UNION BUDGET
2019-20

FOREWORD

Our first full time lady Finance Minister of India, Ms Nirmala Sitharaman, presented the Union Budget 2019-20 on 5th July 2019, on the back of a thumping victory at the Lok Sabha (Central Parliamentary Elections) in May 2019, representing a party having absolute majority at the Centre.

This unique position as the single largest party at the Centre and being their second term in office, posed an opportunity for the Finance Minister to make fundamental changes via some bold steps, on the back of the Interim Budget presented pre-elections in February 2019, to give India the requisite impetus to achieve its true social and economic potential.

This budget set out a tall but clear target of India as a USD 5 trillion economy over 5 years guided by the 10-point vision consistent with the one tabled at the Interim Budget.

With the economy growing at a sluggish pace of 5.8% in the last quarter of FY 18-19 and continuing to follow a declining trajectory in the following quarter, the Finance Minister recognized the need for facilitating investments to enhance production which in-turn would support job creation for our Youth and drive consumption - our primary engine for growth. Ease of Living and Ease of Doing Business continued to drive policy decisions and allocation of resources. Further, the budget emphasized the need to achieve the above while protecting our environment and natural resources, safeguarding the interest of our future generations.

To enable our growth from a USD 2.7 trillion economy today to a USD 5 trillion economy, India would need a major boost to infrastructure with investments of USD 300 billion a year. Recognizing this need, the finance minister has proposed provisions to raise capital by expanding and deepening the bond markets, further liberalizing foreign investments and providing requisite impetus to Investment Trusts as a potential tool to attract capital from retail investors.

Further, to fuel growth, the Finance Minister has offered much needed support to Public Sector Banks, still recovering from NPAs written off to the tune of INR 100,000 crore over the past year. The domino effect of ailing banks is a weakening appetite of NBFCs to invest capital due to struggling balance sheets and tightening liquidity. NBFCs are critical to our financial eco-system offering necessary capital to end consumers driving consumption and growth. Substantial financial and policy support has been offered in this budget to revive these banks and NBFCs.

While on one hand, providing basic amenities and utilities like electricity, water and clean gas in each home has been continuously given its much due importance along with Housing for all by 2022, the FM has given equal importance to the need for facilitating innovation, promoting new ideas and enabling entrepreneurship by supporting "Start Up India" and "Stand up India". Addressing the unnecessary ambiguity and dispute around angel tax, providing tax incentives to invest in start-ups and offering special administrative arrangements for tax assessments, this budget does pave the way for a dynamic future incentivizing a social transformation.

Following the vision for digitalization and promoting a cashless economy, various amendments have been introduced recognizing digital payments as a permitted mode of payment or receipt for compliance with Income Tax Act and additional provisions as deterrents to cash based transactions including a TDS at 2% on cash withdrawals above INR 1 crore from a bank account.

With the objective of widening the tax net and rationalizing of tax rates, the FM has further extended the tax rate of 25% to Companies having turnover upto INR 400 cr from INR 250 cr. This limit is said to cover almost 99.3% of the volume of companies operating in India from the earlier 99%. Though the intent is appreciated, the impact may be minimal as over 80% of the tax collections in India would be received from the .7% companies not covered by this amendment.

The budget has largely dealt with provisions of Customs Duty as the GST Council is proposing GST amendments through the year. The Finance Minister did succinctly summarise key changes in GST and further introduced a dispute resolution cum amnesty scheme to address INR 3.75 lakh crore of disputes pending for the period prior to implementation of GST. The amendments to customs duty were directed towards promoting "Make in India", reduction in dependence on Imports and protection and promotion of the MSME sector.

A critical component of the budget exercise is to stay focused on fiscal consolidation, an area duly emphasized upon by the current government. Our fiscal deficit for FY 18-19 is estimated at 3.4% of GDP down from 3.5% in the previous year. However, for FY 2019-20, there is significant dependence on disinvestment (INR 105,000 crore), Dividend from RBI (INR 90,000 crore) and increased collection in direct and indirect taxes by over 15% year-on-year to achieve the budgeted deficit of 3.3%.

