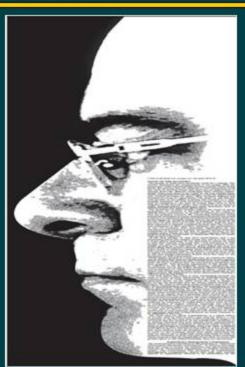


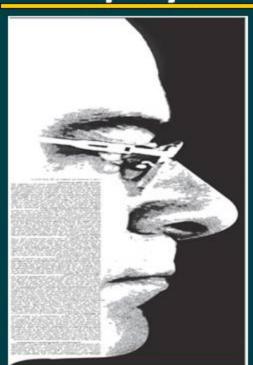
#### **Present Taxation Scenario**

- Investments held for a period of more than 12 months, are considered as Long Term Capital Gain (LTCG).
- ✓ The gains on such investments are <u>exempted</u> from any Income Tax U/s. 10(38).



✓ With effect from 1<sup>st</sup> April, 2018 this exemption U/s. 10(38) of completely exempting Long Term Capital Gain (LTCG) is being withdrawn.



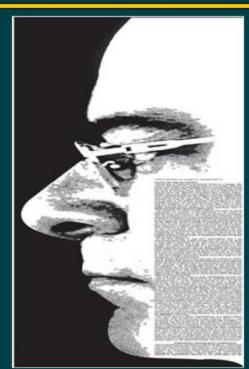


- Long Term Capital Gain upto Rs. 1,00,000/- will not be taxed. So any amount exceeding Rs. 1,00,000/- during the year will be liable for taxation.
- ✓ Such Gain will be liable for Income Tax @ 10%. Any dividends paid by Equity based Mutual Funds is also liable to Dividend Distribution Tax (DDT) @ 10%.
- ✓ <u>No indexation</u> benefit will be available for calculation of such Gain.



- ✓ Concessional rate of 10% is applicable only if STT is paid on sale & purchase of shares except for transactions notified by government. For Equity MF STT need to be paid on sale side.
- ✓ Cost of Acquisition for assets purchased before 1st Feb 2018 shall deemed to be

| HIGHER OF                             |  |
|---------------------------------------|--|
| Actual cost of acquisition            |  |
| AND                                   |  |
| LOWER OF                              |  |
| Fair Market Value as on 31st Jan 2018 |  |
| &                                     |  |
| Sale Consideration                    |  |

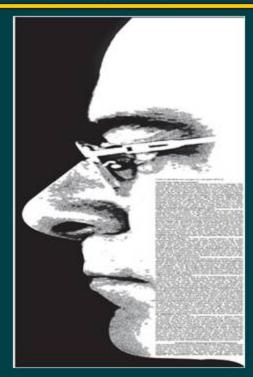


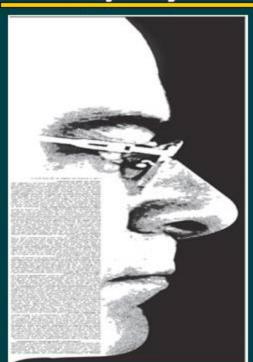




- √ Fair Market Value to be calculated for shares as <u>highest price quoted</u> on stock exchange on <u>31st Jan 2018</u> and for MF unit <u>NAV value of such scheme on 31st Jan 2018</u>.
- ✓ Deductions under chapter VI-A such as 80C, 80D, 80G etc are not allowed on such Gain.

- ✓ Rebate U/s 87A is not allowed on such Gain.
- ✓ If total Income, other than this Long Term Capital Gain, is <u>below basis exemption</u> <u>limit</u> then benefit of balance basic limit <u>will be available.</u>



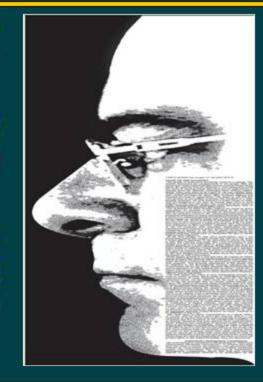


- ✓ Long Term Capital Gain is now taxable but impact will not be much for shares held as on today, due to cost of acquisition formula.
- ✓ Bonus shares now will have cost of 31/01/2018 valuation & shall not be taxable at full sale value.

