

# UNION BUDGET 2019



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## **Union Budget 2019**

1	Broad Themes of Budget.....	2
2	Key Macro Economic Steps.....	3
3	Rupee Inflow and Outflow Analysis.....	6
4	Budget at a Glance.....	7
5	Major Direct Tax Proposals at a Glance	
	• Rates of Tax.....	8
	• Salary Income.....	9
	• House Property Income.....	9
	• Capital Gains on Sale of House Property.....	10
	• Tax Deduction at Source .....	11
	• Other Matters.....	12

## Broad themes of Budget:



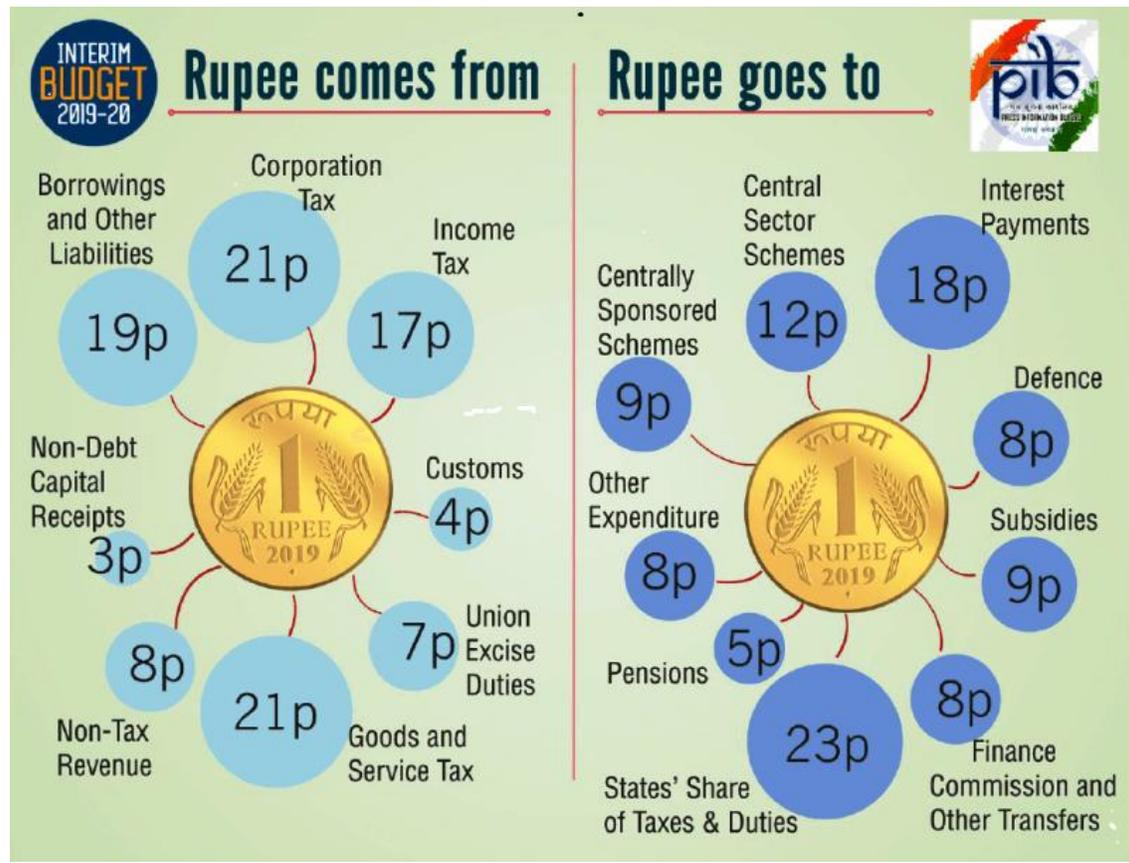
• **Key Macro Economic Steps:**

Sr. No.	Theme	Steps	Impact
(1)	Direct Benefit Transfer	Transfer of Rs. 6,000/- p.a. in 3 equal installments to all farmers with less than 2 hectares of land. – Scheme to be implemented from December, 2018 - First Installment of Rs. 2,000/- to be disbursed in FY 2018-19. – <b>Likely Beneficiaries – 12 Crore Farmers</b>	<ol style="list-style-type: none"> <li>1. Primary Reason is to address Farm Distress in poll season.</li> <li>2. Rs. 75,000 Crore provision for the scheme will put more disposable income in Farmer's hands. – Encouragement to Consumption.</li> <li>3. Future Govt. may increase the allocation. If corresponding decrease is not made in old style of "Subsidy in Kind", will put a lot of burden on treasury.</li> </ol>
(2)	Pension Scheme for Un-organized Sector Labour	Rs. 3,000/- per month pension for Unorganized Sector labour earning upto Rs. 15,000/- per month on monthly contribution ranging from Rs. 55/- to Rs. 100/- (depending on age). Govt. to match contribution. <b>Likely Beneficiaries – 10 Crore Labourers and Workers – Making it one of world's largest pension scheme.</b>	<ol style="list-style-type: none"> <li>1. Step with the far reaching impact, as it is for the first time that Govt. has thought of including large unorganized sector work force in the "Social Security" Net. Will help the beneficiaries in old age.</li> <li>2. Mathematics for scheme's sustainability in future needs to be perfect.</li> </ol>

<b>Sr. No.</b>	<b>Theme</b>	<b>Steps</b>	<b>Impact</b>
<b>(3)</b>	Lowering of Income Tax for Neo Middle Class	Full Income Tax Rebate for persons with income upto Rs. 5 Lacs p.a. <b>Likely Beneficiaries – 3 Crore tax payers, whose income is upto Rs. 5 Lacs</b>	<ol style="list-style-type: none"> <li>1. Tax saving of Rs. 10,000/- per tax payer to generate a "Feel Good" factor in election season.</li> <li>2. No tax savings for tax payers with income above Rs. 5 Lacs.</li> <li>3. Encouragement to consumption.</li> </ol>
