

Union Budget 2019

Key Tax Proposals

#Economy@5trillion



Building a better
working world

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03 Indirect tax proposals





Budget backdrop



Budget backdrop and policy initiatives



1 Macro-fiscal Indicators

- Fiscal Deficit targeted at 3.3 % in FY20, on course to 3% in FY21
- Slowdown in the economy has affected the industrial sector

2 Economic growth Outlook

- GDP growth projected at 7% for FY20 rising from 6.8% in FY 19
- Vision for \$5 trillion economy driven by investment - requires GDP growth at 8%

3 Overall outlook

- Global oil prices, based on oil price futures, are expected to decline in FY20 as compared to current levels
- Downside risks to consumption remain and it is contingent upon recovery in the rural sector
- Survey calls for a reorientation of export policies and recommends better targeting of countries/ markets based on commodity-wise comparative advantage
- Investment rate is expected to pick up on the back of higher credit growth and improved demand

Tax revenues as % of GDP and tax buoyancy

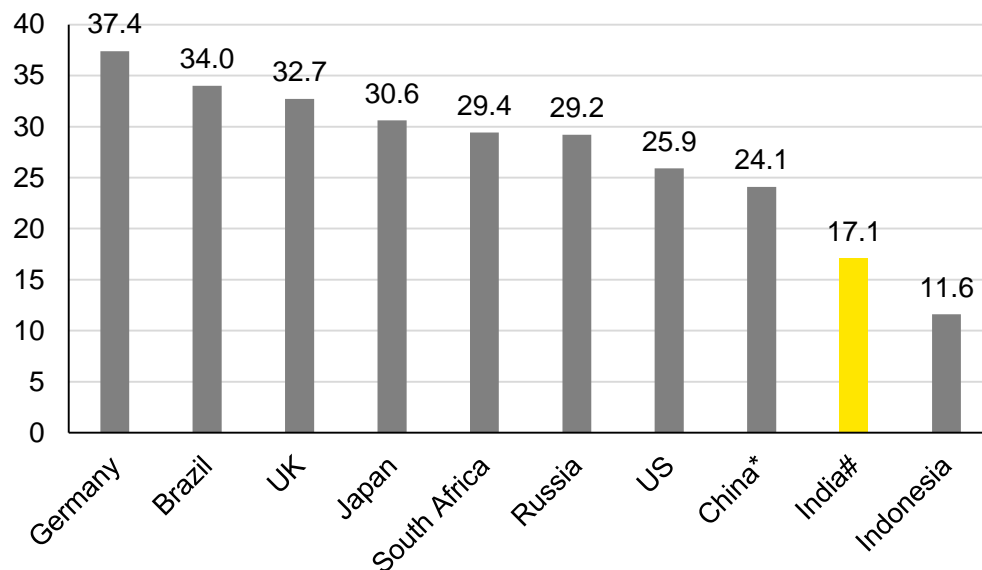
India's Tax-GDP ratio for the Center (%)

Year	Direct Tax	Indirect Tax	Gross tax revenue
2014-15	5.6	4.4	10.0
2015-16	5.4	5.2	10.6
2016-17	5.5	5.6	11.2
2017-18	5.9	5.4	11.2
2018-19 (RE)	6.4	5.6	11.9
2019-20 (BE)	6.3	5.3	11.7
2020-21*	--	--	11.6
2021-22*	--	--	11.6

Source (Basic data): Union Budget documents; Central Statistical Organisation, MoSPI

*sourced from medium term fiscal policy cum fiscal policy strategy statement

Tax-GDP ratio: a cross country comparison (2016)



Source (Basic data): OECD, CTD / UNU (United Nations University)-WIDER Government Revenue Dataset 2018, RBI (combined government statistics)

*pertains to 2015 for China

#pertains to fiscal year 2016-17 for India (Central and State taxes)

- ▶ As per the medium term fiscal policy cum fiscal policy strategy statement , the gross tax-GDP ratio is indicated to fall from 11.7% in FY20 to 11.6% of GDP in FY21 and remain at the same level in FY22.
- ▶ Tax buoyancy is reduced to 0.8 in FY 20 from 1.7 in FY 19
 - ▶ Improved tax buoyancy in recent years on account of better tax administration, widening of TDS, anti-tax evasion measures, increase in the base of tax payers