It is commendable of the Finance Minister to adopt a clear and consistent vision and map out a long and arduous path to achieve their target of USD 5 trillion. We hope this growth path is followed keeping in mind principles of fiscal discipline, credibility and transparency to enable positive and sustainable growth for the 6th largest economy in the world.

Dhruv Chopra
Joint Managing Partner,
Dewan P.N. Chopra & Co.

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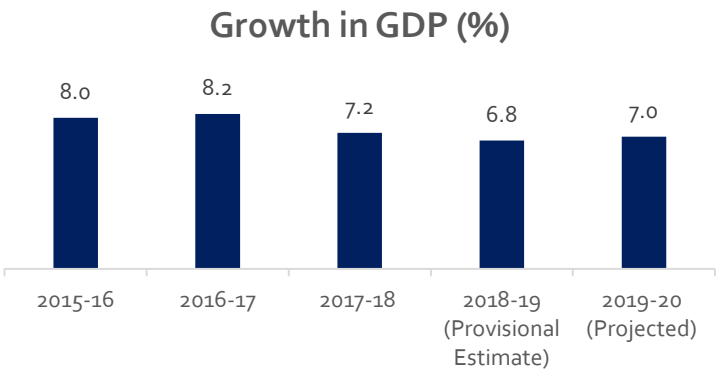
Economic Performance 2018-19

"We've ensured that we've grown with macroeconomic stability, which not only have we registered high growth rates, we've done that with low inflation. Also, fiscal deficit has followed the glide path as laid down by the FRBM (Fiscal Responsibility and Budget Management) Act. We will be sticking to the fiscal path. This has been laid out. We have followed the glide path because if investment, especially private investment, has to be fostered; crowding out cannot happen. That is something we have made very clear.

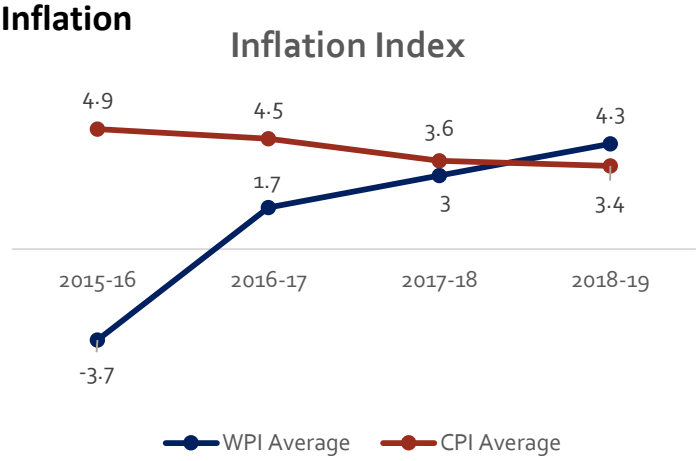
- K. Subramanian
(Chief Economic Advisor)

Gross Domestic Product

Source: Economic Survey 2018-19



Inflation



Source: Economic Survey 2018-19

Quarter-wise growth in Gross Value Added (%)-2018-19

Particulars	Q1	Q2	Q3	Q4
Agriculture and alied	5.1	4.9	2.8	-0.1
Industry	9.8	6.7	7	4.2
(of which) Manufacturing	12.1	6.9	6.4	3.1
Services	7.1	7.3	7.2	8.4
GVA at basic prices	7.7	6.9	6.3	5.7
GDP at market prices	8	7	6.6	5.8

