfather, great grandfather, grandson or great grandson
7. Spouses of the people mentioned in point 2 to 7.

What are the benefits of obtaining a Permanent Account Number [PAN] and PAN Card?

A Permanent Account Number has been made compulsory for every transaction with the Income-tax Department. It is also mandatory for numerous other financial transactions such as opening of bank accounts, in bank account, deposit of cash in bank account, opening of DEMAT account, transaction of immovable properties, dealing in securities, etc. A PAN card is a valuable means of photo identification accepted by all Government and non-Government institutions in the country.

Is rental income from sub-letting chargeable to tax under the head "Income from house property"?
Rental income in the hands of owner is charged to tax under the head "Income from house property". Rental income of a person other than the owner cannot be charged to tax under the head "Income from house property". Hence, rental income received by a tenant from sub-letting cannot be charged to tax under the head "Income from house property". Such income is taxable under the head "Income from other sources" or profits and gains from business or profession.

Are retirement benefits like PF and Gratuity taxable?

In the hands of a Government Employee Gratuity and PF receipts on retirement are exempt from tax. In the hands of non-Government employee, gratuity is exempt subject to the limits prescribed in this regard and PF receipts are exempt from tax, if the same are received from a recognized PF after rendering continuous service of not less than 5 years.

Even if no taxes have been deducted from salary, is there any need for my employer to issue Form-16 to me?

Form-16 is a certificate of TDS. In your case it will not apply. However, your employer can issue a salary statement.

If my income is taxed in India as well as abroad, can I claim any sort of relief because of double taxation?

Yes, you can claim relief in respect of income which is charged to tax both in India as well as abroad. Relief is either granted as per the provisions of double taxation avoidance agreement entered into with that country (if any) by the Government of India or by allowing relief as per section 91 of the Act in respect of tax paid in the foreign country.

What is exempt income and taxable income?

An exempt income is not charged to tax, i.e., Income-tax Law specifically grants exemption from tax to such income. Incomes which are chargeable to tax are called as taxable incomes.

If I win a lottery or prize money in a competition, am I required to pay Income-tax on it?

Yes, such winnings are liable to flat rate of tax at 30% without any basic exemption limit. In such a case the payer of prize money will generally deduct tax at source (i.e., TDS) from the winnings and will pay you only the balance amount.

Source:
cleartax.in, bankbazaar.com, hrblock.in, indiafilings.com, timesofindia.com, taxguru.in, valueresearch.com, ndtv.com, economictimes.com, dnaindia.com, incometaxindia.com