

An overview of Financial Budget 2018

Dr. Vijay kumar,
Assistant Professor,
DSB, Campus, Nainital

Abstract

Finance minister has presented The Financial bill 2018. It was his fourth presentation. Intention of this budget is to control the Indian economy and give relief to the stakeholders. Tax payers were expecting relief in tax from the finance minister Mr. Arun Jaitely. FM said India achieved an average growth of 7.5% in first three year of his government and further he said Indian economy is now 2.5 trillion dollar economy which to the seventh largest in the world.

KEY WORD— Cess, Direct tax, Exemption, Finance bill, Stakeholder, Standard deduction,

INTRODUCTION

Union Budget 2018 was presented by the Finance Minister Shri Arun Jaitely in Parliament on 1st February, 2018. FM has given only marginal relief on personal tax front to common man. A lot of tax payers were hoping that the FM will raise the tax slab limit from Rs. 2,50,000 to Rs. 3,00,000 for general tax payer and basic limit for senior citizen Rs.5,00,000. Tax payer also hoped that higher tax saving limit under section 80C, but instead of the major changes in tax slab he reintroduced Standard deduction of Rs. 40,000. No changes were made in basic exemption or tax saving or home loan meaning thereby the gain from reintroduction of standard deduction are negligible. Education cess and Secondary higher education cess @ 3% to be replaced by Health and education cess @4% of tax and surcharge.

OBJECT

The basic object of this study is to analyses the impact of Financial budget 2018 on the personal tax payer. Analyses to be made on the basis of age, income and deduction.

METHODOLOGY

Present paper is based on Secondary data which is collected from websites, books, budget 2018 and newspaper. Researcher has analysed past three year budgets which were presented by Mr. Jaitely. Deeply studied the websites and newspapers, regarding different stakeholders expectation from the budget 2018. I also study the impact of budget on different stakeholders. On the basis of impact and study conclusion and suggestions are given. I strive to explain the impact of budget on the basis of age, income and deduction through the Statistical tools.

SALIENT FEATURES:

Salient features of budget 2018 are as follows;

- ◆ Focus to strengthen agricultural, rural development, health, education, employment, MSME and infrastructure sector.

- ◆ For all unannounced kharif crops MSP(Minimum Support Price) set at 1.5 times of their production cost like majority of rabi crops.
- ◆ Credit raised for Institutional farm to 11 lakh crore in 2018-19 from 8.5 lakh crore.
- ◆ To protect the interests of 86% small and marginal farmer FM proposed 22 thousand rural haats to be developed and upgraded into Gramin agricultural market.
- ◆ Fiscal deficit pegged at 3.5% projected at 3.3% for 2018-19.
- ◆ For 10 crore poor families launched Health Protection Scheme upto five lakh rupees.
- ◆ For Companies registered as Farmer Producer Companies 100% deduction will be allowed.
- ◆ FM Reintroduced Standard deduction Rs. 40,000 in place of present exemption for transport and reimbursement of medical expenses.
- ◆ For Senior citizen- interest on deposit with bank and post offices exemption limit increased from Rs.10,000 to Rs. 50,000. U/s 80D Health insurance premium and medical expenditure deduction increased from Rs. 30,000 to Rs. 50,000. U/s 80DDB limit hike to Rs. 1lakh for all senior citizen in the place of Rs.60,000(senior citizen)and Rs. 80,000(super senior citizen).
- ◆ LTCG tax rate on exceeding Rs.1 lakh @ 10% without indexation benefit.
- ◆ Cess on personal income tax and corporate income tax will be 4% from 3%

Analysis of tax rates

There is no change in tax rate and tax slab in budget 2018 which is applicable for Assessment year 2019-2020 and previous year 2018-2019.

A - Individual below 60 years of age

Table-1

Tax rate	Budget 2016 A.Y.2017-2018	Budget 2017 A.Y.2018-2019	Budget 2018 A.Y.2019-2020
%	Rs.	Rs.	Rs.
0%	2.5lakh	2.5lakh	2.5lakh
5%	2-5lakh(10%)	2.5-5lakh	2.5-5lakh
20%	5-10lakh	5-10lakh	5-10lakh
30%	above 10lakh	above 10lakh	above 10lakh

Individual below 60 years of age in previous year 2016-2017, enjoyed the tax rate reduction 5% from 10%. For the assessment year 2018-2019 and 2019-2020 there is no change in Tax slabs. Standard deduction Rs.40,000 is reintroduced.

