

UNION BUDGET 2019-20



Common Man, Middle class



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UNION BUDGET 2019

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Broad themes of Budget:

Focus on
Resource
Mobilization

Long
Term
Vision

Boost to
Employment

Fiscal
Discipline

Reforms
in
Financial
Sector

Widening of
Tax Base /
Less Cash
Economy



UNION BUDGET 2019-20

Key Budget Themes – Details:-

Sr. No.	Theme	Steps
(1)	Resource Mobilization Steps	<p data-bbox="397 372 1437 411">Disinvestment Target of Rs. 1,05,000 Crore during FY 2019-20</p> <ol data-bbox="397 448 1512 629" style="list-style-type: none"> <li data-bbox="397 448 1207 486">1. Disinvestment would include Strategic stake Sale. <li data-bbox="397 519 1512 558">2. Govt. stake to include stake held through Govt. Controlled institutions. <li data-bbox="397 591 700 629">3. PPP in Railways <p data-bbox="397 791 1017 829">Increased Surcharge on “Super Rich”</p> <ol data-bbox="397 862 1520 972" style="list-style-type: none"> <li data-bbox="397 862 1520 972">4. Effective Tax Rate would be 39% for income level between Rs. 2 Crore and Rs. 5 Crore and 42.744% for Income Level above Rs. 5 crore. <p data-bbox="397 1148 1079 1186">Increase in duties on Petroleum Products</p> <ol data-bbox="397 1219 1866 1258" style="list-style-type: none"> <li data-bbox="397 1219 1866 1258">5. Increase of Re.1 of Excise Duty and Re. 1 of Infra. Cess per liter on Sale of Petroleum Products



Key Budget Themes – Details:-

Sr. No.	Theme	Steps
(2)	Boost to Employment	<ol style="list-style-type: none"> 1. Increased tax rebate for interest paid on housing loans on Affordable Housing (Interest Deduction increased from Rs. 2 Lacs p.a. to Rs. 3.5 lacs p.a.) – To generate housing demand and thereby boost to employment in real estate sector. 2. Big Push for Infrastructure Development through development and deepening of Infrastructure/Government Bond Markets to finance infrastructure projects to kick start the employment cycle. 3. Investment linked Income Tax Deductions for investment in Sunrise Sectors like Semi Conductor & Chip Manufacturing and Alternative Energy. 4. Stimulation of Demand for Electric Vehicles (EVs) through deduction of interest paid up to Rs. 1.5 Lacs on borrowings for purchase of EVs from taxable income.



Key Budget Themes – Details:-

Sr. No.	Theme	Steps
(3)	Reforms in Financial Sector	<ol style="list-style-type: none"> 1. Recapitalization of Public Sector banks to the extent of Rs. 70000 Crores. 2. Proposed Government Borrowing from International Market 3. SEBI to consider increasing minimum public shareholding in the listed companies from 25% to 35%. 4. 100% FDI permitted in Insurance Intermediaries. Relaxation of FDI Caps in Aviation, Media & Insurance. 5. Credit Guarantee Enhancement Corporation to be set up for long term corporate bonds to enhance sources of funds for infrastructure financing and reducing dependence for infrastructure financing on Commercial Banks to overcome "Asset-Liability Mismatch" problem of commercial banks. 6. NBFCs not required to create Debenture Redemption Reserve. 7. Relaxations in various provisions for "Foreign Portfolio Investors" including permission to invest in Real Estate Sector through Debt Securities of REIT/InvIT. 8. Electronic Fundraising platform to be set up under SEBI for Social Enterprises and Voluntary Organizations.



Key Budget Themes – Details:-

Sr. No.	Theme	Steps
(4)	Widening of Tax base/Less Cash Economy	<ol style="list-style-type: none"> <li data-bbox="379 404 1404 518">1. Individuals will be able to file Income Tax Returns with AADHAR Number. No need for separate application for PAN. <li data-bbox="379 546 1404 661">2. Persons with Electricity Bill > Rs. 1 Lacs p.a. compulsorily to file Income Tax Return. <li data-bbox="379 689 1404 803">3. TDS provisions made applicable for Individual/HUF paying more than Rs. 50 Lacs p.a. to a Contractor/Professional. <li data-bbox="379 832 1404 1016">4. Banks to deduct TDS @ 2% on Cash Withdrawals from Current Account exceeding Rs. 1 Crore p.a. (Will have huge impact on Agro Trade).