Source: Economic Survey 2018-19

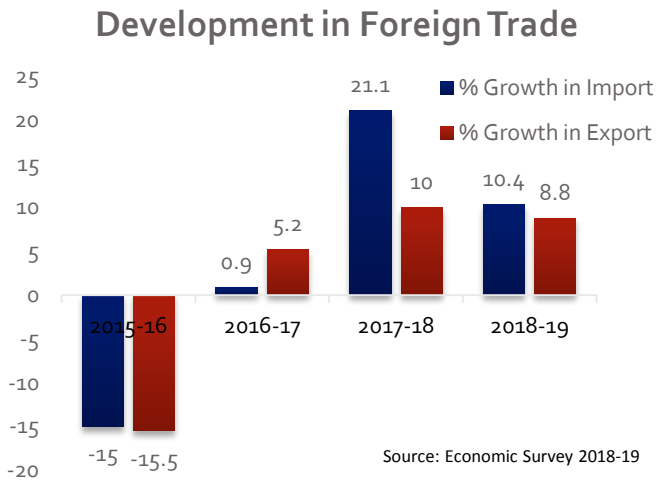
- As per the provisional estimates of annual national income, the real growth of the economy was 6.8 percent in 2018-19, as compared to 7.2 percent in 2017-18. This moderation in GDP growth momentum is mainly attributed to the lower growth in 'Agriculture & Allied' sector, and in Services Sector (except financial, real estate and professional services).
- The growth of Gross Value Added (GVA) at constant (2011-12) basic prices was 6.6 percent in 2018-19, as compared to the growth of 6.9 percent achieved in 2017-18

- India continued to be one of the fastest growing major economy in the world. India maintained its macroeconomic stability by containing inflation within 4 per cent.
- Inflation based on Consumer Price Index (Combined) declined to 3.4 percent in 2018-19 from 3.6 percent in 2017-18. CPI inflation stood at 3 percent in May 2019. In terms of food inflation, average consumer food price index (CFPI) declined to 0.1 percent in 2018-19 from 1.8 percent in 2017-18. Inflation based on CFPI stood at 1.8 percent in May 2019.
- The average inflation measured in terms of Wholesale Price Index (WPI) stood at 4.3 percent in 2018-19, as compared to 3.0 percent in 2017-18. WPI Inflation stood at 2.5 percent in May 2019. WPI food inflation declined to 0.6 percent in 2018-19 from 1.9 percent in 2017-18. WPI food inflation stood at 5.1 percent in May 2019

"The expectation were that of a bold reformist budget, but it tuned out to be an incremental budget at best"

-Satish Reddy
Chairman, Dr. Reddy's Labs

Export/Import



- The trade deficit increased to US$ 145.3 billion (6.7% of GDP) during 2018-19, from US$ 118.4 billion (6.0% of GDP) in the corresponding period of previous year.
- The growth rate of merchandise exports and imports fell in 2018-19 compared to previous year, attributable to the slower growth of world output and trade, accompanied with lower domestic GDP growth in 2018-19, among other factors.
- The value of India's merchandise exports (customs basis) increased by 8.6 percent to US$ 329.5 billion in 2018-19 from US$ 303.5 billion in the previous year. Imports also increased by 10.2 percent in 2018- 19 to US$ 513.1 billion from US$ 465.6 billion in the previous year.
- Imports of Petroleum, Oil and Lubricants (POL) increased by 29.7 percent in 2018-19 to US$ 140.9 billion from US$ 108.7 billion in the previous year, mainly on account of the increase in international crude oil prices.
- Non-POL imports for 2018-19 increased by 4.3 percent to US$ 372.2 billion from US$ 356.9 billion in the previous year.
- The growth of merchandise exports and imports both slowed down in 2018-19 as compared to 2017-18, however the decline in growth in imports was much sharper than that of exports.

