

Union Budget 2019



Hon'ble Finance Minister Nirmala Sitharaman presented her maiden Union Budget on July 5, 2019 for the financial year 2019-20. The Modi 2.0 Budget has displayed an extremely guarded approach to become \$3 trillion by FY 2019-20 and set a well-drawn roadmap towards the vision of a \$5 trillion economy in the next few years.

The Finance Minister unleashed a pro-development budget which aims at inclusive development in economy, infrastructure, environment, education, affordable housing, electric vehicles with focus on revitalizing Micro, Small & Medium Enterprises (MSME), startup ecosystem and rural India to provide ease of living.

On the tax front, the Government has put thrust on technology led governance like e-assessments without human intervention, transformative pre-filled tax returns, acceptance of Aadhaar as the single identity proof for tax purposes etc. The Budget has increased the threshold for qualifying reduced corporate tax rate of 25%. There was no changes in personal income tax rates except additional surcharge on the super rich.

To spur growth in foreign investment at a time of economy slowdown, the announcement of opening up of Foreign Direct Investment (FDI) in aviation, media, animation & insurance intermediaries sector and allowing Foreign Portfolio Investors (FPI) & Non Resident Indian (NRI) Is to subscribe to investment securities & bonds are a few key initiatives to address growth of Gross Domestic Product (GDP).

In a nutshell, these reforms have been made to minimize economic distortions towards a new and emerging India contributing strongly to the growth of global economy.

Key Economic Indicators

- GDP growth @ 6.8%
- Wholesale Price Index Inflation 4.3%
- Consumer Price Index Inflation 3.4%
- Industrial Growth (IIP) 3.6%
- Agriculture Growth 6.5%
- Services Sector Growth 7.5%
- Fiscal deficit @ 3.3%
- Revenue Deficit 2.3%
- FDI inflows \$64.4 bn



Key Policy Announcements

Key Policy Announcements

Infrastructure Sector Development

- Government to Invest Rs. 100 lakh crore in infrastructure in next five years
- Massive push to all forms of physical connectivity through Pradhan Mantri Gram Sadak Yojana, industrial corridors, dedicated freight corridors, Bhartamala and Sagarmala projects, Jal Marg Vikas and UDAN Schemes
- National Common Mobility Card (NCMC) Standards based payment system launched to pay multiple kind of transport charges including metro service and toll tax
- 210 kms metro lines have been operationalized under New Metro Rail Projects
- Set up of Public Sector Enterprise as a new commercial arm of Department of Space to tap the benefits of R&D carried out by ISRO
- Phase-II of FAME Scheme- Upfront incentive on purchase of Electric vehicles and establishment of the necessary charging infrastructure for electric vehicles
- One Nation, One Grid- blueprint for developing gas grids, water grids, i-ways, and regional airports
- Revamping the IDEAS scheme-Indian Development Assistance Scheme (IDEAS) provides concessional financing for projects and contributes to infrastructure development
- Strengthening of Ujjwal DISCOM Assurance Yojana (UDAY) for financial and operational turnaround of DISCOMs

Financial and MSME Sector Development

- 100% FDI will be permitted for insurance intermediaries
- Local sourcing norms will be eased for FDI in single brand retail sector
- FDI inflows in 2018-19 remained strong at US\$ 64.375 billion marking a 6% growth over the previous year
- Credit Guarantee Enhancement Corporation to be set up in 2019-20
- Transferability/ sale of investments permitted- From FIIs/FPIs to any domestic investor of debt securities issued by Infrastructure Debt Fund – Non-Bank Finance Companies within the specified lock-in period
- Government to organize an Annual Global Investors Meet in India, to get all three sets of global players-top industrialists/ corporate honchos, top pension/ insurance sovereign wealth funds and top digital technology/ venture funds
- Interest Subvention Scheme- Rs. 350 crore allocated for FY 2019-20 for 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans
- Introduction of dedicated Online Portal for providing of loans upto Rs.1 crores for MSMEs within 59 minutes
- Plan for creation of payment platform for MSMEs to enable filing of bills and payment thereof to eliminate delay in payments to MSMEs

Key Policy Announcements

Agriculture and Rural Economy

- Boost to agro-rural industries through cluster based development launched under SFURTI scheme with focus on bamboo, honey and khadi clusters
- 100 new clusters to be set up to enable 50000 artisans during 2019-20
- 10,000 new farmer producer organizations over next five years to achieve economies of scale
- Constitution of the Jal Shakti Mantralaya- To ensure Har Ghar Jal (piped water supply) to all rural households by 2024
- Pradhan Mantri Matsya Sampada Yojana (PMMSY) – the Department of Fisheries to establish a robust fisheries management framework
- By 2022, every single willing rural family to have an electricity connection and a clean cooking facility
- Pradhan Mantri Awas Yojana – Gramin (PMAY-G) aims to achieve the objective of “Housing for All” by 2022
- Second phase of PMAY-G, during 2019-20 to 2021-22, 1.95 crore houses proposed to be provided to the eligible beneficiaries
- Pradhan Mantri Gram Sadak Yojana (PMGSY)- 30,000 kms of roads built using Green Technology, Waste Plastic and Cold Mix Technology, 1,25,000 kms of roads to be upgraded in next five years
- Pradhan Mantri Gramin Digital Saksharta Abhiyan- Internet connectivity in local bodies in every Panchayat in the country

Health, Education and Social Protection

- Pradhan Mantri Karam Yogi Maandhan Scheme- Pension benefits extended to retail traders and small shopkeepers whose annual turnover is less than Rs. 1.5 crores
- Establishment of National Research Foundation- To fund, coordinate and promote research in the country
- New National Education Policy- To transform higher education system to one of the global best education system
- ‘Study in India’ programme to focus on bringing foreign students to study in our higher educational institutions
- 100 Business Incubators to be set up to enable 75000 entrepreneurs under ASPIRE
- Sankalp of achieving Gandhiji’s resolve of Swachh Bharat to make India Open Defecation Free by 2nd October 2019
- Women SHG Interest Subvention Programme- Every verified woman SHG member having a Jan Dhan account can avail Rs. 5,000 overdraft facility
- ‘Stand Up India’ Scheme to continue till 2025
- Khelo India Scheme- National Sports Education Board for development of sportspersons to be set up
- Television programme within the DD bouquet of channels exclusively for start-ups

Sectoral Announcements

Agriculture



- SFURTI- To set up more CFCs to facilitate cluster based development
- More focus on bamboo, honey and khadi clusters
- Promoting zero budget farming to help farmers double their income
- Private entrepreneurship support in driving value-addition to farmer's produce
- PMMSY- To establish a robust fisheries management framework
- Coordination with State Government, allowing farmers getting fair price for their produce

Rural Population



- ASPIRE – To set up Livelihood Business Incubators and Technology Business Incubators
- Jal Jeevan Mission- to Har Ghar Jal by 2024.
- Internet connectivity in local bodies in every Panchayat in the country
- Electricity and clean cooking facility to every rural family by 2022
- Speed up rural internet through Universal Service Obligation Fund and PPP arrangement
- PMGSY- III- To upgrade 1,25,000 kms of rural roads

Railway



- Strengthening of Railway network by investing Rs. 50 lakh crores between 2018-2030
- Using Public-Private Partnership (PPP) model to unleash faster development
- More investment in suburban railways through SPV structures like Rapid Regional Transport System (RRTS)
- Metro Railways - Encouraging private participation in Metro Railways
- Supporting Transit Oriented Development to ensure commercial activity around transit hubs

Defence



- 'Make In India ' emphasis on defence manufacturing
- Exemption from Basic Custom Duty on import of defence equipment not manufactured in India



Sectoral Announcements

Financial Sector



- Inter operation between RBI depositories and SEBI depositories to help retail investors for treasury bills
- Provision of Rs. 70,000 crore capital for PSU banks
- 100% FDI permitted for insurance intermediaries
- Credit Guarantee Enhancement Corporation to be set up
- Additional allocation for recapitalization of Banks to boost credit
- NBFCs allowed to get funding from banks, mutual funds, FII and FPIs

Automobile Sector



- NEMMP – To promote electric cars, Faster Adoption and Manufacturing of Hybrid and Electric vehicles (FAME)
- Increase in custom duty on automobile components
- Advanced battery and registered e-vehicles to be incentivized, greater emphasis on providing affordable & environment friendly public transportation options.