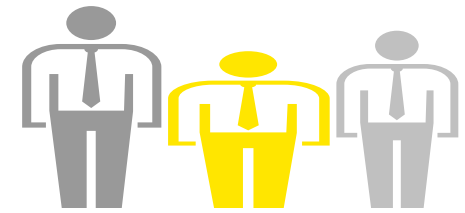
Major Budget Proposals

- ▶ Bank recapitalisation (INR 70,000 crore) to revive lending
- ▶ NBFC revival- For buying NBFC loans, one time, six month partial credit guarantee to PSBs for first loss up to 10%
- ▶ Move part of the government borrowing to foreign markets to access low cost foreign funds
- ▶ Proposal to consider increasing minimum public shareholding in the listed companies from 25% to 35% - subject to consideration by SEBI
- ▶ Structural reforms such as streamlining multiple labour laws into set of 4 labour codes
- ▶ Skill training and new national education policy
- ▶ Proposal to further open up FDI in civil aviation, insurance and eased local sourcing norms for single brand retail
- ▶ Increase the statutory limit for FPI investment in a company from 24% to sectoral foreign investment limit- Rationalisation of NRI-Portfolio Investment Scheme Route

A close-up photograph of a person's hand touching a tablet screen. The screen displays a colorful, abstract data visualization with various colored lines and shapes. The background is a soft, out-of-focus blue and purple bokeh. A large, semi-transparent grey number '2' is overlaid on the left side of the image.

2 Direct tax proposals

Individual tax proposals



1

Increase in surcharge rates

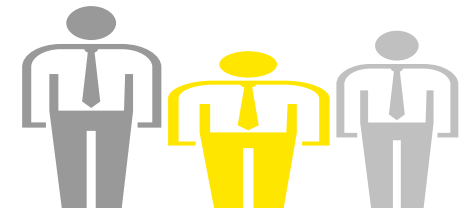
- No change in the basic tax rates
- Surcharge rate proposed to be increased from 15% to 25% for Income exceeding INR 2 Crores up to INR 5 Crores and further increased to 37% if income exceeds INR 5 crores (subject to marginal relief)
- Education cess to continue at the existing rate of 4%
- Maximum marginal tax rate for in case of individuals, HUF, AOP, BOI, AJP increased to 42.74%

2

TDS related proposals

- Individuals and HUFs will now be required to deduct TDS at the rate of 5% from payments made to residents for contractual work or professional fees (even for personal use), exceeding INR 50 lacs in a financial year (effective from 1 September 2019)
- Non exempt life insurance receipts will now be subject to TDS at the rate of 5% on net basis (after considering premium) as against current rate of 1% on gross amount
- In TDS on purchase of immovable property provisions, the term “consideration for immovable property” expanded to include charges incidental to transfer of the immovable property like club membership fee, car parking fee, maintenance fee, etc

Individual tax proposals



3

Rebate on affordable housing

- Individuals, not eligible to claim deduction under section 80EE, are allowed to claim deduction for interest upto INR150,000 on home loan subject to below conditions:
 - Stamp duty value of the property does not exceed INR 45 lacs;
 - Loan been sanctioned during the financial year 2019-20;
 - The individual is not owning any residential house property on the date of sanction of loan;
 - No deduction under any other provisions of the Act is allowed for any year.

4

Boost in purchase of electric vehicles

- Individuals entitled to deduction upto INR150,000 for interest on loan for purchase of an electric vehicle from any financial institution.
- Loan should be sanctioned during the period 1 April 2019 to 31 March 2023

5

Increase in exemption limit on NPS

- Increase in exemption from 40% to 60% of the total amount payable to a person from NPS account at the time of closure or opting out of the scheme
- Considering 40% mandatory annuity, effectively 100% NPS payment becomes tax free similar to PF – pension from annuities would be taxable

Measures to stimulate growth

Corporate tax rate

Reduced corporate tax rate of 25% to apply to domestic companies with total turnover not exceeding INR 400 crores in financial year 2017-18