Key Budget Themes – Details:-

Sr. No.	Theme	Steps
(6)	Long term Vision	<ol style="list-style-type: none"> <li data-bbox="430 307 1997 344">1. Plethora of Labour Laws to be revamped into 4 Labour Codes. <li data-bbox="430 358 1997 395">2. No Regressive steps like "Estate Duty" or "Succession Tax". <li data-bbox="430 409 1997 446">3. Focus on "Transparent Systems" across Govt. Administration. <li data-bbox="430 461 1997 498">4. Increased Coverage of Social Security for Lower Income Groups <li data-bbox="430 512 1997 549">5. Focus on Renewable Energy and Development of efficient Public Transport System.

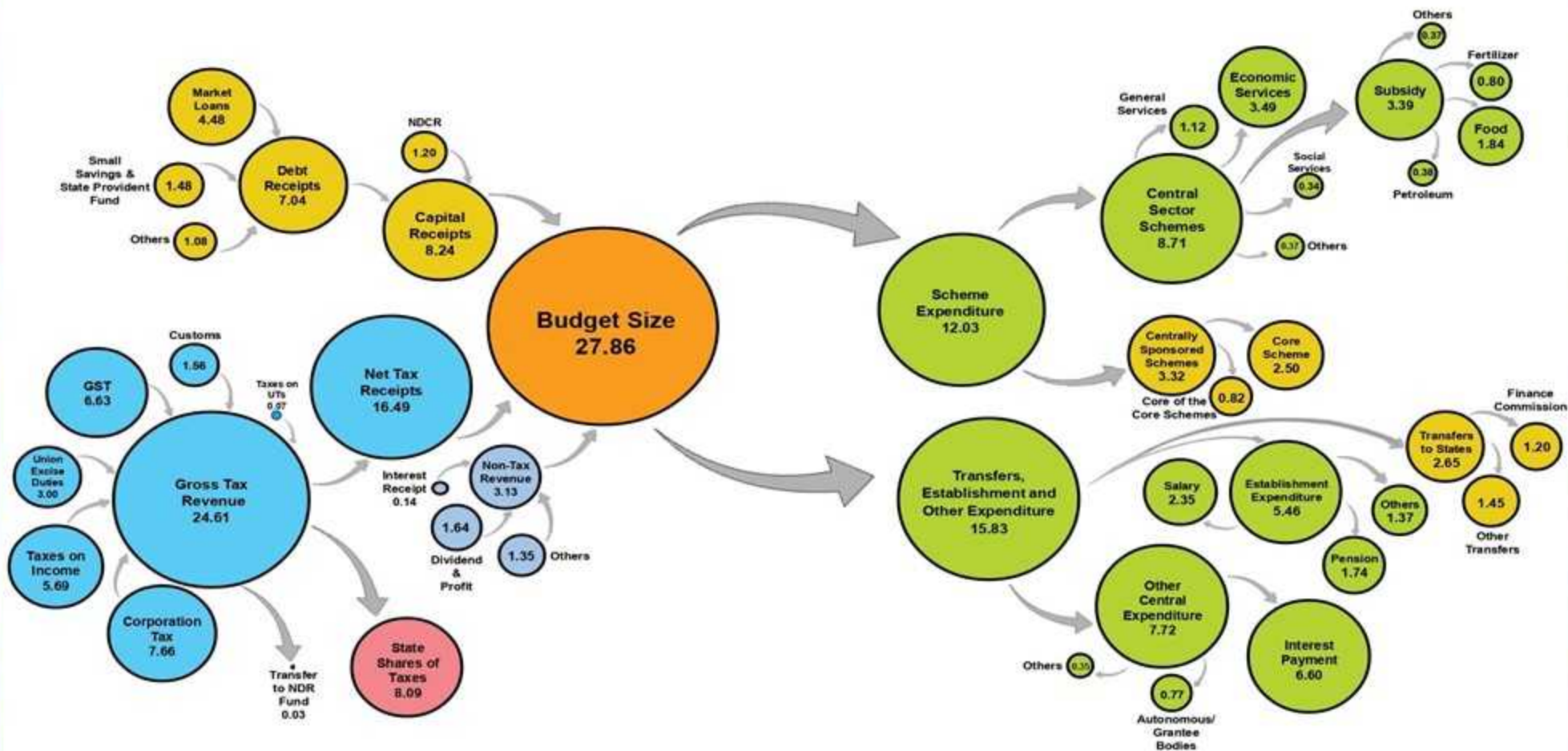
GOAL: To be US\$ 5 Trillion Economy by 2024-25