<b>(4)</b>	Focus on Education and Healthcare	<p>25% Extra Seats in all Govt. run higher educational institutions to accommodate impact of 10% reservation for economically backward</p> <p><b>Likely Benefit – Approx. 2 Lacs new seats will be created in Govt. run higher educational institutes</b></p> <p>Focus on "Ayushyaman Bharat" Scheme of Medical Insurance of Rs. 5 Lacs.</p> <p>Opening of New AIIMS</p>	<ol style="list-style-type: none"> <li>1. Though physical infrastructure can be created, deployment of additional trained faculty members to cater to additional students is a difficult challenge.</li> </ol>
<b>(5)</b>	Fiscal Discipline	Govt. Aims to maintain fiscal discipline and has refrained from indiscriminate populism. <b>Fiscal Deficit is budgeted @ 3.4% of GDP</b>	<b>Assumptions regarding 18% growth in GST revenue, 15% increase in Income Tax Revenue and Rs. 90000 Crore from Disinvestment receipt are ambitious. If these targets are not achieved, fiscal target may be missed, leading to inflation.</b>

Sr. No.	Theme	Steps	Impact
(6)	Long Term Vision	<p>A long term vision for next 10 years is announced with 10 Key Dimensions.</p> <p><b>1. Physical &amp; Social Infrastructure:</b> Next generation roads, railways, seaports, airports, urban transport, gas and electric transmission and inland waterways.</p> <p><b>2. Digital India:</b> Digital infrastructure and digital economy of 2030 to be built on successes of digitization of government processes and private transactions.</p> <p><b>3. Energy security &amp; Pollution control:</b> Through EVs and renewable energy</p> <p><b>4. Expanding rural industrialization:</b> Use modern digital tech to generate employment. Build upon Make in India to develop grass-roots level clusters.</p> <p><b>5. Clean Rivers:</b> Go beyond the Ganga to include all rivers</p> <p><b>6. Blue Economy:</b> Coastline and ocean waters and inland waterways to power India's development and growth</p> <p><b>7. Space Programme:</b> Global launch-pad of satellites. Place Indian astronaut in space by 2022</p> <p><b>8. Food self-sufficiency:</b> Making India self-sufficient in food, exporting to the world to meet their needs and producing food in the most organic way</p> <p><b>9. A healthy India:</b> Distress-free healthcare, a functional &amp; comprehensive wellness system for all</p> <p><b>10. Minimum government, maximum governance:</b> A proactive and responsible bureaucracy which will be viewed as friendly to people.</p>	<p>Vision includes certain specific steps on which Government will work in future for next 10 years.</p> <p>Future Governments will have clear road map to make India to a more livable space.</p>