1

Interest on Rupee denominated bonds

Interest earned by non-residents on rupee denominated bonds issued during 17th September 2018 to 31 March 2019 now exempt

- however, no corresponding provision in section 194LC

2

C/f and set-off of losses for Startups

Loss incurred by an eligible start-up shall be allowed to be carried forward for set-off if either:

(a) 51% or more of the voting power remains with the same shareholders who held shares on the last day of the year in which the loss was incurred; or

(b) All the shareholders who held shares carrying voting power on the last day of the year in which the loss was incurred continue to hold those shares AND such loss has been incurred during the period of 7 years from the date of incorporation of the start-up

3

Measures to stimulate growth

Relaxation of roll over benefits in respect of LTCG for investments in start-ups

Capital gains from transfer of a residential property, owned by an Individual or HUF will be exempt from tax where the net sale consideration is utilised:

- a) To subscribe to 25% or more (as against 51% or more earlier) in the equity shares of an eligible start-up; and
- b) The start-up has utilised such consideration in purchase of new asset within a period of 1 year from the date of such subscription.
- c) This exemption is now extended from 31 March 2019 to 31 March 2021
- d) Restriction period for transfer of new asset acquired (being computer and computer software) has been reduced from 5 years to 3 years

4

Announcement in budget speech (not yet included in Finance Bill, 2019)

Scheme for setting-up mega-manufacturing plants in sunrise and advanced technology areas (such as semiconductor fabrication, solar photo voltaic cells, lithium storage batteries, solar electric charging infrastructure, computer servers, laptops) to be announced which will enjoy investment linked income tax exemption under section 35 AD and indirect tax benefits

5

Measures to stimulate growth

Proposals for Angel Tax

- Relaxation from Angel tax extended to Category-II AIFs (PE funds, Venture debt funds, real estate funds)

Premium will be taxable in the year in which **'start up' conditions** prescribed by the CBDT are not complied

- The tax will apply on the difference between consideration received for issue of shares and face value of share

Start-up conditions:

- a) Recognised by Department for Promotion of Industry and Internal Trade as a start-up
- b) Issued capital (including share premium) post the issue does not exceed INR250 million
- c) INR250 million threshold to exclude investments by non-resident Venture Capital Company, Venture Capital Funds and Specified companies.
- d) The Start-up has not invested in any of the specified assets

6

Rationalisation measures



Relief from non-withholding of taxes on payment to NR

No disallowance of expenses and payer not to be considered as assessee in default in case of failure to deduct tax on payments made to non-residents if such non-resident -

- Furnishes return of income,
- Offers such income to tax in the return of income,
- Pays full taxes and
- Furnishes certificate from an accountant.

Rationalisation of provisions relating to Securities Transaction Tax ('STT')

In case of sale of option in securities, where option is exercised, STT now applicable on difference between settlement price and strike price, as against settlement price (amendment will be effective from 1 September 2019)

Rationalisation measures

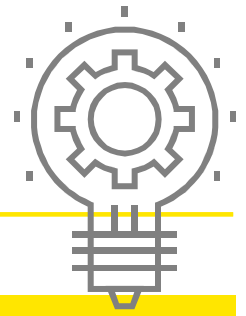


Demerger by IND-AS compliant companies

Definition of demerger has now been relaxed to allow the resulting company to record values of property and liabilities of the demerged undertaking at values different from the values appearing in the books of the demerged company, in compliance with the Indian Accounting Standards

Other Rationalisation measures

- ▶ Provisions relating to 50CA and 56(2)(x) not to apply to certain class of persons (Class of persons and related conditions to be prescribed separately) - to cover cases where determining consideration is not within control of the contracting entities
- ▶ Companies where National Company Law Tribunal ('NCLT'), based on application from Central Government, has suspended the Board of directors of such company and has appointed new directors under section 242 of Companies Act, 2013 ('2013 Act'), to subsidiary of such a company, and to subsidiary of the subsidiary will be eligible for –
 - ▶ *Carry forward of losses*- Change in shareholding not to impact carry forward of business loss
 - ▶ *Relief from Minimum Alternate tax ('MAT')*- Book profit to be reduced by aggregate of brought forward loss (excluding depreciation) and unabsorbed depreciation