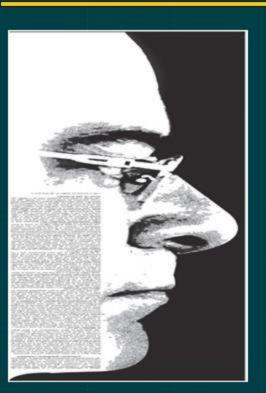
✓ Any loss occurring on a transaction which is <u>"tax free"</u> cannot be setoff.

Now, gains on equity are taxable. Hence Long Term Capital Loss (brought for Rs. 300 and sold for Rs. 50) can be setoff U/s. 74.

✓ Notional loss on account of deemed value (brought for Rs. 50, sold for Rs. 200 & value as on 31-01-2018 Rs. 300) of 31-01-2018 cannot be setoff as it is a calculation limited to Sec. 112A.



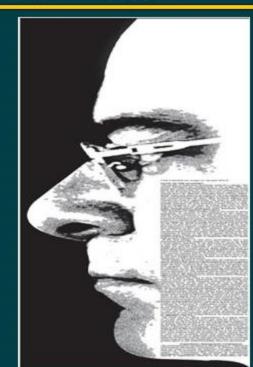




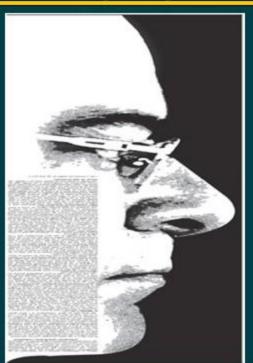
| Equity Share   | Scenario - 1               |
|--|----------------------------|
| Purchased before 1 year                                | 100                        |
| Price on Jan 31, 2018                                  | 500                        |
| Price on sale  | 600                        |
| Presumed purchase price                                | 500                        |
| Capital Gain   | 100                        |
| Cost of Acquisition for assets purchased before 1st Fe | eb 2018 shall deemed to be |
| HIGHER OF  |                            |
| Actual cost of acquisition                             | 100                        |
| AND  |                            |
| LOWER OF   |                            |
| Fair Market Value as on 31st Jan 2018                  | 500                        |
| &  |                            |
| Sale Consideration                                     | 600                        |



| Equity Share   | Scenario - 2              |
|--|---------------------------|
| Purchased before 1 year                                | 100                       |
| Price on Jan 31, 2018                                  | 120                       |
| Price on sale  | 110                       |
| Presumed purchase price                                | 110                       |
| Capital Gain   | 0                         |
| Cost of Acquisition for assets purchased before 1st Fe | b 2018 shall deemed to be |
| HIGHER OF  |                           |
| Actual cost of acquisition                             | 100                       |
| AND  |                           |
| LOWER OF   |                           |
| Fair Market Value as on 31st Jan 2018                  | 120                       |
| &  |                           |
| Sale Consideration                                     | (110)                     |







| Equity Share  | Scenario - 3               |
|---|----------------------------|
| Purchased before 1 year                               | 100                        |
| Price on Jan 31, 2018                                 | 80                         |
| Price on sale   | 90                         |
| Presumed purchase price                               | 100                        |
| Capital Gain  | -10                        |
| Cost of Acquisition for assets purchased before 1st F | eb 2018 shall deemed to be |
| HIGHER OF   |                            |
| Actual cost of acquisition                            | 100                        |
| AND   |                            |
| LOWER OF  | H                          |
| Fair Market Value as on 31st Jan 2018                 | 80                         |
| &   |                            |
| Sale Consideration                                    | 90                         |



| Equity Share   | Scenario - 4               |
|--|----------------------------|
| Purchased before 1 year                                | 100                        |
| Price on Jan 31, 2018                                  | 80                         |
| Price on sale  | 60                         |
| Presumed purchase price                                | 100                        |
| Capital Gain   | -40                        |
| Cost of Acquisition for assets purchased before 1st Fe | eb 2018 shall deemed to be |
| HIGHER OF  |                            |
| Actual cost of acquisition                             | 100                        |
| AND  |                            |
| LOWER OF   |                            |
| Fair Market Value as on 31st Jan 2018                  | 80                         |
| &  |                            |
| Sale Consideration                                     | 60                         |







√ "I propose to abolish tax on Long Term capital gains from securities transactions altogether. Instead, I propose to levy a small tax on transactions in securities on stock exchanges".