Infrastructure



- Jal Marg Vikas project for smoothening internal trade carried through inland water transport
- Sagarmala to enhance port connectivity, modernization and port linked industrialization
- Bharatmala phase II to be launched. State road networks to be developed
- 17 iconic world-class tourist sites to come up
- Creation of Manufacturing, Repair and Operate (MRO) industry
- Introduction of inter operable one nation one transport card (NCCM) covering metros, toll plazas

Real Estate



- RBI to get regulation authority of housing finance sector
- Model tenancy law to be finalized and circulated to states
- 1.95 crores houses by 2022 to provide home to houseless and those living in kutcha houses

Sectoral Announcements

Education



- New education policy to improve schools & higher education
- Gandhi-pedia being developed to sensitize youth about Mahatma Gandhi's ideas
- Proposed 'Study In India' programme to make India a global hub of higher education
- Rs. 400 crore allocated for world class higher education institutions
- National Research Foundation to assimilate research grants by ministries.
- Draft legislation for Higher Education Commission of India (HECI) to be presented

Aviation



- India to enter in aircraft financing and leasing
- Reinitiate privatization of Air India
- Opening up world's third largest aviation market for FDI
- NSIL incorporated to tap the benefits of ISRO

MSME



- PMKYMS – Pension benefit to three crore small retail traders and shopkeepers
- Payment platforms for MSMEs for payment of bills
- 100 new clusters to be set up to enable 50,000 artisans to come into economic value chain
- To expand self help group to all districts
- To start television programme exclusively for startups

Miscellaneous



- Non Resident Indian with Indian passport can apply for aadhar card on arrival
- Four new embassies to be opened to enhance India's global footprints
- IDEAS- Provides concessional financing for projects and contributes to capacity building in recipient developing countries
- Swachh Bharat Mission: India to be Open Defecation Free (ODF) by October 2,2019



Direct Tax

Key Pillars



Tax Rates

Effective Personal Tax Rates

Taxable income (in Rs.)	Less than 60 years		Senior Citizens (60-80Years)		Super Senior Citizens (more than 80 Years)	
	Existing	Proposed	Existing	Proposed	Existing	Proposed
Upto 2.5 Lakh	NIL					
2.5 Lakh - 3 Lakh	5.20%		NIL			
3 Lakh - 5 Lakh			5.20%		NIL	
5 Lakh - 10 Lakh	20.8%					
10 Lakh - 50 Lakh	31.2%					
50 Lakh - 1 Crore	34.32%					
1 Crore - 2 Crore	35.88%					
2 Crore - 5 Crore	35.88%	39.00%	35.88%	39.00%	35.88%	39.00%
More than 5 Crore	35.88%	42.74%	35.88%	42.74%	35.88%	42.74%

*Tax Rebate increased to allow **NIL** taxability for income-earners upto Rs.5 Lakh annually.*

No reduction in taxability for income-earners above Rs.5 Lakh.

Surcharge

No change in tax slab-rates for individual taxpayers except for effective increase in Surcharge for high income earners as below

Taxable income (in Rs.)	Surcharge	
	Existing	Proposed
50 Lakh - 1 Crore		10%
1 Crore - 2 Crore		15%
2 Crore - 5 Crore	NIL	25%
More than 5 Crore		37%



Effective Corporate Tax Rates

For domestic companies, rate of income-tax reduced to 25% if turnover / gross receipts of Financial Year 2017-18 \leq Rs. 400 Crore. No change in tax slab-rates for other non-individual taxpayers including foreign companies.

Taxable income (in Rs.)	Existing			Proposed		
	Upto 1 Crore	1 Crore – 10 Crore	More than 10 Crore	Upto 1 Crore	1 Crore – 10 Crore	More than 10 Crore
Domestic Companies:						
Turnover upto Rs.250 Crore	26.0%	27.82%	29.12%	26.00%	27.82%	29.12%
Turnover 250 Crore - 400 Crore	31.2%	33.38%	34.94%			
Turnover More than 400 Crore		34.94%		34.94%		
LLPs, Partnership Firms						
Foreign Companies	41.6%	42.43%	43.68%	41.6%	42.43%	43.68%

Key Pillars



**Widening & Deepening
of Tax Base**

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Tax Deduction at Source (TDS) on payment by Individual/HUF to contractors and professionals</p> <p><i>Effective from:</i> 1 Sep 2019 onwards</p> <p><i>Section(s) amended:</i> 194M</p>	<p>Currently, <u>no liability on individual or Hindu Undivided Family (HUF) to deduct tax at source on payment to <u>resident contractor or professional</u> when it is for personal use, or if the individual or HUF is carrying on business or profession which is not subjected to tax audit.</u></p>	<p><u>New section 194M inserted</u> to provide for levy of TDS @ 5% on fees for contractual work or professional fees by an individual or HUF (not required to deduct tax at source u/s 194C and 194J) if such sum(s) > Rs.50 lakh in a year.</p> <p>Relaxation to reduce compliance burden - such individuals or HUFs shall be able to <u>deposit the TDS using their PAN</u> and shall not be required to obtain Tax Deduction A/c No. (TAN) separately.</p>	<p>Due to current exemption on individuals / HUF from TDS obligation, substantial amounts paid by way of fee for contractual work / professional service is escaping levy of TDS, leaving <u>loophole for possible tax evasion</u>. Such loophole needs to be plugged.</p>
<p>TDS on purchase of immovable property</p> <p><i>Effective from:</i> 1 Sep 2019 onwards</p> <p><i>Section(s) amended:</i> 194-IA</p>	<p>Section 194-IA provides for levy of <u>TDS @ 1% on amount of <u>'consideration paid for transfer of immovable property'</u></u>, a term presently not defined in the law.</p>	<p>The term '<u>consideration for immovable property</u>' shall include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of immovable property.</p>	<p>In a transaction involving immovable property, buyer is contractually obligated to pay club membership fee and other charges, which must be subjected to TDS.</p>

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Deemed accrual of gift made to Person outside India</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 9</i></p>	<p>Currently, <u>gift made by Resident to Non-Residents / Persons outside India are reportedly claimed to be non-taxable</u> in India as the income does not accrue or arise in India.</p>	<p>Any income by way of <u>gift</u> arising from money paid, or any property situated in India, transferred on or after 5th July, 2019 <u>by Resident to Non-Resident / Person outside India</u> shall be deemed to accrue or arise (and hence taxable) in India.</p> <p>In a Treaty situation, relevant article of applicable DTAA to continue to apply to such gifts.</p>	<p>To ensure that gifts made by Residents to Persons outside India are subjected to tax in India.</p>
<p>Mandatory furnishing of return of income by certain persons</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 139</i></p>	<p>A person entering into <u>high value transactions</u> is currently <u>not necessarily required to furnish his return of income</u> unless his income exceeds maximum amount not chargeable to tax in India.</p>	<p>A person shall be <u>mandatorily required to file his return</u> of income, if during the year he has undertaken any of the <u>below transactions</u>:</p> <ul style="list-style-type: none">• Deposit > Rs.1 crore in current account with bank• Expenditure > Rs.2 lakh for foreign travel• Expenditure > Rs.1 lakh on electricity-consumption• Other conditions as may be prescribed	<p>To ensure that persons who enter into certain high value transactions do furnish their return of income in India.</p>

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<ul style="list-style-type: none"> Persons entering into certain categories of transactions to necessarily obtain PAN. Inter-changeability of PAN and Aadhaar card and mandatory quoting in prescribed transactions. <p><i>Effective from:</i> 1 Sep 2019 onwards</p> <p><i>Section(s) amended:</i> 139A, 272B</p>	<p>Currently in many cases persons entering into <u>high value transactions do not possess PAN.</u></p> <p>---</p>	<p>Every person who intends to enter into <u>certain prescribed transactions</u> and has not been allotted PAN, <u>shall apply for PAN.</u></p> <ul style="list-style-type: none"> A person who is legally required to quote PAN under the Act, <u>may quote Aadhaar</u> number instead. PAN shall be allotted to such person in case he does not already possess PAN, or, if he already possess PAN, his Aadhaar number would be required to be linked with PAN. Duty cast upon person receiving the document, to ensure that PAN or Aadhaar number is duly quoted and authenticated. 	<p>To keep an audit trail of high value transactions.</p>
<p>Consequence of not linking PAN with Aadhaar</p> <p><i>Effective from:</i> 1 Sep 2019 onwards</p> <p><i>Section(s) amended:</i> 139AA</p>	<p><u>PAN</u> allotted to a person shall be considered <u>invalid</u>, if the person fails to intimate Aadhaar number on or before notified date</p>	<p>If a person fails to intimate Aadhaar number, <u>PAN</u> allotted to such person shall be made <u>inoperative</u> in the prescribed manner.</p>	<p>To protect validity of transactions previously carried out through such PAN.</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Widening the scope of Statement of Financial Transactions (SFT)</p> <p><i>Effective from: 1 Sep 2019 onwards</i></p> <p><i>Section(s) amended: 285BA</i></p>	<p>Currently section 285BA provides for furnishing of SFT <u>only in respect of limited persons / transactions.</u></p>	<ul style="list-style-type: none">• <u>Scope</u> of persons required to furnish SFT has been <u>widened.</u>• <u>Minimum threshold</u> of Rs.50,000 (per annum) value of transactions required for submission of SFT, has been <u>done away with.</u>	<p>To enable <u>pre-filling of return</u> of income for convenience of taxpayers (including prefilling of small transactions)</p>