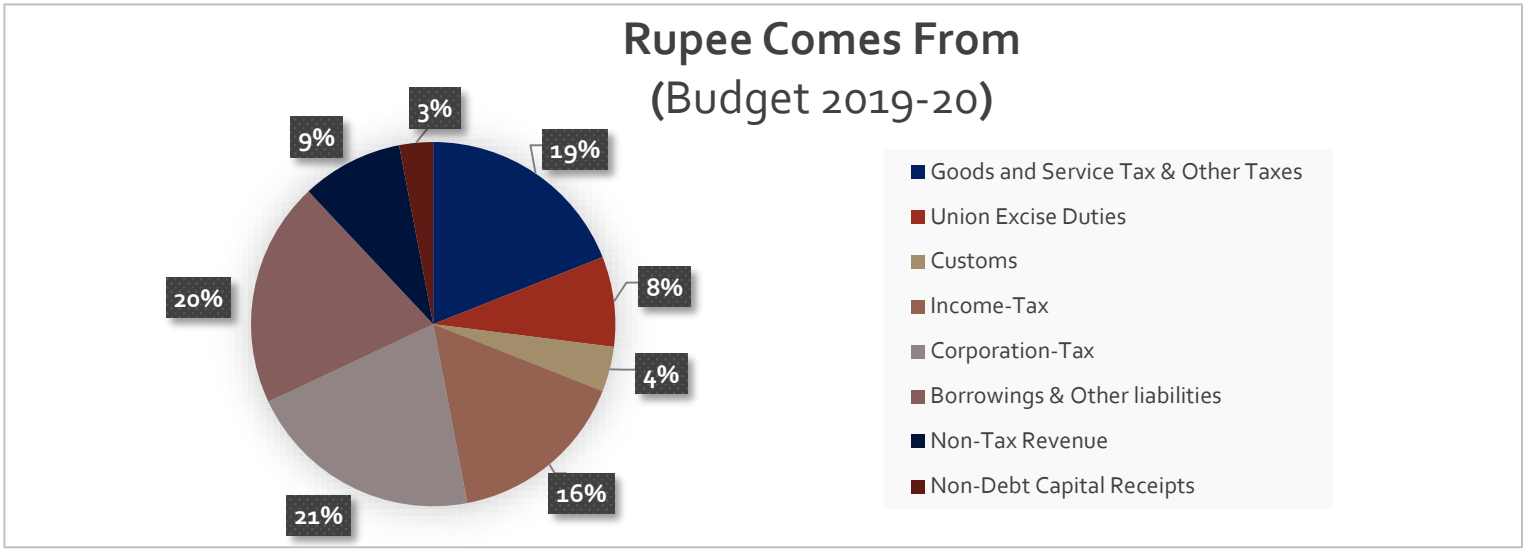
"The finance minister has charted the right course for economic growth to be back on track. But how much will depend on how well these solutions are implemented."

-C Rangarajan
Former Governor, RBI

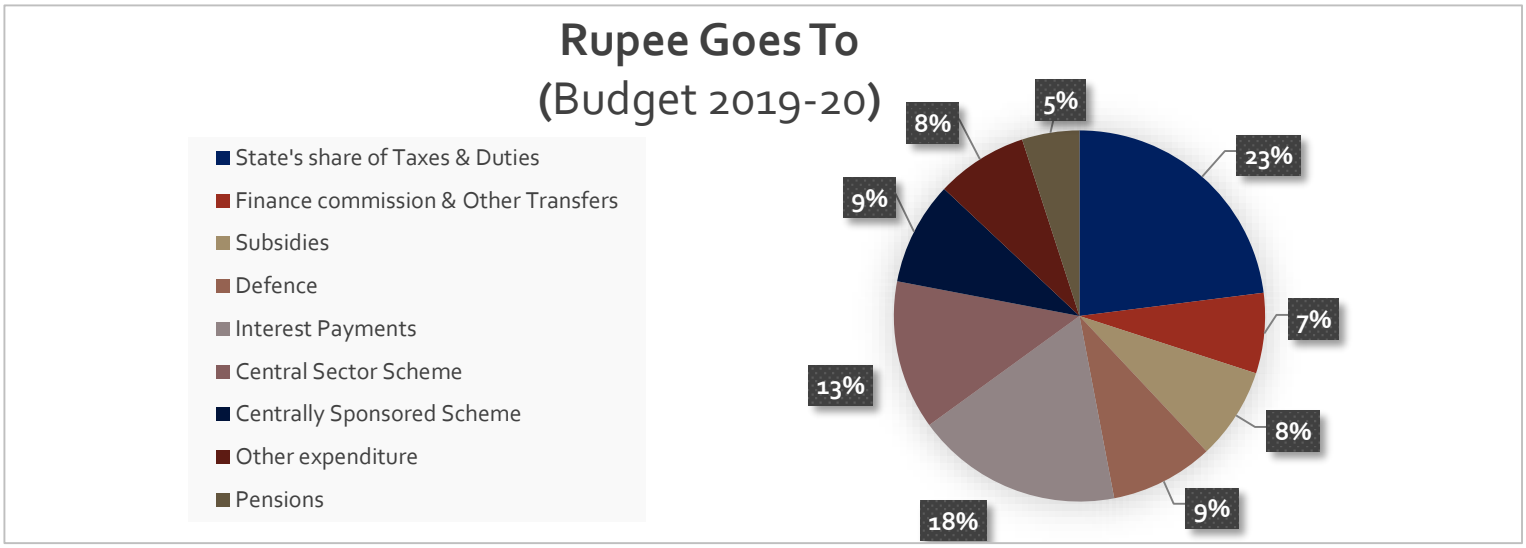
Budget Allocation and Fiscal Summary 2019-20