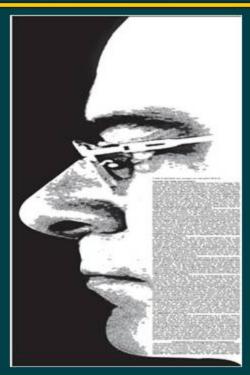
Budget 2004-2005. Speech of Mr. P. Chidambaram – Finance Minister

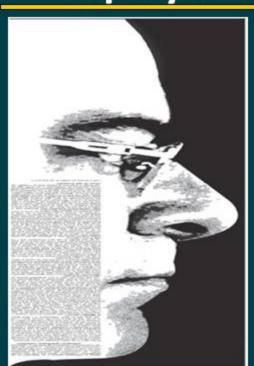
Then, why STT & LTCG both on Equity Shares?

✓ STT for earlier gains given tax free. LTCG for future gains!!



- ✓ Very calibrated way of implementation.
- ✓ Net of tax return, is it comparable to other avenues of investment... Real Estate, Gold, Fixed Deposit are already taxable.
- √ Is it just and equitable way of taxation?
  Rs. 3,67,000 crores earned tax free.
- √ Gains on equity taxable in several countries.





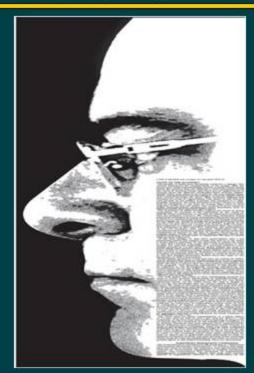
✓ All investments in Equity & Debt based Mutual Funds should be in GROWTH OPTION henceforth.

All who have enjoyed Tax Free Dividends in equity Mutual Funds should now change the strategy as such Dividends are taxable now.

✓ All who what regular incomes should opt for SWP (Systematic Withdrawal Plan).

# Present taxation of other Investment Assets which has not been changed

| Sr. No. | Type of Investment            | LTCG holding Period | Taxation LTCG          |  |
|---------|-------------------------------|---------------------|------------------------|--|
| 1       | Unlisted Shares               | 24 Months           | 20% with indexation    |  |
| 2       | Unlisted Bonds /<br>Debenture | 36 Months           | 20% without indexation |  |
| 3       | Listed Bonds /<br>Debenture   | 12 Months           | 10% with indexation    |  |
| 4       | Debt oriented MF              | 36 Months           | 20% after indexation   |  |





# Disclaimer

This Presentation aims to tell the General Views and Laws related to Union Budget of India 2018.

This Presentation may contain references, website links, regulations or other policy materials. This Information provided, is only intended to be a general summary. All information in this presentation, including charts, examples and other website references, may be used for any purpose only after Professional advice.

This Presentation is the personal view of Speaker Mr. Daxesh D. Kothari on the said subject, which should not be relied or acted upon without due Professional advice.



### Thank you...





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#### **Ashutosh Capital Advisors**

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Email: capital@ashutoshfinserv.com Mobile: +91 960 100 6464



#### Kothari & Co.

Income Tax & Allied Laws Consultants

Email: lawserve@ashutoshfinserv.com Mobile: +91 937 696 2244



#### 1. S. Kothari & Co.

**Chartered Accountants** 

Email: ca.kothari@ashutoshfinserv.com Mobile: +91 704 333 4545



#### Ashutosh NRI Services

Email: nris1@ashutoshfinserv.com Mobile: +91 722 884 8181

Corporate Office & Correspondence: Sterling Apts., Near Jubilee Baug Chowk, Jawahar Road, RAJKOT-360 001, GUJARAT, INDIA.

Phone: +91-281-222 4499, 223 6969, Email: info@ashutoshfinserv.com

Ahmedabad Office: 903-B, Synergy Tower, Corporate Road, Behind YMCA Club, Prahladnagar,

AHMEDABAD-380 015, GUJARAT, INDIA.

www.ashutoshfinserv.com











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