Key Pillars



**Measures for Promoting
Less Cash Economy**

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Prescription of electronic mode of payments</p> <p><i>Effective from:</i> AY 2020-21 onwards for sections other than 269SS, 269ST, 269T. 1st Sep 2019 onwards for above sections</p> <p><i>Section(s) amended:</i> 13A, 35AD, 40A, 43, 43CA, 44AD, 50C, 56, 80JJA, 269SS, 269ST, 269T</p>	<p>Various provisions in the Act currently <u>prohibit cash transactions</u> and allow / encourage payment or receipt only through account payee cheque, account payee draft or electronic clearing system through a bank account.</p>	<p><u>Other prescribed electronic modes of payment</u> included in the already existing permissible modes of payment (i.e, account payee cheque, an account payee bank draft, electronic clearing system through a bank account)</p>	<p>To <u>encourage other electronic modes of payment</u> in the wake of digital economy in additional to the traditional cheque / draft / online system of payment.</p>
<p>TDS on cash withdrawal to discourage cash transactions</p> <p><i>Effective from:</i> 1st Sep 2019 onwards</p> <p><i>Section(s) amended:</i> 194N</p>	<p>Currently <u>no TDS is applicable on cash withdrawal</u> / payments by bank to account-holder.</p>	<p><u>New section 194N</u> inserted to provide for levy of <u>TDS @ 2%</u> on <u>cash payments > Rs.1 crore</u> during a year, by a bank to account-holder.</p>	<p>To <u>discourage cash transactions</u> and move towards less cash economy</p>

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Mandating acceptance of payments through prescribed electronic modes</p> <p><i>Effective from: 1st Nov 2019 onwards</i></p> <p><i>Section(s) amended: 269SU</i></p>	---	<ul style="list-style-type: none">• <u>New section 269SU inserted</u> to provide that every person carrying on business, shall <u>provide facility for accepting payment through the prescribed electronic modes</u> if his total sales / turnover / gross receipts in business > Rs.50 crore during immediately preceding year.• No bank charges to be levied for using prescribed electronic modes of payment.	To <u>reduce generation / circulation of black money</u> and to promote digital economy

Key Pillars



Tax Incentives

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Incentives to International Financial Services Centre (IFSC)</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 47, 10</i></p>	<p>U/s 47, <u>transfer of a capital asset, being bonds / GDR / rupee denominated bond</u> of an Indian company / derivative, made by a <u>Non-Resident</u> through a recognised <u>stock exchange</u> located in any IFSC and where the consideration is payable in foreign currency, is <u>currently not regarded as taxable transfer</u>.</p>	<p>To provide <u>tax-neutral transfer of certain securities by Category III Alternative Investment Fund (AIF) in IFSC</u>, any transfer of a specified capital asset by such AIF, of which all the unit holders are Non-Resident, are not regarded as taxable transfer subject to conditions.</p>	<p>To promote <u>development of world class financial infrastructure in India</u> and bring Indian IFSC at par with similar IFSC in other countries</p>
	---	<p><u>Exemption of income by way of interest payable to a Non-Resident by a unit located in IFSC</u> in respect of monies borrowed on or after 1st Sep 2019.</p>	<p>To <u>facilitate external borrowing</u> by units located in IFSC</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Incentives to IFSC</p> <p><i>Effective from: 1st Sep 2019 onwards</i></p> <p><i>Section(s) amended: 115O, 115R</i></p>	<p>As per section 115O, <u>no tax is currently chargeable in respect of total income of a company, being a unit of IFSC, deriving income solely in convertible foreign exchange on dividend distribution on or after 1st April 2017, out of its current income, either in the hands of the company or the recipient of dividend.</u></p>	<p><u>Scope of section 115O extended to cover dividend paid out of accumulated income derived from operations in IFSC, after 1st April 2017.</u></p>	<p>To facilitate <u>distribution of dividend by companies operating in IFSC</u></p>
	<p>Section 115R calls for charge of <u>Dividend Distribution Tax (DDT) on income distributed by specified company or Mutual Fund to its unit holders.</u></p>	<p><u>No additional tax shall be charged in respect of income distributed, on or after 1st Sep, 2019, by a Mutual Fund of which all the unit holders are Non-Residents subject to conditions</u></p>	<p>To <u>incentivize relocation of Mutual Fund in IFSC</u></p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Incentives to IFSC</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 80LA, 115A</i></p>	<p>Currently, section 80LA provides for profit linked deduction @ <u>100% of income for 1st 5 consecutive AYs and 50% of income for next 5 consecutive AYs</u>, to units of an IFSC.</p>	<p>Deduction increased to <u>100% for any 10 consecutive years</u>. The assessee, at his option, may claim the deduction for any 10 consecutive years out of 15 years beginning with the year in which the permission was obtained.</p>	<p>To further incentivize operation of units in IFSC</p>
	<p>Section 115A provides method of calculation of <u>tax payable by a Non-Resident / Foreign Company where the total income includes income by way of dividend (other than referred in section 115-O), interest, royalty and fees for technical services</u>; etc.</p> <p>Section 80LA provides for deduction in respect of certain incomes to a unit located in an IFSC. However, Section 115A(4) prohibits deduction under chapter VIA which includes section 80LA.</p>	<p>Conditions contained in 115A(4) shall <u>not apply to a unit of an IFSC</u> for which deduction u/s 80LA is allowed.</p>	<p>To ensure that units located in IFSC claim full tax-deduction</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Incentives to Non-Banking Finance Companies (NBFCs)</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 43D, 43B</i></p>	<p>Presently, section 43D provides that interest income in relation to certain categories of bad or doubtful debts received by certain institutions / banks / corporations / companies, shall be taxable in the year in which it is credited to P/L account or actually received, whichever is earlier, an exception to accrual system of accounting.</p> <p>The benefit of this provision is presently available to <u>public financial institutions, scheduled banks, cooperative banks, State financial corporations, State industrial investment corporations and public companies like housing finance companies.</u></p>	<ul style="list-style-type: none"> • <u>Deposit-taking NBFCs and systemically important non deposit-taking NBFCs brought within the scope of section 43D.</u> • Consequentially, <u>as per matching principle, section 43B amended</u> to provide that any interest payable by assessee on loan / advances from a deposit-taking NBFCs and systemically important non deposit-taking NBFCs shall be allowed as deduction if it is actually paid on or before the due date of furnishing return of income for the relevant year. 	<p>To provide a level playing field to certain categories of NBFCs which are adequately regulated</p>

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Relaxation in conditions of special taxation regime for offshore funds</p> <p><i>Effective from: AY 2019-20 onwards</i></p> <p><i>Section(s) amended: 9A</i></p>	<p>Section 9A provides for <u>safe harbour rules in respect of offshore funds</u> including constitution of business connection in India and residential status of an eligible investment fund.</p> <p>Sub-section (3) provides for <u>conditions for eligibility of the fund</u> such as relating to residence of fund, corpus, size, investor broad basing, investment diversification and payment of remuneration to fund manager at arm's length.</p>	<p>Certain <u>constraints proposed to be removed by amending section 9A</u>, namely -</p> <ul style="list-style-type: none"> <u>Corpus of the fund shall not be < Rs.100 crore</u> at the end of 6 months from the end of the month of its establishment or incorporation or at the end of such previous year, whichever is later; and <u>Remuneration paid</u> by the fund to an eligible fund manager in respect of fund management activity is <u>not < amount calculated in the prescribed manner</u>. 	<p>In view of representations received by the Government for <u>relaxing certain conditions in the implementation of regime of fund managers</u> and to give impetus to fund management activities in India.</p>
<p>Tax incentive for electric vehicles</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 80EEB</i></p>	<p>---</p>	<p><u>New section 80EEB inserted</u> to provide for <u>deduction of interest on loan taken from any financial institution for purchase of electric vehicle</u>, upto Rs.1.50 lakh, subject to conditions.</p>	<p>To improve environment and to <u>reduce vehicular pollution</u></p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Tax incentive for affordable housing</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 80EEA, 80-IBA</i></p>	---	<p><u>Insertion of new section 80EEA to provide for deduction of interest paid up to Rs.1.50 lakh on loan taken for residential house property from any financial institution subject to following conditions:</u></p> <ul style="list-style-type: none"> • Loan has been sanctioned by a financial institution during 2019-20. • Stamp duty value of house property < Rs.45 lakh • Assessee does not own any residential house property on the date of sanction of loan. 	<p>To provide impetus to 'Housing for all' objective of the Government and to enable home buyer to have low-cost funds at his disposal.</p>
	---	<p><u>Section 80-IBA amended to modify certain conditions regarding housing project approved on or after 1st Sep, 2019 relating to:</u></p> <ul style="list-style-type: none"> • Carpet area of residential unit must be < 60 / 90 sq. mtr. • Stamp duty value of house property < Rs.45 lakh. 	<p>To align definition of 'affordable housing' u/s 80-IBA with the definition under GST Act.</p>