oneindia



BUDGET PROFILE



Major Tax Proposals – Direct Tax:-

❖ Tax Rates – Personal Income Tax

1. No Change in Basic Tax Rates or Slabs
2. Increase in taxation is by way of Increase in “Surcharge” on high income Individuals/HUFs/AOPs-BOIs/Artificial Jurisdictional Persons. Increase in **Surcharge** is as under.

Income	Surcharge		Effective Tax Rate	
	Existing Rate	Proposed Rate	Existing Rate	Proposed Rate
Exceeding Rs. 50 Lacs but not Exceeding Rs. 1 Crore	10%	10%	34.32%	34.32%
Exceeding Rs. 1 Crore but not Exceeding Rs. 2 Crore	15%	15%	35.88%	35.88%
Exceeding Rs. 2 Crore but not Exceeding Rs. 5 Crore	15%	25%	35.88%	39.00%
Exceeding Rs. 5 Crore	15%	37%	35.88%	42.744%

Impact: Expected Increased Revenue Collection to the tune of Approx. Rs. 2724 Crore due to increase in Surcharge.

– Increase not likely to impact many people. It is in line with global practice of higher taxation on super rich people.

Major Tax Proposals – Direct Tax:-

❖ Tax Rates – Corporate Income Tax

The Finance Minister has partly acceded to long standing demand of Corporate and Business world by reducing Corporate Income Tax Rate of mid-size companies. Benefit of **Reduced Income Tax Rate of 25% allowed to all companies whose Turnover during F. Y. 2017-18 does not exceed Rs. 400 Crore** (instead of present limit of companies with Turnover of Rs. 250 Crore).

Impact: As per Finance Minister's Speech, this **will cover almost 99.7% of all corporate entities. This will result in significant cost savings for small to midsize companies.**



❖ Widening of Tax Base/Plugging the loopholes:

➤ **Compulsory filing of Return**

Following persons are compulsorily required to file Income Tax Returns:

- a) Deposit of amount or aggregate of amounts exceeding Rs. 1 Crore in one or more current accounts maintained with a banking company or a Co-Operative Bank.
- b) Expenditure of an aggregate amount exceeding Rs. 2 lacs for himself or any other person on travel to a foreign country.
- c) Expenditure of aggregate amount exceeding Rs. 1 lac p.a. towards consumption of electricity.

Impact: Above steps seem to be the first attempt to bring large farmers in the tax net.

Major Tax Proposals – Direct Tax:-

❖ Widening of Tax Base/Plugging the loopholes:

➤ **Widening Use of AADHAR:**

- a) Where a person is required to quote his PAN and if he is not allotted PAN, such person may quote his AADHAR Number instead of PAN.
- b) CBDT to prescribe transactions requiring mandatory quoting of PAN/AADHAR.
- c) Authentication of PAN/AADHAR is made mandatory.

➤ **Widening of TDS Provisions:**

- a) At present, Individuals/HUFs are not liable to deduct tax at source on payments to resident contractors/professionals,
 - i. if services of contractor/professional is for personal use or
 - ii. if Individual/HUF is not subject to tax audit.

However, **now, even individuals/HUFs will have to deduct tax at source @ 5% on amount of payments made exceeding 50 Lacs p.a. to contractor/professionals.** Tax can be deducted by such Individuals/HUFs by use of PAN and they need not obtain TAN.

- b) TDS to be deducted from "Consideration" paid for Purchase of Immovable Property would include all charges paid to seller of immovable property like Club Membership Fees, Car Parking, AUDA Charges, Charges for Electricity/Water Connection, maintenance fees etc.



Major Tax Proposals – Direct Tax:-

❖ Widening of Tax Base/Plugging the loopholes:

➤ **Tax on Income Distributed to shareholder in case of listed companies: (Buy Back Tax):**

Till now, **only unlisted companies had to pay Dividend Distribution Tax u/s. 115QA** on buy back of shares from shareholders. However, post amendment, **this provision is made applicable to listed companies also on buy back of shares.**

Impact: Major impact is expected on companies with large cash reserves and Multinational companies, some of which may prefer to delist from stock exchanges.