TDS on cash withdrawals

- ▶ Cash withdrawals from banks etc exceeding INR 1 crore in aggregate during the year will now attract TDS at the rate of 2%
- ▶ This amendment will be effective from 1 September 2019

Additional electronic modes of payment to be allowed

- ▶ Presently, various provisions prohibit cash transactions and allow/ encourage payment or receipt only through account payee cheque or demand draft or ECS
- ▶ Additional electronic modes of payment will now be allowed in addition to the existing modes of payment

Mandating acceptance of payments through electronic modes

- ▶ Every person carrying on business with annual sales/ turnover/ gross receipts exceeding INR 50 crores will now be required to provide facility for accepting payments through electronic modes
- ▶ Penalty of INR5,000 applicable for every day of non compliance
- ▶ This amendment will be effective from 1 November 2019

Anti-abuse measures

Additional income-tax on buyback of shares by listed companies

- Buyback of shares by a company listed on recognised stock exchange to now attract income-tax at 20% (plus surcharge and cess)
- Tax to be payable by the company on difference between consideration paid on buyback of shares and amount received by company at the time of issue of such shares
- Consequently, income received by shareholder on account of buyback of shares to be exempt from income-tax
- This amendment will be effective from 5 July 2019

Gift-tax for non-residents

- Receipt of money/ specified property by a non-resident from a resident without or for inadequate consideration to now be taxable in India
- Scope of 'income deemed to accrue or arise in India' widened to cover such transfers
- No tax to arise where the transfer falls within a specified list of exemptions
- Non-resident recipient entitled to claim protection, if available, under the relevant treaty
- Amendment applicable in respect of transfers made on or after 5 July 2019

Mandatory filing of tax return for new categories of taxpayers

- Deposits in one or more current account exceeding INR 1 Crore; or
- Expenditure incurred on foreign travel of more than INR 2 lakhs; or
- Electricity expenditure exceeding INR 1 lakh; or
- Satisfying other prescribed conditions

Transfer pricing

Secondary
Adjustment

01

Changes proposed in secondary transfer pricing adjustment provisions

- ▶ Option of one-time tax payment at the rate of 18% in lieu of secondary transfer pricing adjustment
- ▶ APAs signed prior to 01 April 2017 excluded from secondary adjustment provisions
- ▶ No refund of taxes already paid, if any, by virtue of these provisions prior to this amendment
- ▶ Excess monies can be repatriated from any of the non-resident AEs
- ▶ Clarified that these provisions are applicable only if primary adjustment exceeds INR 10 million and pertains to AY 2017-18 and subsequent years

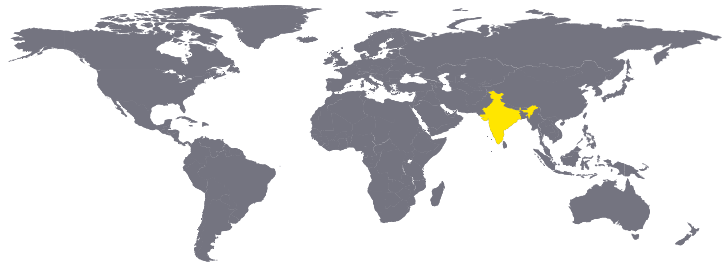
CbCR and
master file

02

Clarifications relating to CbCR and master file provisions

- ▶ In cases where 'Alternate Reporting Entity' is resident in India, reporting accounting year for CbCR purposes would continue to be that of the ultimate parent entity
- ▶ Master file required to be filed even if no international transactions undertaken during the year

Ease of compliance = Ease of living



Pre-filed income tax returns

2

Prefilled income tax returns will be made available containing information like salary income, capital gains from securities, bank interests, dividends etc and withholding tax

E-filing of applications

4

Electronic filing of application seeking determination of nil or lower withholding tax on payments to non residents

1 Aadhar - PAN interchangeability

Aadhaar number can be quoted instead of PAN for filing of return of income and other cases where PAN is mandatorily required.