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Incentives to National Pension System (NPS) subscribers</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 10, 80CCD, 80C</i></p>	<p>U/s 10, presently any payment from NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme, <u>upto 40% of the total amount payable to him, is exempt from tax.</u></p>	<p><u>Exemption limit increased from 40% to 60%</u> of total amount payable.</p>	<p>To enable pensioners have more disposable funds.</p>
	<p>U/s 80CCD, in respect of any contribution by Central Government / other employer, assessee is entitled to <u>deduction of the whole of such amount as does not exceed 10% of his salary</u> in previous year.</p>	<p><u>Limit of deduction increased from 10% to 14%</u> of contribution made by Central Government.</p>	<p>To ensure that Central Government employees get full deduction of the enhanced contribution</p>
	<p>---</p>	<p>Any <u>contribution paid by a Central Government employee to his Tier-II account</u> of the pension scheme shall be eligible for deduction u/s 80C.</p>	<p>To enable Central Government employees to have more options of tax saving investments under NPS.</p>

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Incentives for start-ups</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 79, 54GB</i></p>	<p><u>Section 79</u> provides conditions for <u>carry forward and set off of losses</u> in case of closely held company.</p> <p><u>Clause (a)</u> (requirement for continuing to hold atleast 51% of voting power) currently applies to all such companies, except an eligible start-up.</p> <p><u>Clause (b)</u> (requirement for all shareholders to continue holding voting power and incurrance of loss within 7 years of incorporation) applies only to such eligible start-up.</p>	<p>In the case of <u>closely held eligible start-up</u>, loss incurred in an earlier year shall be allowed to be set off against income of current year on satisfaction of either of the 2 conditions stipulated at clause (a) or (b).</p>	<p>To facilitate ease of doing business in the case of an eligible start-up</p>
	<p>Benefit of exemption u/s 54GB on <u>roll-over investment of capital gains in start-ups</u> is no longer available on residential property transferred after 31st March 2019.</p>	<p>Relaxations offered, namely:</p> <ul style="list-style-type: none"> • <u>Extension of sunset date by 2 years</u> (till 31st March 2021) • Condition of <u>minimum shareholding of 50%</u> <u>reduced to 25%</u> • Condition <u>restricting transfer of new asset</u> (computer / software) reduced from 5 years to <u>3 years</u> 	<p>To incentivise investment in eligible start-ups</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Incentives for Category II AIF</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 56(2)(viib)</i></p>	<p>Funds received by <u>venture capital undertakings from Category II AIF</u> is currently not covered in list of exclusions from taxability u/s 56(2)(viib).</p>	<p>Said <u>transaction</u> added to list of <u>exclusions</u> from taxability u/s 56(2)(viib).</p>	<p>To facilitate venture capital undertakings to receive funds from <u>Category II AIF</u> without suffering tax</p>



Key Pillars



**Facilitating Resolution of
Distressed Companies**

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Measures for resolution of distressed companies</p> <p><i>Effective from:</i> AY 2020-21 onwards</p> <p><i>Section(s) amended:</i> 79, 115JB</p>	<p>As per section 79, in case of a company where <u>change in shareholding takes place pursuant to resolution plan approved under Insolvency and Bankruptcy Code, 2016 (IBC)</u>, loss can be carried forward and set off even if there is change in voting power / shareholding.</p>	<p><u>Benefit extended</u> to following companies (including step-down subsidiaries), where</p> <ul style="list-style-type: none"> National Company Law Tribunal (<u>NCLT</u>) <u>has suspended</u> Board of Directors and <u>appointed new directors</u> nominated by Government, and <u>Change in shareholding</u> has occurred pursuant to <u>resolution plan approved by NCLT</u> after giving opportunity of being heard to tax department. <p>U/s 115JB, unabsorbed depreciation and b/f loss shall be allowed to be reduced in case of above companies.</p>	<p>To support distressed companies</p>
<p>Prescription of exemption from deeming of fair market value of shares for certain transactions</p> <p><i>Effective from:</i> AY 2020-21 onwards</p> <p><i>Section(s) amended:</i> 56(2)(x), 50CA</p>	<p>Determination of 'fair market value' of shares based on prescribed rules for the purpose of taxability u/s 56(2)(x) (in hands of transferee) and u/s 50CA (in hands of transferor) presently often results into <u>hardship in genuine cases where consideration for transfer of shares is approved by certain authorities</u> and the transferor has no control over such determination.</p>	<p>CBDT empowered to <u>prescribe transactions</u> undertaken by certain class of persons to which sections 56(2)(x) and 50CA shall not be applicable.</p>	<p>To provide relief to genuine transactions from clutches of sections 56(2)(x) and 50CA, which are more in the nature of <u>anti-abuse provisions</u>.</p>

Key Pillars



**Improving Effectiveness of
Tax Administration**

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Online filing of application for nil / lower withholding of tax ('WHT') at source on payment to Non-Resident</p> <p><i>Effective from: 1st Nov 2019 onwards</i></p> <p><i>Section(s) amended: 195(2), (7)</i></p>	<p>Currently, procedure for applying for nil / lower WHT certificate on payments to Non-Resident is <u>manually driven</u>.</p>	<p>Necessary amendment made towards <u>making the process online</u>.</p>	<p>To use technology to streamline process, which will not only reduce time for processing of applications / filings, but also help in monitoring such payments / filings</p>
<p>Electronic filing of statement of transactions on which tax has not been deducted</p> <p><i>Effective from: 1st Sep 2019 onwards</i></p> <p><i>Section(s) amended: 206A</i></p>	<p>Presently, section 206A provides for filing of statements (in respect of payment of interest to residents where no tax has been deducted at source) on <u>floppy, disc, CD, etc.</u></p>	<p>Necessary amendment made to <u>enable online filing</u> of such statement (including subsequent corrections)</p>	

Key Pillars



**Strengthening Anti-Abuse
Measures**

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Tax on income distributed to shareholder / buy back in case of listed companies</p> <p><i>Effective from: 5th July 2019 onwards</i></p> <p><i>Section(s) amended: 115QA</i></p>	<p>Section 115QA provides for levy of additional tax @ 20% of the distributed income on account of buy-back of shares by unlisted company. Such taxability is <u>not applicable on listed companies.</u></p>	<p><u>Scope of section 115QA widened</u> to cover listed companies as well.</p>	<p>To curb practice of listed companies reportedly indulging in buy-back of shares, instead of payment of dividends, since <u>tax rate for capitals gains is currently < rate of DDT.</u></p>
<p>Cancellation of registration of Trust / Institution</p> <p><i>Effective from: 1st Sep 2019 onwards</i></p> <p><i>Section(s) amended: 12AA</i></p>	<p>Section 12AA provides for cancellation of registration in case of a trust or institution on 2 grounds:</p> <ul style="list-style-type: none"> activities of the exempt entity are <u>not genuine</u> or are not being carried out in accordance with its objects; and it is noticed that the activities of the exempt entity are being carried out in a manner that either whole or any part of its income <u>would cease to be exempt.</u> 	<ul style="list-style-type: none"> At the time of granting registration the <u>Department shall satisfy</u> itself about the compliance of the trust / institution to <u>requirements of any other law</u> which is material for achieving its objects; Where a trust or an institution has been granted registration and subsequently it is noticed that it has <u>violated requirements of any such other law</u> which was material for achieving its objects, and the order holding that such violation has occurred, has not been disputed or has attained finality, the Department may <u>cancel the registration.</u> 	<p>To ensure that the trust or institution do not deviate from their objects, based on which income-tax exemption has been granted.</p>