"There's risk that India could miss its deficit target for fiscal 2019 if Income Tax revenue underperforms projections, as it did last year"

- Gene Fang
(Associate Managing Director)
Moody's Investor Service

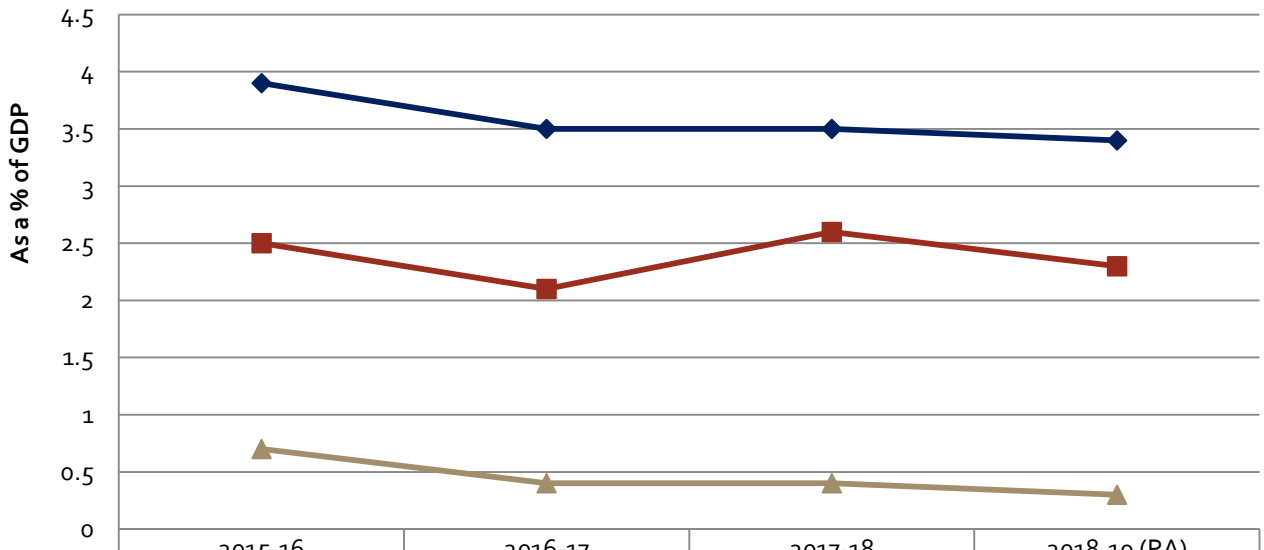


Source: Budget At A Glance 2019-20



Source: Budget At A Glance 2019-20

Deficit Trends



	2015-16	2016-17	2017-18	2018-19 (PA)
Gross Fiscal Deficit	3.9	3.5	3.5	3.4
Revenue Deficit	2.5	2.1	2.6	2.3
Primary Deficit	0.7	0.4	0.4	0.3

Source: Budget At A Glance 2019-20

Budget Theme and Allocation 2019-20

"Increasing access to capital and skill building, easing tax norms for start-ups, encouraging knowledge-sharing and supporting MSMEs will help India harness its demographic dividend - a young workforce"

- Ritesh Agarwal
Founder & CEO
OYO Hotels and Homes

5 Trillion Dollar Economy

- The target is for India to be a 5 trillion dollar economy in 5 years.
- Indian economy to become a 3 trillion dollar economy in the current year.
- Focus is on need for investment in:
  - Infrastructure.
  - Digital economy.
  - Job creation in small and medium firms