## Rupee inflow and Outflow Analysis:



## Budget at a Glance:

### बजट का सार Budget at a Glance

(₹ करोड़) (In ₹ crores)

		2017- 2018 वास्तविक Actuals	2018- 2019 बजट अनुमान Budget Estimates	2018- 2019 संशोधित अनुमान Revised Estimates	2019- 2020 बजट अनुमान Budget Estimates
1. राजस्व प्राप्तियां	1. Revenue Receipts	1435233	1725738	1729682	1977693
2. कर राजस्व (केंद्र को निवल)	2. Tax Revenue (Net to Centre)	1242488	1480649	1484406	1705046
3. कर भिन्न राजस्व	3. Non Tax Revenue	192745	245089	245276	272647
4. पूंजी प्राप्तियां	4. Capital Receipts <sup>1</sup>	706742	716475	727553	806507
5. ऋणों की वसूली	5. Recovery of Loans	15633	12199	13155	12508
6. अन्य प्राप्तियां	6. Other Receipts	100045	80000	80000	90000
7. उधार और अन्य देयताएँ	7. Borrowings and Other Liabilities <sup>2</sup>	591064	624276	634398	703999
8. कुल प्राप्तियां (1+4)	8. Total Receipts (1+4)	2141975	2442213	2457235	2784200
9. कुल व्यय (10+13)	9. Total Expenditure (10+13)	2141975	2442213	2457235	2784200
10. राजस्व खाते पर जिसमें से	10. On Revenue Account of which	1878835	2141772	2140612	2447907
11. ब्याज भुगतान	11. Interest Payments	528952	575795	587570	665061
12. पूंजी परिसंपत्तियों के सृजन हेतु सहायता अनुदान	12. Grants in Aid for creation of capital assets	191034	195345	200300	200740
13. पूंजी खाते पर	13. On Capital Account	263140	300441	316623	336293
14. राजस्व घाटा (10-1)	14. Revenue Deficit (10-1)	443602 (2.6)	416034 (2.2)	410930 (2.2)	470214 (2.2)
15. प्रभावी राजस्व घाटा (14-12)	15. Effective Revenue Deficit (14-12)	252568 (1.5)	220689 (1.2)	210630 (1.1)	269474 (1.3)
16. राजकोषीय घाटा [9-(1+5+6)]	16. Fiscal Deficit [9-(1+5+6)]	591064 (3.5)	624276 (3.3)	634398 (3.4)	703999 (3.4)
17. प्राथमिक घाटा (16-11)	17. Primary Deficit (16-11)	62112 (0.4)	48481 (0.3)	46828 (0.2)	38938 (0.2)

## Major Tax Proposals:

### Direct Tax:

#### (A) Rates of Tax



- **There is no change either in Personal Income tax rates or in slabs.**
- Rebate u/s 87A is increased from Rs.2,500 to 12,500 for taxable income up to Rs. 5 lakhs.  
In case of a resident individual (having taxable income up to Rs.5,00,000),rebate u/s 87A will be 100 per cent of income-tax or Rs.12,500,whichever is lower.

