

Indian Union Budget Summary – 1 February 2018

Below is a summary of the India Union Budget 2018 announcements applicable to personal wealth and finance.

General

There were no announcements in the Union Budget 2018 that would have an adverse impact on Friends Provident International's propositions for Indian expatriates.

Income Tax

No changes to the structure of income tax charges for individuals were proposed.

It was proposed, however, to allow salaried tax payers to have a standard deduction of INR 40,000 in lieu of the current transport allowance and miscellaneous medical expenses reimbursements.

Also, for senior citizens, it was proposed to enhance interest exemptions and some deductions as follows:

- Currently the exemption for interest from bank and post office deposits is INR 10,000. This will increase to INR 50,000.
- Senior citizens will be able to deduct health insurance premiums and any medical expenditure incurred up to INR 50,000 (currently 30,000)
- Senior citizens will be able to deduct medical expenditure in relation to certain critical illnesses up to INR 100,000 (which is also an increase from current levels).

Distributions from equity oriented mutual funds will be subject to a new tax of 10%.

Capital Gains Tax

Currently, the disposal of a listed equity share or equity oriented fund is exempt from capital gains tax where the asset has been held for more than one year ('long term capital gains'). It is proposed to remove this exemption for gains in excess of INR 100,000 and a 10% tax rate will apply. Indexation will not be available; however, there will be some 'grandfathering' for shares carrying gains at 31st January 2018. Short term gains on the disposal of equity shares will still be taxed at 15%.

The long term capital gains tax rate for other assets remains at 20%, along with ability to claim indexation relief.

It is proposed to exempt non-residents from capital gains tax on the transfer of derivatives and some securities traded in the International Financial Service Centre.

Cess

The current 3% cess on personal income tax for education will be replaced with a 4% 'Health and Education' cess.

Pensions and retirement

The investment limit into Pradhan Mantri Vaya Yojana will be increased to INR 1,500,000

The government will make a 12% contribution to Employee Provident Fund (EPF) schemes for new employees in all sectors for the next three years. It is proposed that EPF contribution for women employees will be reduced to 8%.

Trusts

It is proposed that where trusts make expenses payments in cash which exceed INR 10,000 those payments shall be subject to tax.

Financial regulation

A unified authority will be established for regulating all financial services in international financial service centres in India.

General insurance

Three general insurance companies (National Insurance Company Ltd., United India Assurance Company Ltd. and Oriental India Insurance Company Ltd.) will be merged into a single entity and listed.

Gold

The Budget proposes to develop gold as an asset class and introduce regulated gold exchanges.

The above information is based on the India Union Budget 2018 released on 1st February 2018 and is not guaranteed to become law.

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