Key Pillars



**Removing Difficulties
Faced by Taxpayers**

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Facilitating demerger of Indian Accounting Standards (Ind-AS) compliant companies</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 2(19AA)(iii)</i></p>	<p>Currently, 1 of the conditions for tax-neutral demergers is that resulting company should record property / liabilities of the demerged undertaking, at <u>book value</u>.</p> <p>Ind-AS compliant companies are required to record property / liabilities of the undertaking at value different from book value of the demerged company</p>	<p>Requirement of recording property / liabilities at book value shall not be applicable in a case where <u>compliance with Ind-AS is required</u>.</p>	<p>To facilitate tax-neutral demerger in case of Ind-AS compliant companies</p>
<p>Relaxing the provisions of sections 201 and 40 (failure to withhold tax) in case of payments to Non-Residents</p> <p><i>Effective from: 1st Sep 2019 onwards (for section 201). AY 2020-21 onwards [for section 40(a)]</i></p> <p><i>Section(s) amended: 201, 40(a)</i></p>	<p>Currently, section 201 provides relief to payer in case of non-compliance with WHT obligation (where payee duly deposits the tax, furnishes return of income, offers the corresponding income to tax and produces declaration to this effect) only in respect of payments to Resident.</p> <p>In other words, such <u>relief is not available on payments to Non-Resident</u>.</p>	<ul style="list-style-type: none"> Relief extended to payer even in cases of <u>payment to Non-Residents</u>. Consequential amendment for levy of interest u/s 201(1A) till date of filing return by Non-Resident payee. Similarly, section 40(a) amended so that there <u>is no disallowance (u/s 40) in respect of such payments to Non-Residents</u> 	<p>To bring at par payment to Resident viz-a-viz Non-resident in matter of penal consequence for not WHT.</p>

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Clarification with regard to power of the Tax (Assessing) Officer in respect of modified return of income filed in pursuance to signing of the Advance Pricing Agreement (APA)</p> <p><i>Effective from: 1st Sep 2019 onwards</i></p> <p><i>Section(s) amended: 92CD(3)</i></p>	<p>Currently, section 92CD(3) deals with a situation where assessment / re-assessment has already been completed before expiry of time allowed for filing modified return as per APA signed with CBDT.</p> <p>Reportedly, apprehensions have been received by Government that due to use of words 'assess or reassess or recompute', <u>Tax Officer may start fresh assessment / reassessment in respect of completed assessments / reassessments in cases where taxpayer has modified return of income as per APA</u>, which is not the intention of law.</p>	<p>In cases where assessment / reassessment has already been completed and modified return of income has been filed by the tax payer, Tax Officer shall pass an order modifying the total income of the relevant year determined in such assessment / reassessment, having regard to and <u>in accordance with the APA</u>.</p>	<p>To ensure <u>parity in closure of assessment / reassessment with APA signed</u>; or else, APA becomes redundant.</p>

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment
<p>Clarification with regard to secondary adjustment and giving an option to assessee to make one-time payment</p> <p><i>Effective from: AY 2018-19 onwards (for 1st 4 amendments). 1st Sep 2019 onwards (for latter amendments)</i></p> <p><i>Section(s) amended: 92CE</i></p>	<p>Reportedly, several concerns have been expressed regarding <u>effective implementation of secondary adjustments regime</u> and seeking clarity in law.</p>	<p>Section 92CE amended as below:</p> <ul style="list-style-type: none">• Threshold of Rs.1 crore and of primary adjustment made upto AY 2016-17 are alternate conditions;• Taxpayer shall be required to calculate interest on excess money• Section shall apply to agreements signed on or after 1st April 2017; however, no refund of taxes already paid under the pre-amended provision would be allowed;• Excess money may be repatriated from any of the associated enterprises of the taxpayer which is not resident in India;• In a case where excess money has not been repatriated timely, taxpayer will have option to pay tax @ 18% on such excess money in addition to existing requirement of calculation of interest till date of payment of such tax. The additional tax is proposed to be increased by surcharge of 12%;• Tax so paid shall be final payment of tax and no credit shall be allowed in respect of tax so paid;• Deduction in respect of the amount on which such tax has been paid, shall not be allowed under any other provision;• If the assessee pays the additional tax, he will not be required to make secondary adjustment or compute interest from the date of payment of such tax.

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Concessional rate of Short-term Capital Gains (STCG) tax to certain equity-oriented fund of funds</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 111A</i></p>	<p>In order to incentivise fund of funds set up for disinvestment of Central Public Sector Enterprises (CPSEs), Finance Act, 2018 has provided <u>concessional rate of long-term capital gains tax</u> u/s 112A for the transfer of units of such fund of funds.</p>	<p><u>Extension of concessional rate of STCG tax in respect of transfer of units of such fund of funds.</u></p>	<p>To further incentivise such funds of funds</p>
<p>Provision of credit of relief provided u/s 89</p> <p><i>Effective from: AY 2007-08 onwards</i></p> <p><i>Section(s) amended: 140A, 143, 234A, 234B, 234C</i></p>	<p>Relief u/s 89 is <u>not specifically mentioned</u> in certain sections (140A, 143, 234A, 234B, 234C) which talk about computation of tax liability after allowing credit for prepaid taxes, admissible reliefs, credits etc.</p>	<p>Said sections amended to provide for <u>computation of tax liability after allowing relief u/s 89.</u></p>	<p>To provide genuine hardship in the case of taxpayers who are eligible for such relief.</p>

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>TDS on non exempt portion of life insurance pay-out on net basis</p> <p><i>Effective from:</i> 1st Sep 2019 onwards</p> <p><i>Section(s) amended:</i> 194DA</p>	<p>Reportedly, concerns have been expressed that <u>deducting tax on gross amount u/s 194DA</u> creates difficulties to an assessee who otherwise has to pay tax on net income.</p> <p>From perspective of tax administration as well, it is preferable to deduct tax on net income so that income as per TDS return of can be reconciled with return of income filed by the assessee.</p>	<p><u>TDS @ 5%</u> on income component of the sum paid by such person.</p>	<p>Person who is paying to a resident under a life insurance policy is aware of the amount of insurance premium paid by the assessee.</p>
<p>Clarification regarding definition of 'accounting year' u/s 286 (Country-By-Country Reporting)</p> <p><i>Effective from:</i> AY 2017-18 onwards</p> <p><i>Section(s) amended:</i> 286</p>	<p>Section 286 provides that every parent entity or alternate reporting entity (ARE), resident in India, shall, for <u>accounting year</u> furnish a report within 12 months.</p> <p>Reportedly, concerns have been expressed that in case of a Resident ARE <u>whose ultimate parent entity is Non-Resident</u>, the accounting year would always be the accounting year applicable in the home country (and not previous year of the Resident entity).</p>	<p>Clarification issued to provide that accounting year in case of ARE of an international group, the parent entity of which is not resident in India, the reporting <u>accounting year shall be the one applicable to such parent entity.</u></p>	<p>To remove unintended anomaly as regards <u>interpretation of accounting year</u> in case of ARE, resident in India</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Provide for pass through of losses in cases of Category I and Category II AIF</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 115UB</i></p>	<ul style="list-style-type: none"> Section 115UB provides for <u>pass through</u> of income earned by the Category I and II AIF, except for business income which is taxed at AIF level. Pass through of profits (other than business income) has been allowed to individual investors to give them benefit of lower rate of tax, if applicable. Pass through of losses not provided for in the existing regime and are retained at AIF level to be carried forward and set off in accordance with Chapter VI. 	<p>Section 115UB amended to provide that:</p> <ul style="list-style-type: none"> Business loss of the investment fund shall be allowed to be carried forward and set-off as per Chapter VI; it shall not be passed onto the unit holder; Loss other than business loss, shall also be ignored for the purposes of pass through, if such loss has arisen in respect of a unit which has been held by unit holder < 12 months; Loss other than business loss, if any, accumulated at level of investment fund as on 31st March 2019, shall be deemed to be loss of unit holder who held the unit on 31st March, 2019 in respect of the investments made by him in investment fund and allowed to be carried forward by him for the remaining period as per Chapter VI; Loss so deemed in hands of unit holders shall not be available to investment fund for set-off. 	<p>To remove the genuine difficulty faced by Category I and II AIFs</p>