- **Impact Analysis:**

Particulars	Situation I	Situation II
Taxable Income	5,00,000	5,00,100
Computation of Tax		
0-2,50,000 @0%	0	0
2,50,001 -5,00,000 @5%	12,500	12,500
5,00,001 to 5,00,100 @20%	0	20
<b>Rebate u/s 87A</b>	<b>12,500</b>	<b>0</b>
Net Tax	0	12,520
Add: Cess@4%	0	501
<b>Net Tax Liability</b>	<b>0</b>	<b>13,021</b>

**Break Even Income Level will be Approx. Rs. 5,16,500/-**

## (B) Amendments for Salary Income :

- Standard Deduction u/s. 16 of Income Tax Act, 1961 increased from Rs. 40,000/- to Rs. 50,000/-.
- Impact: Tax Savings from Rs. 2,080/- to Rs. 3,120/-.**



## (C) Amendments in House Property Income:



Particulars	Existing	Proposed
Income Tax on Two self-occupied properties <b>(Section 23 (4))</b>	If an individual has two self-occupied properties, <b>then one is considered as exempt and tax is payable on notional rental value on second self-occupied property</b>	Now, Income from <b>Two self-occupied properties will be exempt.</b>
Relaxation from Deemed Rent for unsold inventory held as stock-in trade. <b>(Section 23(5))</b>	Notional rent of a property held as stock in trade and not let out during the year is taken as <b>'Nil'</b> for the period <b>up to one year</b> from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority.	Notional Rent <b>will not be charged up to two years</b> from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority.

## (D) Amendments in Capital Gain on Sale of House

### Property:



Particulars	Existing	Proposed
Long Term Capital Gain arising from transfer of residential house <b>(Section 54)</b>	Long Term Capital Gain arising from transfer of residential house u/s 54 (profit on sale of property used for residence) is exempt if capital gains is reinvested in a new house within a specified period. <b>However the reinvestment could only be made in one house.</b>	A person can claim exemption <b>by investing in two residential houses if the capital gain amount does not exceed Rs. 2 crores. This option can be exercised only once in life time.</b>

#### Example:

Mr. XYZ sold Residential House and Long Term capital on that house is Rs.1.90 crore.

Mr. XYZ purchased two new residential house amounting to Rs.95 Lacs each.

#### **Taxability on Capital Gain of Rs.1.90 Crores will be as under.**

As per existing Provision		As per Proposed	
Capital Gain -	Rs.1,90,00,000	Capital Gain -	Rs.1,90,00,000
<b>Less: Deduction u/s 54</b>		<b>Less: Deduction u/s 54</b>	
New Resi. House- I	Rs. 95,00,000	New Resi. House- I	Rs. 95,00,000
New Resi. House - II	N.A.	New Resi. House - II	Rs. 95,00,000
<b>Taxable Capital Gain</b>	<b>Rs. 95,00,000</b>	<b>Taxable Capital Gain</b>	<b>Nil</b>

Impact: This would help taxpayers who want to shift from one house to two houses due to family partition (or any other reason) to avail tax exemption once in lifetime.

## **(E) Tax Deduction at Source:**



### **Section 194A: TDS on Interest:**

Threshold limit for tax deduction at source u/s 194A for Interest earned on:

- Bank deposits
- Co-operative bank
- Deposit with post office

Has been **increased from Rs.10,000 to Rs.40,000.**

- **Threshold Limit for TDS on Interest from other Sources (except above), has remained unchanged @ Rs. 5,000/-.**
- **Threshold Limit for TDS in case of Resident Senior Citizens for interest from above sources has remained unchanged @ Rs.50,000/-.**

### **Section 194I: TDS on Rent:**

Threshold limit for tax deduction at source u/s. 194I for Rental Income has been **increased from Rs.1,80,000 to Rs.2,40,000.**

**Impact:** The TDS announcements is going to positively impact the small depositors, nonworking spouses and small taxpayers from the hassles of filing forms and/or claiming refunds.

## **(F) Other Matters:**

### **Section: 80IBA:**

**Time period for approval of projects** under affordable housing scheme to claim 100% tax break on profits from such projects under Section 80-IBA **is extended up to March 2020.**

### **Use of Technology:**

A new technology platform is being developed **to process income tax returns and refund claims within 24 hours.**

**Shifting of 100% scrutiny assessments online with no personal interface between assessee and the Assessing officer is also planned to be implemented in next two years' time.**

### **Impact:**

**There will be positive impact of more and more use of technology in faster return processing and more transparent assessments in taxpayer friendly manner.**



## **Disclaimer:**

*This note contains proposals which may be modified before they are enacted.*

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Ahmedabad

4<sup>th</sup> February, 2019