B-Senior citizen of India who are of the 60 years or more but less than 80 years of age during the previous year

Table-2

Tax rate	Budget 2016	Budget 2017	Budget 2018
%	Rs.	Rs.	Rs.
0%	3lakh	3lakh	3lakh
5%	3-5lakh h(10%)	3-5lakh	3-5lakh

20%	5-10lakh	5-10lakh	5-10lakh
30%	above 10lakh	above 10lakh	above 10lakh

For the assessment 2016-2017, 2017-2018 and 2018-2019 no change in tax slab but tax rate reduced to 5% from 10%. Assesses can take benefit of standard deduction.

C-Super Senior citizen of India who is of the of 80 years or more during the previous year

Table-3

Tax rate	Budget 2016	Budget 2017	Budget 2018
%	Rs.	Rs.	Rs.
0%	5lakh	5lakh	5lakh
20%	5-10lakh	5-5lakh	5-5lakh
30%	above 10lakh	5-10lakh	5-10lakh

The super senior citizen of India have not got any tax benefit regarding exemption limit in budget but they can enjoy the standard deduction.

Tax Impact:

The researcher analyses in this category the tax impact on the different assesses i.e. age, income and avail deduction.

A- Assessee below 60 years age during the previous year

I -Assessee has not claimed any deduction in respect of 80C, 24(b) or any other section

Table-4

Total Income	Budget 2016 A.Y.2017-2018	Budget 2017 A.Y.2018-2019	Budget 2018 A.Y.2019- 2020	Tax Impact
2,50,000	----	-----	-----	
3,00,000	----	-----	520	-520
5,00,000	20,600	12,875	10,920	+1955
10,00,000	1,28,750	1,15,875	1,14,920	+955
20,00,000	4,37,750	4,24,875	4,26,920	-2045
30,00,000	7,46,750	7,33,875	7,38,940	-5065
50,00,000	13,64,750	13,51,875	13,62,920	-11045
1,00,00,000	29,09,750	28,96,875	29,22,920	-26045

If any individual whose age does not exceed 60 years in previous year and he is not eligible for deduction in respect of 80C, 24(b) or any other section, they did not enjoy tax benefits. If we analyses tax impact on assesses for the assessment year 2019-2020 we find that due to increase in Cess to 4% from 3% , Initial tax

payer who were exempted in previous assessment year they will have to pay tax. Others tax payers some are in profit and some are in loss.

II-Individual who have eligible for Maximum deduction in respect of 80C and 24(b)

The Researcher analyses in this table those tax payer who are taking maximum benefits of Rs.3,50,000 (Rs.1,50,000 and 2,00,000) respectively of section 80C to 80CCC and 24(b).

Table -5

Total Income	Budget 2016 A.Y.2017-2018	Budget 2017 A.Y.2018-2019	Budget 2018 A.Y.2019-2020	Tax Impact
2,50,000				
3,00,000				
5,00,000				
10,00,000	56,650	43,775	35,880	+7,895
20,00,000	3,65,650	3,52,775	3,47,880	+4,895
30,00,000	6,74,650	6,61,775	6,59,880	+1,095
50,00,000	12,94,650	12,79,775	12,83,880	-3,995
1,00,00,000	28,37,650	28,24,775	28,43,880	-18995

Table-5 describes the tax impact on the various classes of tax payer if they do tax management and become eligible for deduction under section 80C and house loan.

B- Senior Citizen (Assesses who are the age of 60 years or more but less 80 years at any time during the previous year).

I –Assesses not claim any deduction in respect of 80C, 24(b) and any other section

Table-6

Total Income	Budget 2016 A.Y.2017-2018	Budget 2017 A.Y.2018-2019	Budget 2018 A.Y.2019- 2020	Tax Impact
2,50,000	-----	-----	-----	
3,00,000	-----	-----	-	
5,00,000	15,450	10,300	8,320	+1,980
10,00,000	1,23,600	1,13,300	1,12,320	+980
20,00,000	4,32,600	4,22,300	4,24,320	-2,020
30,00,000	7,41,600	7,31,300	7,36,320	-5,020
50,00,000	13,59,600	13,49,300	13,60,320	-11,020
1,00,00,000	29,04,600	28,94,300	29,20,320	-26,020

Above table shows tax Impact on Senior citizen if they did not avail any deduction. Initial tax payers are getting some benefit but upper class tax Payers are paying more tax in comparison to previous assessment year.

II-Individuals who are eligible for Maximum deduction in respect of 80C and 24(b)

Table-7

Total Income	Budget 2016 A.Y.2017- 2018	Budget 2017 A.Y.2018- 2019	Budget 2018 A.Y.2019-2020	Tax Impact
2,50,000				
3,00,000				
5,00,000				
10,00,000	51,500	41,200	33,280	+7,920
20,00,000	3,60,500	3,50,200	3,45,280	+4,920
30,00,000	6,69,500	6,59,200	6,57,280	+1,920
50,00,000	12,87,500	12,77,200	12,81,280	-4,080
1,00,00,000	28,32,500	28,22,200	28,41,280	-19,080

The Researcher analyses in table-7 assuming that assesses took maximum deduction in respect of above mention sections.