Key Pillars



Rationalisation of Provisions

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment
<p>Rationalisation of provisions relating to maintenance, keeping and furnishing of information and documents by certain Persons</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 92D</i></p>	<p>Pursuant to proviso inserted to section 92D(1) in 2016, Rule 10DA provides the requisite information to be furnished in case of constituent entity of an international group (subject to the thresholds of the consolidated group revenue and the international transaction).</p>	<p>It has been clarified that documentation to be maintained by a constituent entity and filing of form shall be applicable <u>even if there is no international transaction</u> undertaken by such constituent entity.</p>
<p>Compliance with notification of exemption issued u/s 56(2)(viib)</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 56(2)(viib)</i></p>	<p>Certain notifications issued by Government provide for exemption, subject to conditions, from taxability u/s 56(2)(viib) on consideration received by certain companies for issue of shares in excess of fair market value of such shares.</p>	<p>To ensure compliance with conditions specified in the notification, it has been provided that <u>in case of failure to comply with such conditions</u>, consideration received in excess of face value of such shares shall be <u>taxable in the year in which failure to comply</u> with such condition(s) has occurred.</p>
<p>Rationalisation of penalty provisions relating to under-reported income</p> <p><i>Effective from: AY 2017-18 onwards</i></p> <p><i>Section(s) amended: 270A</i></p>	<p>Currently, section 270A <u>does not contain the mechanism for determining under-reporting of income and quantum of penalty</u> to be levied in case where a person has under-reported income and furnished return of income for 1st time u/s 148.</p>	<p>Section 270A suitably amended to provide for <u>manner of computing quantum of penalty</u>.</p>

Direct Tax Proposals



UNION BUDGET

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Budget Proposal	Existing Provision	Proposed Amendment
<p>Rationalisation of section 276CC (prosecution for failure to furnish return of income)</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 276CC</i></p>	<p>Currently, section 276CC <u>does not expressly give benefit to taxpayer to reduce self-assessment tax / TCS while determining minimum (threshold) tax liability</u> of Rs.3000, to initiate prosecution proceedings for failure to furnish return of income.</p>	<ul style="list-style-type: none"> Section amended to make legislative intent clear that <u>benefit of pre-paid taxes has to be given while determining tax liability.</u> Minimum threshold limit of Rs.3000 increased to <u>Rs.10000.</u>
<p>Rationalisation of provision relating recovery of tax in pursuance of agreements with foreign countries</p> <p><i>Effective from: 1st Sep 2019 onwards</i></p> <p><i>Section(s) amended: 228A</i></p>	<p>As per section 228A, where Indian Government has entered into agreement with Government of a foreign country in relation to recovery of tax, and such foreign country sends a certificate for recovery of tax from a person having any property in India, the CBDT may forward such certificate to the Tax Recovery Officer within whose jurisdiction such property is situated for the recovery of tax.</p>	<p>To provide assistance in recovery of tax as per treaty obligation with the other country, section amended to provide for <u>tax recovery where details of property of the persons are not available but the said person is a resident in India.</u></p>
<p>Rationalisation of provisions relating to claim of refund</p> <p><i>Effective from: 1st Sep 2019 onwards</i></p> <p><i>Section(s) amended: 239</i></p>	<p>Currently, section 239 provides that every claim of refund under Chapter XIX shall be <u>made in prescribed form</u> and verified in prescribed manner.</p>	<p>To simplify procedure for claim of refund, section amended to provide that every claim for refund under Chapter XIX shall be made by <u>furnishing return as per section 139.</u></p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Enhancing time limitation for sale of attached property u/r 68B of Second Schedule of the Act</p> <p><i>Effective from:</i> 1st Sep 2019 onwards</p> <p><i>Section(s) amended:</i> Rule 68B of Second Schedule of the Act</p>	<p>Currently, rule 68B provides that no sale of immovable property attached towards the recovery of tax, penalty etc. shall be made <u>after 3 years</u> from end of the FY in which the order in consequence of which any tax, penalty etc. becomes final.</p>	<p>To protect interest of revenue, especially in those cases where demand has been crystallised on conclusion of proceedings, said sub-rule amended to <u>extend period of limitation from 3 to 7 years</u> (further extendable by 3 years by CBDT).</p>
<p>Rationalisation of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015</p> <p><i>Effective from:</i> 1st July 2015 onwards (section 2). 1st Sep 2019 onwards (sections 84, 17)</p> <p><i>Section(s) amended:</i> 2, 10, 17 84 of BM Act</p>	<p>Currently, <u>definition of 'assessee'</u> u/s 2 of Black Money Act is limited to a person <u>Resident in India</u> as per section 6 of Income-tax Act.</p> <p>Presently, section 84 provides for application of certain provisions of Income-tax Act to BM Act with necessary modifications.</p>	<p><u>Scope of 'assessee' widened</u> to include Non-Resident / Not Ordinary Resident, who was Resident in India either in the year to which income referred to section 4 relates, or, in the year in which the undisclosed asset located outside India was acquired.</p> <p>Considering significance of cases assessed under BM Act, amendment made to provide that <u>section 144A of Income-tax Act shall be applicable to BM Act</u>. Section 144A entitles Joint Commissioner to issue binding directions to Assessing Officer to enable him complete assessment in certain cases.</p>

Direct Tax Proposals



UNION BUDGET

2019-20

Budget Proposal	Existing Provision	Proposed Amendment
<p>Rationalisation of the Income Declaration Scheme, 2016</p> <p><i>Effective from:</i> 1st June 2016 onwards</p> <p><i>Section(s) amended:</i> 187, 191 of Finance Act, 2016</p>	<ul style="list-style-type: none"> As per section 187 of Finance Act, 2016, tax, surcharge and penalty in respect of the undisclosed income, declared under the Income Declaration Scheme, 2016 shall be paid before a notified due date. Further, existing section 191 of Finance Act, 2016 provides that any such amount of tax, surcharge or penalty paid <u>shall not be refundable</u>. 	<ul style="list-style-type: none"> Where the amount of tax, surcharge and penalty, has not been paid before due date, <u>Government may notify class of persons who may make the payment of such amount</u> before a notified date along with interest @ 1% per month. Similarly, <u>Government may notify class of persons to whom tax, surcharge and penalty</u>, paid in excess of the amount payable under the Scheme <u>shall be refundable</u>.
<p>Rationalisation of provisions relating to Securities Transaction Tax (STT)</p> <p><i>Effective from:</i> 1st Sep 2019 onwards</p> <p><i>Section(s) amended:</i> 99 of Finance (No.2) Act, 2004</p>	<p>Presently, as per section 99 of Finance (No.2) Act, 2004, value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be, the <u>settlement price</u>.</p>	<p>To <u>rationalise levy of STT</u> where option is exercised, said section amended to provide that value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be the <u>difference between the strike price and the settlement price</u>.</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Rationalizing provisions of Prohibition of Benami Property Transactions Act</p> <p><i>Effective from: 1st Sep 2019 onwards (except section 23 which if effective from 1st Nov 2016 onwards)</i></p> <p><i>Section(s) amended: 23, 24, 26 of Prohibition of Benami Property Transactions Act (Benami Act)</i></p>	<p>Currently, it is <u>not expressly provided</u> in section 23 of Benami Act <u>that prior approval of Approving Authority shall not be required</u> where the Initiating Officer has already initiated proceedings by issuing notice u/s 24(1).</p> <p>Section 24(3) provides for attachment of property for 90 days <u>from date of issue of notice u/s 24(1)</u>.</p> <p>Section 24(4) provides for passing of order within 90 days from date of issuing notice u/s 24(1).</p> <p>Currently, <u>no exclusion is provided for the period during which proceedings are stayed by the Court</u>, while ascertaining time limit for following actions:</p> <ul style="list-style-type: none"> • Passing of order by Initiating Officer u/s 24(4) • Making reference by Initiating Officer u/s 24(5) • Passing of order by Adjudicating Authority u/s 26(7) 	<p>Clarification issued that <u>no prior approval of Approving Authority would be required</u> in cases where notice u/s 24(1) has been issued.</p> <p>Period of 90 days shall reckon from <u>end of the month in which notice u/s 24(1) is issued</u>.</p> <p><u>Exclusion of said period</u> to provide adequate time to pass order or make reference</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Rationalizing provisions of Prohibition of Benami Property Transactions Act</p> <p><i>Effective from: 1st Sep 2019 onwards</i></p> <p><i>Section(s) amended: 54A, 54B, 55 of Benami Act</i></p>	<p>---</p>	<p>Insertion of following new sections:</p> <ul style="list-style-type: none">• 54A to provide for <u>Penalty of Rs.25000</u> for failure to comply with summons issued u/s 19 or to furnish information u/s 21.• 54B to provide that <u>entries in records / other documents in custody of an authority shall be admitted in evidence in any proceedings for prosecution</u>
	<p>Existing section 55 provides that no prosecution shall be instituted against any person without previous sanction of the <u>Board</u>.</p>	<p>Power to sanction prosecution proceedings given to '<u>Competent Authority</u>' (instead of Board). '<u>Competent Authority</u>' for this purpose means Commissioner, Director, Principal Commissioner or Principal Director of Income-tax.</p>