10-point Vision for the decade

- As introduced in the Interim Budget dated 1st Feb, 2019, the 10 point vision remains consistent and comprehensive.
- Building Team India with Jan Bhagidari: Minimum Government Maximum Governance.
- Achieving green Mother Earth and Blue Skies through a pollution-free India.
- Making Digital India reach every sector of the economy.
- Launching Gaganyan, Chandrayan, other Space and Satellite programmes.
- Building physical and social infrastructure.
- Water, water management, clean rivers.
- Blue Economy.
- Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables.
- Achieving a healthy society via Ayushman Bharat, well-nourished women & children, safety of citizens.
- Emphasis on MSMEs, Start-ups, defence manufacturing, automobiles, electronics, fabs and batteries, and medical devices under Make in India.

"We've strongly welcomed it. Not only because some of our ideas and suggestions have been incorporated by Finance Minister, but also because it's a budget that focuses on sharpening growth, promoting private investments in the country,"

Rajiv Kumar
Vice-Chairman, Niti Aayog

Infrastructure and Connectivity

- Outlay of Rs. 10,000 crore for 3 years approved for Phase-II of FAME Scheme.
- Upfront incentive proposed on purchase and charging infrastructure, to encourage faster adoption of Electric Vehicles.
- Only advanced-battery-operated and registered e-vehicles to be incentivized under FAME Scheme.
- National Highway Programme to be restructured to ensure a National Highway Grid, using a financeable model.
- Power at affordable rates to states ensured under "One Nation, One Grid".
- Blueprints to be made available for gas grids, water grids, i-ways, and regional airports.
- High Level Empowered Committee (HLEC) recommendations to be implemented:
  - Retirement of old & inefficient plants.
  - Addressing low utilization of gas plant capacity due to paucity of Natural Gas.
- Cross subsidy surcharges, undesirable duties on open access sales or captive generation for industrial and other bulk power consumers to be removed under Ujjwal DISCOM Assurance Yojana (UDAY).
- A massive program of railway station modernization to be launched.
- Railways to be encouraged to invest more in suburban railways through SPV structures like Rapid Regional Transport System (RRTS) proposed on the Delhi-Meerut route.
- Proposal to enhance the metro-railway initiatives by:
  - Encouraging more PPP initiatives
  - Ensuring completion of sanctioned works.
  - Supporting transit oriented development (TOD) to ensure commercial activity around transit hubs.

- Massive push given 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.
- State road networks to be developed in second phase of Bharatmala project.
- Navigational capacity of Ganga to be enhanced via multi modal terminals at Sahibganj and Haldia and a navigational lock at Farakka by 2019-20, under Jal Marg Vikas Project.
- Four times increase in next four years estimated in the cargo volume on Ganga, leading to cheaper freight and passenger movement and reducing the import bill.
- Rs. 50 lakh crore investment needed in Railway Infrastructure during 2018-2030.
- Public-Private-Partnership proposed for development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services.
- Policy interventions to be made for the development of Maintenance, Repair and Overhaul (MRO), to achieve self- reliance in aviation segment.
- Regulatory roadmap for making India a hub for aircraft financing and leasing activities from Indian shores, to be laid by the Government.

"The budget confirms the government's continuous focus on digital payments and will aid to create a robust payment infrastructure in the country,"

Dilip Asbe
MD & CEO,
National Payments Corporation of India (NCPI)

Investments and Capital Markets

- Credit Guarantee Enhancement Corporation to be set up in 2019-2020.
- Action plan to be put in place to deepen the market for long term bonds with focus on infrastructure.
- Proposed transfer/sale of investments by FIIs/FPIs (in debt securities issued by IDF-NBFCs) to any domestic investor within the specified lock-in period
- To deepen the Corporate tri-party repo market in Corporate Debt securities, Government will work with regulators RBI/SEBI to enable Stock exchanges to be enabled to allow AA rated bonds as collaterals.
- User-friendliness of trading platforms for corporate bonds to be reviewed.
- **Social stock exchange:**
  - Electronic fund raising platform under the regulatory ambit of SEBI.
  - Listing social enterprises and voluntary organizations.
  - To raise capital as equity, debt or as units like a mutual fund.
- SEBI to consider raising the threshold for minimum public shareholding in the listed companies from 25% to 35%.
- Know Your Customer (KYC) norms for Foreign Portfolio Investors to be made more investor friendly.
- Government to supplement efforts by RBI to get retail investors to invest in government treasury bills and securities, with further institutional development using stock exchanges
- FDI in sectors like aviation, media (animation, AVGC) and insurance sectors may be opened further after multi-stakeholder examination.
- Insurance Intermediaries may accept upto 100% FDI.
- Local sourcing norms to be eased for FDI in Single Brand Retail sector.
- Statutory limit for FPI investment in a company is proposed to be increased from 24% to sectoral foreign investment limit. Option to be given to the concerned corporate to limit it to a lower threshold.
- FPIs to be permitted to subscribe to listed debt securities issued by ReITs and InvITs.