➤ **Taxation of Gifts made outside India:**

Till now, Gifts made by Residents outside India were being claimed to be non taxable, as they were not "deemed to accrue or arise in India". However, from 5th July 2019, **any gift made by resident outside India to any person (non relative) shall be deemed to accrue or arise in India and would hence, be taxable in India.**

❖ Measures for promoting "Less Cash" Economy:

➤ **Any bank, Co-Operative Society or Post Office responsible for paying amount in aggregate of **Rs. 1 Crore p.a. in Cash will have to deduct tax at source @ 2% under newly introduced Section 194N.****

Impact: This provision will have huge impact in reducing Cash Transactions and resultant misuse of Cash in Agro products trade.

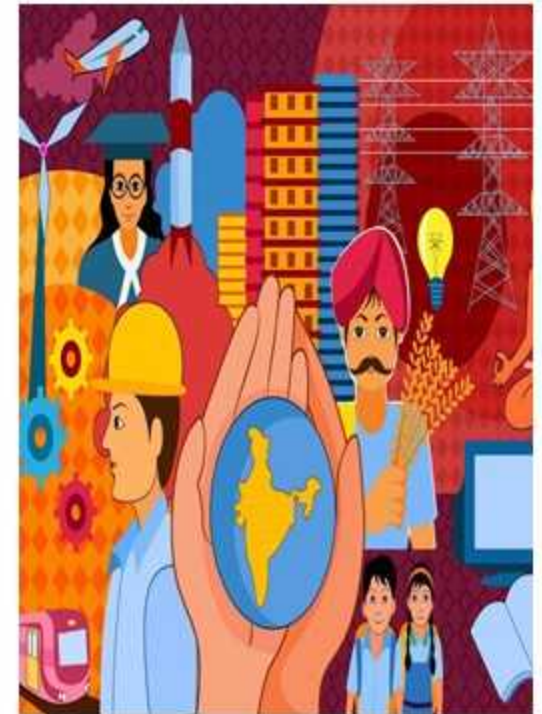
➤ **All Sections under Income Tax Act (eg. Section 13A, 35AD, 40A, 43(1), 43CA, 44AD, 80JJAA, 269S, 269T, 269ST), where account payee cheque or bank draft was compulsory mode of transaction has been amended **to include electronic/digital payment modes to be prescribed by CBDT.****

➤ **If business Turnover exceeds Rs. 50 Crore p.a., than such business entity will have to compulsorily provide for facility for accepting payment through the prescribed electronic/digital mode, failing which, stiff penalties are imposed.**

Major Tax Proposals – Direct Tax:-

❖ Supporting Start Ups:

- Condition for Deduction u/s. 54GB for **exemption of Capital Gain on Transfer of Residential House Property for investment in eligible start up company relaxed as under.**
 - a) Sunset Date extended from 31st March, 2019 to 31st March, 2021.
 - b) Minimum Shareholding in Startup Company relaxed from more than 50% to more than 25%.
 - c) Restriction on transfer of "New asset" acquired by the start up company from invested funds reduced from 5 years to 3 years.
- Conditions for Carry Forward and Set Off of losses by Start Up Company relaxed.
- **No Scrutiny of eligible start up companies regarding Valuation of Shares issued at a premium to avoid harassment of these companies by tax officials for treating premium above fare value as income under Section 56.**



❖ Tax Incentives:

- **Multiple Tax Incentives to Units located in International Financial Services Center (IFSCs) like GIFT City.** eg. Exemption from Dividend Distribution Tax, Exemption to Interest income of Non Resident from units located in IFSC, Exemption from DDT for dividend payout out of accumulated profits of IFSC Units, 100% profit exemption to IFSC Unit for any consecutive period of 10 years out of 15 years).
- **NBFCs allowed to offer income on Cash Basis** (similar to banks) for NPA Advances.
- Interest payable to NBFCs by any business entity will be allowed only, if actually paid by due date of filing return. (Section 43B).