Indirect Tax

Indirect Tax Proposals - GST

- Simplified single monthly GST return is being rolled out
- Taxpayer having annual turnover of less than Rs. 5 crore to file quarterly returns
- Free accounting software for return preparation made available for small businesses
- Fully automated GST refund module to be implemented
- Multiple tax ledgers for a taxpayer to be replaced by one
- Electronic Invoice system wherein invoice details will be captured in a central system at the time of issuance to be rolled out from January 2020



Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment
New Composition Scheme for supplier of services including mixed suppliers	<p>This scheme was made applicable from 1st April, 2019 through a Notification</p> <p>Now the provisions of the Notification has been inserted in the CGST Act</p>	<p>New Composition scheme was introduced for supplier of services or mixed suppliers (i.e. supplier of both goods & services) having an annual turnover of up to Rs.50 lakhs in the preceding financial year</p> <p>Turnover for the above purposes shall not include exempt supply of services being interest (or discount) on extending deposits, loans & advances</p>
Extension of basic threshold limit for obtaining GST Registration	<p>This scheme was made applicable from 1st April, 2019 through a Notification</p> <p>Now the provision of the Notification has been inserted in the CGST Act</p>	<p>Threshold limit for GST registration has been raised from Rs. 20 lakhs to Rs. 40 lakhs in case of supplier engaged in exclusive supply of goods</p> <p>The above threshold limit shall also be available to the supplier engaged in exempt supply of services being interest (or discount) on extending deposits, loans & advances</p>
Electronic payment option		<p>Specified suppliers shall mandatorily provide specified option & mode of electronic payment to the recipient of supply of goods or services</p>
Filing of Return under Composition Scheme	<p>Composition Scheme taxpayers are required to file quarterly tax returns along with payment of GST</p> <p>Further, such taxpayers are required to file Annual Return in Form GSTR-9A.</p>	<p>Composition taxpayers to furnish annual return along with quarterly payment of taxes</p> <p>Other specified taxpayers may be given the option for quarterly / monthly furnishing of returns and payment of taxes under the proposed new return system.</p>

Indirect Tax Proposals - GST

Budget Proposal	Proposed Amendment
Mandatory Aadhaar Authentication for GST Registration	Aadhaar authentication to be mandatory for specified class of new taxpayers. Further the manner in which certain class of registered taxpayers are required to undergo Aadhaar authentication to be prescribed
Commissioner empowered to extend the due date of Annual Return and Audit Report	The Commissioner shall be given the power to extend the due date for: <ul style="list-style-type: none">• furnishing of Annual return and Re-conciliation statement• furnishing of monthly and annual statement by the person collecting tax at source
Facility to transfer amount from one head to another head in Electronic Cash Ledger	Registered person may transfer tax, interest, penalty or any other amount available in the electronic cash ledger amongst IGST, CGST, SGST, UTGST or Cess
Ascertainment of interest on delayed payment of tax	Interest to be charged only on the net tax liability after set-off of Input Tax Credit instead of gross tax liability
Refund of Tax	The Central Government may disburse refund amount to the taxpayers in respect of refund of State taxes as well
Anti-profiteering measure	The National Anti-profiteering Authority shall be empowered to impose penalty equivalent to 10% of the profiteered amount
Constitution of National Appellate Authority for Advance Ruling	Procedures to be followed for hearing appeals against conflicting advance rulings pronounced on the same question by the Appellate Authorities of two or more States or Union territories National Appellate Authority shall pass order within 90 days from the date of filing of the appeal

Legacy Dispute Resolution Scheme

- A dispute resolution cum amnesty scheme called “Sabka Vishwas Legacy Dispute Resolution Scheme, 2019” to be introduced
- The proposed Scheme covers past disputes of taxes which have got subsumed in GST namely Central Excise, Service Tax and Cesses
- All taxpayers are eligible to avail the scheme except few exclusions including taxpayers:
 - convicted under the Act
 - who have filed an application before the Settlement Commission
- Relief varies from 40% to 70% of the tax dues other than voluntary disclosures
- Relief from payment of interest and penalty
- The person discharged shall also not be liable for prosecution
- The Scheme shall provide method of payment of tax dues, arrears and restrictions regarding the manner of payment etc.
- The Scheme shall become applicable from a date to be notified

Central Excise

- Increase in Special Additional Excise duty and Road and Infrastructure Cess each by Re 1 / litre on petrol and diesel
- Nominal basic excise duty to be imposed on tobacco products and crude

Service Tax

- Any fee charged by State Government for grant of liquor license proposed to be exempted from service tax for the period 1st April 2016 to 30th June 2017
- Educational programs (except Executive Development Program) provided by Indian Institutes of Management (IIM) proposed to be exempted from service tax for during the period 1st July 2003 till 31st March 2016
- Upfront amount (like premium, salami, development charges etc.) for granting long term lease of more than 30 years provided by any entity having 50% or more Government ownership to the developers in any industrial or financial business area proposed to be exempted from Service Tax for the period 1st October 2013 to 30th June 2017

Indirect Tax Proposals – Customs

- The Budget proposals laid down the objectives of securing borders, achieving higher domestic value addition through 'Make In India' initiatives, reducing import dependence, protection to MSME sector, promoting clean energy, curbing non-essential imports and correcting inversions
- Basic customs duty increased on items for providing domestic industry a level playing field
- To further promote domestic manufacturing, customs duty reductions proposed on certain raw materials and capital goods
- Misuse of duty free scrips and drawback facility involving more than Rs. 50 lakhs will be a cognizable and non-bailable offence
- General penalty enhanced from:
 - Rs. 1,00,000 to Rs. 4,00,000 for violation of provisions of the Act
 - Rs. 50,000 to Rs. 2,00,000 for violation of Rules or Regulation

- Any person notified by the Central Government other than the person in-charge of conveyance shall be able to furnish departure manifest
- A new chapter titled "Verification of Identity and Compliance" is being inserted to carry out Aadhaar based verification of a person for preventing smuggling and for protecting the interest of revenue
- Proper officer may be empowered to:
 - scan or screen any person who may have goods liable to confiscation secreted in his body
 - arrest a person who has committed an offence outside India or in Indian Customs waters
 - provisionally attach or release any bank account in the interest of Government revenue
- Penalty provision introduced to penalize any person who has obtained any instrument by fraud, collusion, wilful misstatement or suppression of facts which is utilised for payment of duties and taxes

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

SL.	Commodity	Old Rate	New Rate
1.	Naphtha	5%	4%
2.	Methyloxirane (Propylene Oxide)	7.5%	5%
3.	Ethylene dichloride (EDC)	2%	Nil
4.	Raw materials used in manufacture of Preform of Silica: - a) Silicon Tetra Chloride b) Germanium Tetra Chloride c) Refrigerated Helium Liquid d) Silica Rods e) Silica Tubes	Applicable rate	Nil
5.	Wool fibre, Wool Tops	5%	2.5%
6.	Inputs for the manufacture of CRGO steel: - a) MgO coated cold rolled steel coils b) Hot rolled coils c) Cold-rolled MgO coated and annealed steel d) Hot rolled annealed and pickled coils e) Cold rolled full hard	5%	2.5%
7.	Amorphous alloy ribbon	10%	5%
8.	Cobalt mattes and other intermediate products of cobalt metallurgy	5%	2.5%

Changes in Basic Customs Duty

SL.	Commodity	Old Rate	New Rate
9	Capital goods used for manufacturing of following electronic items, namely- (i) Populated PCBA (ii) Camera module of cellular mobile phones (iii) Charger/Adapter of cellular mobile phone (iv) Lithium Ion Cell (v) Display Module (vi) Set Top Box (vii) Compact Camera Module	Applicable Rate	Nil
10	Cashew kernels, broken	Rs. 60 per kg or 45% whichever is higher	70%
11	Cashew kernels	Rs. 75 per kg or 45% whichever is higher	70%
12	Palm stearin and other oils having 20% or more free fatty acid, Palm fatty acid distillate and other industrial monocarboxylic fatty acids. acid oils from refining for use in manufacture of oleochemicals and soap	Nil	7.5%
13	Poly Vinyl Chloride	7.5%	10%
14	Floor cover of plastics, Wall or ceiling coverings of plastics	10%	15%
15	Articles of plastic	10%	15%
16	Butyl Rubber	5%	10%
17	Chlorobutyl rubber or bromobutyl rubber	5%	10%
18	a. Newsprint b. Uncoated paper used for printing of newspapers c. Lightweight coated paper used for magazines	Nil	10%