- NRI-Portfolio Investment Scheme Route is proposed to be merged with the Foreign Portfolio Investment Route.
- New Space India Limited (NSIL), a PSE, incorporated as a new commercial arm of Department of Space to tap the benefits of the Research & Development carried out by ISRO like commercialization of products like launch vehicles, transfer to technologies and marketing of space products.

"The NDA 2.0 Budget is a blueprint to boost economic growth in the country. The government has taken multiple steps to attract growth capital from global investors to build a new India"

Gopichand Hinduja
Co-Chairman, Hinduja Group

Banking and Financial Sector

- NPAs of commercial banks reduced by over Rs. 1 lakh crore over the last year.
- Record recovery of over Rs. 4 lakh crore effected over the last four years.
- Provision coverage ratio at its highest in seven years.
- Domestic credit growth increased to 13.8%.

Measures related to PSBs:

- Rs. 70,000 crore proposed to be provided to PSBs to boost credit.
- PSBs to leverage technology, offering online personal loans and doorstep banking, and enabling customers of one PSBs to access services across all PSBs.
- Steps to be initiated to empower accountholders to have control over deposit of cash by others in their accounts.
- Reforms to be undertaken to strengthen governance in PSBs.

Measures related to NBFCs:

- Proposals for strengthening the regulatory authority of RBI over NBFCs to be placed in the Finance Bill.
- Requirement of creating a Debenture Redemption Reserve will be done away with to allow NBFCs to raise funds in public issues.
- Steps to allow all NBFCs to directly participate on the TReDS platform.
- Return of regulatory authority from NHB to RBI proposed, over the housing finance sector.
- Rs. 100 lakh crore investment in infrastructure intended over the next five years. Committee proposed to recommend the structure and required flow of funds through development finance institutions.
- Steps to be taken to separate the NPS Trust from PFRDA.
- Reduction in Net Owned Fund requirement from Rs. 5,000 crore to Rs. 1,000 crore proposed:
  - To facilitate on-shoring of international insurance transactions.
  - To enable opening of branches by foreign reinsurers in the International Financial Services Centre.

"We are happy to see the government signal its confidence for a well-financed, robust NBFC sector through the one-time six-month partial credit guarantee. This development would be an important milestone for the NBFC sector that is crucial for the sustained growth of the economy. ."

Ajay Piramal
Chairman, Piramal Group

Measures related to PSUs:

- Target of Rs. 1,05,000 crore of disinvestment receipts set for the FY 2019-20.
- Government to reinitiate the process of strategic disinvestment of Air India, and to offer more CPSEs for strategic participation by the private sector.
- Government to undertake strategic sale of PSUs and continue to consolidate PSUs in the non-financial space.
- Government to consider going to an appropriate level below 51% in PSUs where the government control is still to be retained, on case to case basis.

- Present policy of retaining 51% Government stake to be modified to retaining 51% stake inclusive of the stake of Government controlled institutions.
- Retail participation in CPSEs to be encouraged.
- To provide additional investment space:
  - Government to realign its holding in CPSEs
  - Banks to permit greater availability of its shares and to improve depth of its market.
- Government to offer an investment option in ETFs on the lines of Equity Linked Savings Scheme (ELSS).
- Government to meet public shareholding norms of 25% for all listed PSUs and raise the foreign shareholding limits to maximum permissible sector limits for all PSU companies which are part of Emerging Market Index.