Major Tax Proposals – Direct Tax:-

❖ Tax Incentives:

➤ **Tax Incentives to Electric Vehicles:**

Deduction in respect of interest on loan taken for purchase of an electric vehicle from any bank/financial institution **upto Rs. 1,50,000/-** p.a. between 1st April 2019 and 31st March, 2023.

➤ **Interest on Home loans:**

Additional Deduction of Interest upto Rs. 1,50,000/- on loan taken to buy house with stamp valuation upto Rs. 45 Lacs (Affordable Housing). Thus, **total deduction for buying first affordable house upto the value of Rs. 45 Lacs will be Rs. 3,50,000/-**.

➤ **Relaxation of Conditions for Developers of Affordable Housing:**

Carpet Area requirement of Residential Units, which can qualify under affordable housing **increased** from 30 Sq. Mtrs. And 60 Sq. Mtrs. Respectively for Metro and Non-Metro areas **to 60 Sq. Mtrs. And 90 Sq. Mtrs. respectively**.

➤ **Incentives to National Pension Scheme (NPS) Subscribers:**

- a) 60% of Fund Value allowed to be commuted and exempt from tax instead of earlier 40%.
- b) Deduction for Contribution to NPS increased from 10% of Salary to 14% of Salary for Central Government Employees.
- c) Any amount paid by Central Government employee as a Contribution to his Tier-II Account of NPS shall be eligible for deduction u/s. 80C of Income Tax Act.

➤ **Incentives to companies under Insolvency & Bankruptcy Code, 2016:**

Restrictions for Carry Forward and Set Off of losses u/s. 79 of Income Tax Act, 1961 not to apply to companies under IBC, 2016, subject to approval of jurisdictional Commissioner or Principal Commissioner.

Major Tax Proposals – Direct Tax:-

❖ Improving Tax Administration & Assessment Procedures:

- Application for Lower Deduction of Tax for payments to Non-Residents to be filed online.
- Return of Non-Deduction of tax at source in pursuance to Form 15G/15H can now be filed electronically by banks/financial institutions. Correction statement for such return is also allowed to be filed online.
- More impetus is given to “**Faceless E-Assessment**” for reducing Officer-tax payer interaction by way of setting up of a “Central Cell”, which shall be a single point contact between Income Tax Department and Tax Payer.

Impact: If this scheme succeeds, a massive impact can be felt in reduction of undesirable practices and harassment faced by tax payers during scrutiny assessment.

➤ **Pre-filing of Income Tax Returns:**

Pre filled tax returns will be made available to tax payers containing details of salary income, capital gains from securities, bank interests and dividends as well as tax deductions on the basis of data collected by Income Tax Department from sources such as Banks, Stock Exchanges, Mutual Funds, EPFO, State Registration Departments etc.

➤ **Payments to Non-Residents:**

If Resident tax payer has not deducted tax at source from payments to Non Residents, where he is required to do so and if non resident has paid tax on the same and has properly file the return of income, **the resident tax payer will not be treated as “Assessee in Default” u/s. 201 and hence will not be subject to penal consequences.**