3 Faceless e-assessment

Faceless e-assessment in phased manner – to start with cases requiring verification of specified transactions or discrepancies

Assessing officer will be alien to tax payer and Central Cell will be single point of contact between assessing offer and tax payer



3 Indirect tax proposals

Goods and Services Tax proposals

- ▶ Anti-profiteering provisions amended to levy penalty of 10% where profiteered amount not deposited within 30 days. In order to address conflicting advance rulings by various state AARs, National AAAR to be constituted.
- ▶ Interest on delayed payment of tax to be charged only on liability payable in cash and Inter-operability of cash balance across CGST, SGST, IGST and Compensation Cess to be allowed.
- ▶ Central Government to be empowered to grant refund in respect of state taxes also as a single disbursing authority.
- ▶ The Government has made a recommendation to the GST council to reduce the GST rate on Electric Vehicle from 12% to 5%.

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

Background

- ▶ A dispute resolution cum amnesty scheme for resolution and settlement of legacy cases which will be effective from a date yet to be notified
- ▶ The scheme shall be applicable on disputes in the Central Excise Act, 1944 or the Central Excise Tariff Act, 1985 or Chapter V of the Finance Act and the rules made thereunder along with various Cesses
- ▶ Every person shall be eligible to make declaration under the Scheme except in case of following:
 - ▶ Where appeal filed before the appellate forum and final hearing has taken place on or before 30 June 2019
 - ▶ Where SCN has been issued and final hearing has taken place on or before 30 June 2019

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

Background

- ▶ Who have been convicted of any offence under any provision for the matter for which he intends to file a declaration
- ▶ Who have been subjected to any enquiry or investigation or audit and amount of duty involved has not been quantified on or before 30 June 2019
- ▶ Who have been issued a SCN for erroneous refund or refund
- ▶ Any person making voluntary disclosure after being subjected to any enquiry or investigation or audit
- ▶ Who have filed an application in the Settlement Commission
- ▶ Any person seeking to make declarations with respect to excisable goods set forth in the Fourth Schedule to the Central Excise Act, 1944

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

Relief available under the scheme

S. No.	Details	Amount	Relief
1.	Tax dues relating to SCN or appeal pending as on 30.06.2019 and amount of duty is	<50 lakhs	70% of tax dues
		>50 lakh	50% of tax dues
2.	Tax dues relating to SCN for late fee or penalty only and the amount of duty has been paid or is NIL	-	Entire amount of late fee or penalty
3.	Tax dues are relating to amount in arrears or where the declarant has indicated tax payable in returns but not paid it	<50 lakhs	60% of tax dues
		>50 lakh	40% of tax dues
4.	Tax dues are linked to an enquiry, investigation or audit against the declarant and the amount is quantified on or before 30.06.2019	<50 lakhs	70% of tax dues
		>50 lakh	50% of tax dues
5.	Tax dues are on account of voluntary disclosure by the applicant	-	No relief

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

Procedure



Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

Effects of discharge certificate

- ▶ Discharge certificate issued shall be conclusive as to matter and time period thereon
- ▶ Declarant not liable to pay any further duty, interest or penalty w.r.t matter and time period covered in the declaration
- ▶ Declarant shall not be liable for prosecution w.r.t matter and time period covered in the declaration
- ▶ However, it shall not preclude issuance of SCN for the same matter for subsequent period, different matter for same period

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

Other conditions

- ▶ Declarant shall pay amount payable as mentioned in statement issued by Designated Committee through internet banking
- ▶ Amount payable under this scheme shall not be paid through input tax credit
- ▶ Amount paid shall not be available as input tax credit
- ▶ Amount paid under the scheme shall not be refundable under any circumstances
- ▶ Any amount paid as pre-deposit at any stage of appellate proceedings or as deposit during enquiry, investigation or audit will be deducted in computing the amount payable
- ▶ No refund if pre-deposit/ deposit already paid exceeds amount payable

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

Important definitions

- ▶ Meaning of Tax dues:

Sr. No.	Scenario	Meaning of tax dues
1.	Where a single appeal arising out of order is pending as on 30.06.2019	Total amount of duty which is disputed
2.	Where more than one appeal arising out of an order, one by the declarant and other being departmental appeal – where such an appeal has not been heard finally on or before 30.06.2019	Sum total of amount disputed by both declarant and department
3.	Where SCN is received on or before 30.06.2019	Amount of duty payable as SCN
4.	Where enquiry or investigation or audit is pending	Amount of duty payable which has been quantified on or before 30.06.2019

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

Important definitions

- ▶ **Amount in arrears** - amount of duty which is recoverable as arrears of duty under the indirect tax enactment, on account of –
 - ▶ No appeal having been filed by the declarant against an order or an order in appeal before expiry of the time period for filing appeal; or
 - ▶ An order in appeal relating to the declarant attaining finality; or
 - ▶ The declarant having filed a return under the indirect tax enactment on or before 30 June 2019, wherein he has admitted a tax liability but not paid it

Customs proposals

- ▶ Scope of prosecution under Customs enlarged, empowering the officer to arrest a person committing offence outside India or Indian customs waters
- ▶ General penalty for any contravention of customs provisions to be increased from INR 1 lakh to INR 4 lakh
- ▶ Following offences have been made cognizable / non-bailable:
 - ▶ Duty drawback or duty exemption exceeding INR 50 lakhs fraudulently availed – to be treated as cognizable offence
 - ▶ Fraudulently obtaining and utilising FTP benefits such as scrips and authorizations where amount exceeds INR 50 lakhs – to be treated as cognizable and / or non-bailable offence.

Change in rates of customs duty

- ▶ In order to provide level playing field to domestic manufacturers and encourage Make in India initiative, rates to be increased for certain goods and exemption to be made available for raw materials and capital goods for manufacture of specified goods.
- ▶ Customs duty has been revised on certain auto parts as follows:

Sr. No.	Item	Existing rate	Revised rate
1.	Friction material and articles thereof not mounted for brakes, clutches or the like	10%	15%
2.	Glass mirrors, whether or not framed, including rear-view mirrors	10%	15%
3.	Locks of a kind used in motor vehicles	10%	15%
4.	Oil or petrol filters for internal combustion engines	7.5%	10%
5.	Intake air filters for internal combustion Engines	7.5%	10%

Change in rates of customs duty

Sr. No.	Item	Existing rate	Revised rate
6.	Air purifiers or cleaners and other filtering or purifying machinery and apparatus for gases	7.5%	10%
7.	Lighting or visual signalling equipment of a kind used in bicycles or motor vehicles	10%	15%
8.	Other visual or sound signalling equipment for bicycles or motor vehicles	7.5%	15%
9.	Horns for vehicles	10%	15%
10.	Parts of visual or sound signalling equipment for bicycles or motor vehicles	7.5%	10%
11.	Windscreen wipers, defrosters and demisters; sealed beam lamp units and other lamps for automobiles	10%	15%
12.	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705	10%	15%
13.	Bodies (including cabs), for the motor vehicles of headings 8701 to 8705	10%	15%

Change in rates of customs duty

Sr. No.	Item	Existing rate	Revised rate
14.	Catalytic convertor	5%	10%
15.	Completely Built Unit (CBU) of vehicles	25%	30%
16.	Following parts of Electric Vehicle: <ul style="list-style-type: none">▶ E-drive assembly▶ On-board charger▶ E-compressor▶ Charging gun	Ranging from 7.5% to 20%	Nil

- ▶ Goods used in the manufacture of hybrid motor vehicles, specified under Serial No. 529 of Notification No. 50/2017 – Customs dated 30 June 2017, shall be eligible to NIL rate of duty on import, subject to the importer following the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017



Microsoft Excel
Worksheet

An aerial photograph of a triathlon race in progress. The water is a vibrant turquoise color. Numerous swimmers, dressed in black wetsuits and white swim caps, are scattered across the frame, creating white splashes as they move. In the center of the image, a single kayaker is visible, wearing a bright yellow shirt and a white cap, paddling a pink kayak. The overall scene conveys a sense of active participation and teamwork.

Thank You