C-Super senior citizen (who is of the age of 80 years or more during the previous year)**I -Assesses not avail any deduction in respect of 80C , 24(b) and any other section**

Table-8

Total Income	Budget 2016 A.Y.2017- 2018	Budget 2017 A.Y.2018-2019	Budget 2018 A.Y.2019- 2020	Tax Impact
2,50,000				
3,00,000				
5,00,000				
10,00,000	1,03,000	1,03,000	95,680	+7,320
20,00,000	4,12,000	4,12,000	4,07,680	+4,320
30,00,000	7,21,000	7,21,000	7,19,680	+1,320
50,00,000	13,39,000	13,39,000	13,43,680	-4,680
1,00,00,000	28,84,000	28,84,000	29,03,680	-19,680

Table- 8 shows the analyses of super senior citizen who could not avail any deduction. Citizens whose income is Rs.30 lac are taking benefit but above it are at loss.

II-Super senior citizen who are eligible for Maximum deduction in respect of 80C and 24(b)

Table-9

Total Income	Budget 2016 A.Y.2017-2018	Budget 2017 A.Y.2018-2019	Budget 2018 A.Y.2019-2020	Tax Impact
2,50,000				
3,00,000				
5,00,000				
10,00,000	30,900	30,900	22,880	+8,020
20,00,000	3,39,900	3,39,900	3,34,880	+5,020
30,00,000	6,48,900	6,48,900	6,46,880	+2,020
50,00,000	12,66,900	12,66,900	12,70,880	-3,980
1,00,00,000	28,11,900	28,11,900	28,30,880	-18,980

Above analyses shows that if they avail maximum deduction they will be benefited from the point of view of tax.

Conclusion

Budget 2018 presented by Mr. Jaitely on 1st February, 2018. FM mainly emphasizes on the agricultural, educational and health aspect. Government is committed to the welfare of farmers and doubling farmer's income by 2022. For development of education, Mr. Jaitely announced setting up of Eklavya Model Residential School on par with Navoday Vidyalaya to provide the best quality education to the tribal children in their own environment by 2022. National Health Protection Scheme to cover over 10 crore poor and vulnerable families by providing coverage of 5lakh rupees per family has also been announced.

In the last three years the government had made many positive changes in the personal income tax but the FM did not propose any further changes in the structure of income tax. He said that general perception in the society is that individual business persons have better income as compared to salaried class. However, income tax data analysis suggested that major portion of personal income tax collection comes from the salaried class. Further he presented the data that for assessment year 2016-2017, 1.89 crore salaried individual have filed their returns and have paid total tax of Rs.1.44 lakh crore which works out to an average tax payment of Rs.76,309 per individual salaried tax payer. As against this 1.88 crore individual business tax payers including professional who filed their returns for the A.Y.2016-2017 year paid total tax Rs.48,000 crore which works out to an average tax payment of Rs.25,753 per individual business tax payer.

FM reintroduced a standard deduction of Rs. 40,000 in lieu of the present exemption in respect of transport allowance and reimbursement of medical expenses. Standard deduction significantly benefits pensioners, who normally do not enjoy any allowances. FM also gave the tax relief in corporate tax in a phased manner. He extended the reduced rate of 25% currently available for companies with turnover of less than 50 crore (in FY 2015-2016), also to companies reporting turnover up to Rs.250crore in FY 2016-2017.

Suggestions

The Researcher suggestions are the following;

- Deductions U/s 80C to 80CCC needs to be enhance from the existing limit of 1.5lakh to Rs. 2 lakh.
- Tax exemption limit should be increased to Rs. 3lakh from 2.5lakh.
- Parents are expecting separate clause for deduction of tuition fee. It should be separate from section

80C to 80CCC. Parents are paying huge amount for children's school fee but they are unable to tax benefits.

- Reintroduction of standard deduction for salaried and pension class tax payer is not beneficial because on the other side FM has enhanced education cess to 4% from 3%. Standard deduction should be Rs.50,000 instead of Rs.40,000.
- Home insurance is not seen as a priority in India. The govt. should make home insurance compulsory and deduction should be allowed on premium.

REFERENCES:

- Hindustan Times, 2Feb,2018.New Delhi.
- Umar Ujala, 2Feb,2018.Nainital.
- Danik Jagran, 1March,2015.Nainital.
- Mehrotra H.C.and S.P.Goyal ,Income Tax Law & Accounts, Sahitya bhawan Publication, Agra.
- Finance Bill,2016,2017,2018.
- Key Feature of budget 2017,2018.
- Budget at a glance 2017-2018.
- Related websites of income tax.