Changes in Basic Customs Duty

SL.	Commodity	Old Rate	New Rate
48	Marble Slabs	20%	40%
49	Raw material, parts or accessories for use manufacture of artificial kidneys, disposable sterilized dialyzer and micro-barrier of artificial kidney	Applicable Rate	Nil
50	All forms of Uranium ores and concentrates, for generation of nuclear power	2.5%	Nil
51	Uranium enriched in U-235 or its compounds, plutonium and its compounds, mixtures etc. for generation of nuclear power	7.5%	Nil
52	All goods required for setting up of Nuclear power plant under project imports:- a) MahiBanswara Atomic Power project- 1 to 4, b) Kaiga Atomic Power project – 5 & 6, c) Gorakhpur Atomic Power project- 3 & 4, d) Chutka Atomic Power project- 1 & 2)	Applicable rate	Nil
53	Petroleum crude	Nil	Re. 1 per tonne
54	Specified electronic goods such as switches, sockets, plugs, connectors, relays etc.	Nil	Applicable Rate
55	Capital goods used for manufacturing of specified electronic items, namely- (i) Cathode Ray tubes; (ii) CD/CD-R/DVD/DVD-R; (iii) Deflection components, CRT monitors/CTVs; (iv) Plasma Display Panel	Nil	Applicable Rate
56	Foam/ EVA foam and pine wood are being included in the list of item allowed duty free import upto 3% of FOB value of sports goods exported in the preceding financial year	Applicable rate	Nil
57	Specified Military equipment and their parts imported by Ministry of Defence or Armed Forces	Applicable rate	Nil
58	Silver (including silver plated with gold or platinum) unwrought or in semi manufactured forms, or in powder form	10%	12.50%

Changes in Basic Customs Duty

SL.	Commodity	Old Rate	New Rate
59	Silver dore bar, having silver content not exceeding 95%	8.50%	11%
60	Base metals clad with silver, not further worked than semi-manufactured	10%	12.50%
61	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	10%	12.50%
62	Gold dore bar, having gold content not exceeding 95%	9.35%	11.85%
63	Base metals or silver, clad with gold, not further worked than semi-manufactured	10%	12.50%
64	Platinum, unwrought or in semi-manufactured forms, or in powder form [other than Rhodium]	10%	12.50%
65	Base metals, silver or gold, clad with platinum, not further worked than semi manufactured	10%	12.50%
66	Waste and scrap of precious metals or of metal clad with precious metals; other waste and scrap containing precious metal compounds, of a kind used principally for the recovery of precious metal.	10%	12.50%
67	Gold and Silver imported by an eligible passenger as baggage	10%	12.50%
68	Motor spirit commonly known as petrol, High speed diesel oil	Rs. 8 per litre	Rs. 9 per Litre

Changes in Excise Duty Rates

SL.	Commodity	Old Rate	New Rate
1	Other than filter cigarettes, of length not exceeding 65 millimetres	Nil	Rs. 5 per thousand
2	Other than filter cigarettes, of length exceeding 65 millimetres but not exceeding 70 millimetres	Nil	Rs. 5 per thousand
3	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) not exceeding 65 millimetres	Nil	Rs. 5 per thousand
4	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 65 millimetres but not exceeding 70 millimetres	Nil	Rs. 5 per thousand
5	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 70 millimetres but not exceeding 75 millimetres	Nil	Rs. 5 per thousand
6	Other Cigarettes	Nil	Rs. 10 per thousand
7	Cigarettes of tobacco Substitutes	Nil	Rs. 5 per thousand
8	Hookah or gudaku Tobacco	Nil	0.5%
9	Smoking mixtures for pipes and cigarettes	Nil	1%
10	Other than paper rolled biris, manufactured without the aid of machine	Nil	5 paisa per thousand
11	Other (biris)	Nil	10 paisa per thousand
12	Other smoking tobacco	Nil	0.5%
13	“Homogenised” or “reconstituted” tobacco	Nil	0.5%
14	Chewing tobacco	Nil	0.5%

Changes in Excise Duty Rates

SL.	Commodity	Old Rate	New Rate
15	Preparations containing chewing tobacco	Nil	0.5%
16	Jarda scented tobacco	Nil	0.5%
17	Snuff	Nil	0.5%
18	Preparations containing Snuff	Nil	0.5%
19	Tobacco extracts and Essence	Nil	0.5%
20	Other (manufactured tobacco and substitutes)	Nil	0.5%
21	Petroleum crude	Nil	Re. 1 per tonne



Changes in Special Additional Excise Duty

SL.	Commodity	Old Rate	New Rate
1	Motor spirit commonly known as petrol	Rs 7 per Litre	Rs 8 per litre
2	High speed diesel oil	Re 1 per Litre	Rs. 2 per Litre

Changes in Road and Infrastructure Cess

SL.	Commodity	Old Rate	New Rate
1	Motor spirit commonly known as petrol, High speed diesel oil	Rs. 8 per litre	Rs. 9 per litre

Changes in Export Duty Rates

SL.	Commodity	Old Rate	New Rate
1	EI tanned Leather	15%	Nil
2	Hides, skins and leathers tanned and untanned, all sorts	60%	40%

About Us

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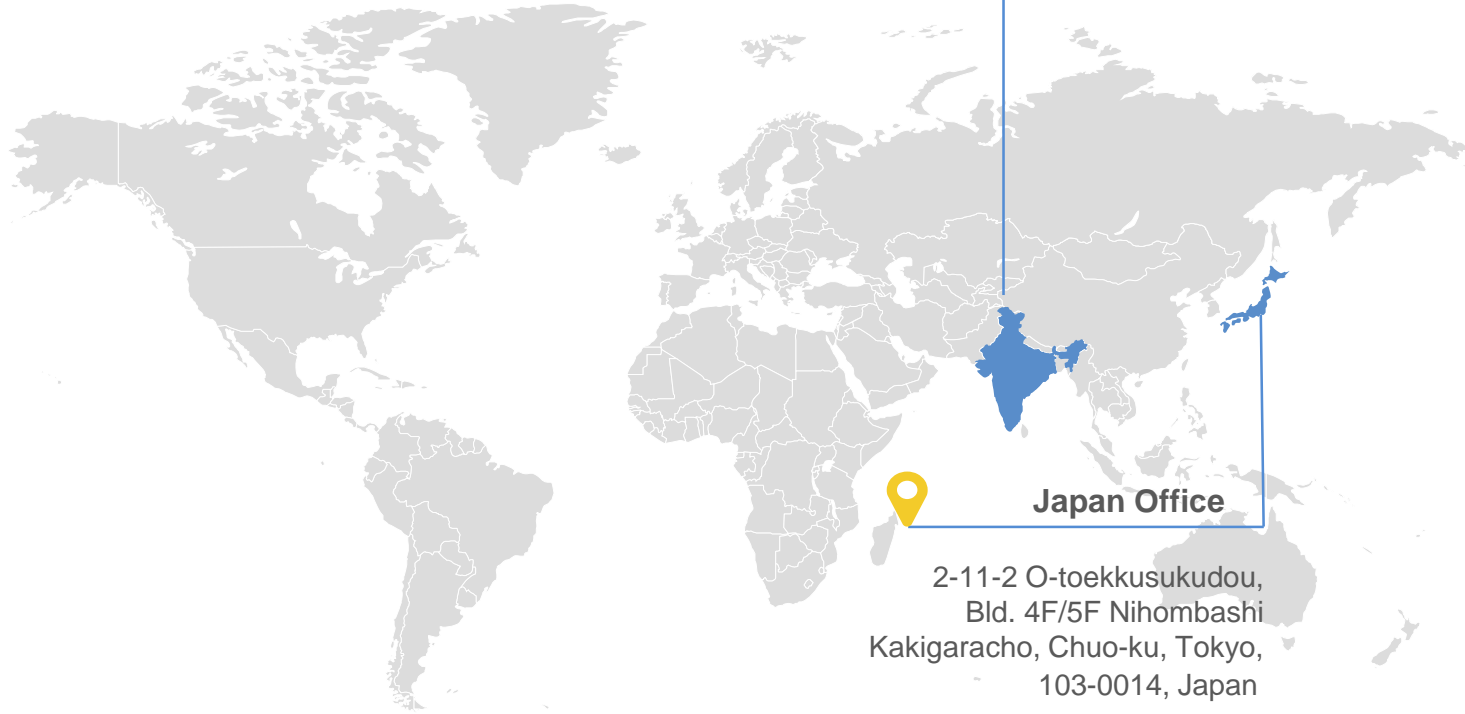
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