❖ Amendments for Charitable Trusts

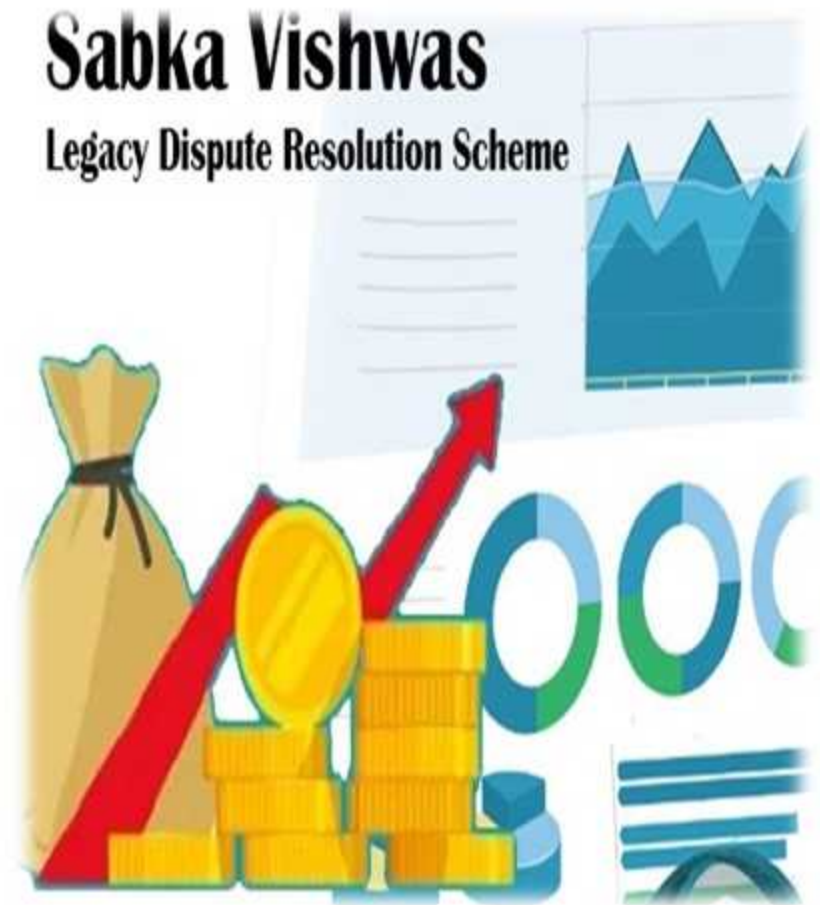
Power to cancel registration of Charitable Trust u/s. 12A granting exemption of income to such trusts given to Principal Commissioner of Income Tax for violation of “any other law” (where violation has reached finality or the assessee has not disputed the adverse order) after giving reasonable opportunity of being heard to the concerned charitable trust.

Major Tax Proposals – Indirect Tax:-

❖ Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

The Scheme has been introduced with an objective **to put to rest disputes relating to pending tax dues as declared by a declarant, pertaining mainly to Service tax and Excise duty**, various cesses under these laws and other indirect taxes and cesses.

The Scheme is to be effective from a date to be notified.



Major Tax Proposals – Indirect Tax:-

❖ Amendments in Customs Tariff Act (Applicable from 6th July 2019):

Sr. No.	Objective	Duty Increase/Decrease	Items Covered
1	To provide a level playing field to and to encourage "Make in India"	Increase	PVC, Plastic Floor Covering, Marble Slabs, Stainless steel ingots and semi finished products, optical fibre and optical fibre cables
2	To reduce import dependence and protect MSMEs	Increase	Motor vehicles, motor chasis, motor vehicle parts, bicycle parts
		Exemption	Specified capital goods for manufacture of electronic items like mobile handsets and its accessories, subject to actual user condition
3	To ease imports	Decrease	Uranium Ores and Concentrates for use in generation of nuclear power, Naptha, Ethylene Dichloride, methyl oxirane, wool fibre, wool tops etc.
4	Import Substitution	Increase	Cashew kernel, Soyabean Oil, ground-nut oil, olive oil, palm oil Newsprint, uncoated paper used in printing newspapers, lightweight coated paper used in printing of magazines, printed books Silver, in any form, medallions & silver coins including semi-manufactured forms, Gold including plated with platinum, inwrought or in semi-manufactured forms CCTV camera, IP camera, digital and network video recorders

Major Tax Proposals – Indirect Tax:-

❖ Amendments in Customs Act, 1962:

By imposing stricter penalties, giving more powers to Officers and Wider use of Aadhar, **focus of Government is clearly on checking evasion of tax and stricter compliance to Customs Act and procedures thereunder.**



Major Tax Proposals – Indirect Tax:-

❖ Goods and Services Tax (GST):

- **Constitution of National Appellate Authority for Advance Rulings ('NAAAR')**. NAAAR is to be constituted with effect from such date as may be notified. An appeal can be
- An appeal can be filed before NAAAR in case of conflicting advance rulings pronounced in two or more States / Union Territories.
- Changes are proposed to be made in **definition of "Turnover" for the purpose of eligibility under Composition Scheme of GST.**
- **Mandatory authentication / submission of AADHAR** number by registered persons as well as by fresh registrants.
- Amendment in provisions related to furnishing of returns to align with new return filing system.
- **Interest to be levied on net GST liability discharged through electronic cash ledger.**
- **The Central Government may also disburse the refund of State tax in such manner as may be prescribed**
- Levy of 10 per cent penalty in cases **where profiteered amount not paid within 30 days.**





Disclaimer:

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

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Ahmedabad

12th July 2019