Digital Payments

- TDS of 2% on cash withdrawal exceeding Rs. 1 crore in a year from a bank account
- Business establishments with annual turnover more than Rs. 50 crore shall offer low cost digital modes of payment to their customers and no charges or Merchant Discount Rate shall be imposed on customers as well as merchants.

"Disincentivising cash's the way to go. As a macro direction from the government the push to digitization is commendable"

-Vijay Shekhar Sharma
Founder, Paytm

Medium, Small & Micro Enterprises (MSMEs)

- Pradhan Mantri Karam Yogi Maandhan Scheme
  - Pension benefits to about three crore retail traders & small shopkeepers with annual turnover less than Rs. 1.5 crore
  - Enrolment to be kept simple, requiring only Aadhaar, bank account and a self-declaration.
- Rs. 350 crore allocated for FY 2019-20 for 2% interest subvention (on fresh or incremental loans) to all GST-registered MSMEs, under the Interest Subvention Scheme for MSMEs
- Payment platform for MSMEs to be created to enable filing of bills and payment thereof, to eliminate delays in government payments.

"The introduction of the Rs 1 crore – 59 minute MSME loan brings great relief to small business owners, making easier accessibility and processing of loans through a single portal."

Sampad Swain
CEO & Co-Founder, Instamojo

Education- Study in India and Youth

- New Space India Limited (NSIL), a PSE, incorporated as a new commercial arm of Department of Space to tap the benefits of the Research & Development carried out by ISRO like commercialization of products like launch vehicles, transfer to technologies and marketing of space products.
- New National Education Policy to be brought which proposes
  - Major changes in both school and higher education
  - Better Governance systems
  - Greater focus on research and innovation.
- National Research Foundation (NRF) proposed
  - To fund, coordinate and promote research in the country.
  - To assimilate independent research grants given by various Ministries.
  - To strengthen overall research eco-system in the country
  - This would be adequately supplemented with additional funds.
- Rs. 400 crore provided for "World Class Institutions", for FY 2019-20, more than three times the revised estimates for the previous year.
- "Study in India" proposed to bring foreign students to study in Indian higher educational institutions.

- Regulatory systems of higher education to be reformed comprehensively:
  - To promote greater autonomy.
  - To focus on better academic outcomes.
- Draft legislation to set up Higher Education Commission of India (HECI), to be presented.
- Khelo India Scheme to be expanded with all necessary financial support.
- National Sports Education Board for development of sportspersons to be set up under Khelo India, to popularize sports at all levels
- To prepare youth for overseas jobs, focus to be increased on globally valued skill-sets including language training, AI, IoT, Big Data, 3D Printing, Virtual Reality and Robotics.
- Set of four labour codes proposed, to streamline multiple labour laws to standardize and streamline registration and filing of returns.

"The allocation of funds to build world-class higher education institutes is a big foot forward in strengthening the roots of Indian education system. We are confident that with a renewed focus on quality education and technology being the pivot, the Indian education sector will be benefited in years to come."

Vikas Singh
MD, Pearson India

Ease of Living

- Model Tenancy Law to be finalized and circulated to the states
- About 30 lakh workers joined the Pradhan Mantri Shram Yogi Maandhan Scheme that provides Rs. 3,000 per month as pension on attaining the age of 60 to workers in unorganized and informal sectors.
- Approximately 35 crore LED bulbs distributed under UJALA Yojana leading to cost saving of Rs. 18,341 crore annually.
- Solar stoves and battery chargers to be promoted using the approach of LED bulbs mission.

Rural India (Grameen Bharat)

- Electricity and clean cooking facility to all willing rural families by 2022.
- Pradhan Mantri Awas Yojana – Gramin (PMAY-G) - aims to achieve "Housing for All" by 2022. Eligible beneficiaries to be provided 1.95 crore houses with amenities like toilets, electricity and LPG connections during its second phase (2019-20 to 2021-22).
- Pradhan Mantri Matsya Sampada Yojana (PMMSY) - To address critical gaps in the value chain including infrastructure, modernization, traceability, production, productivity, post-harvest management, and quality control.
- Pradhan Mantri Gram Sadak Yojana (PMGSY) - Target of connecting the eligible and feasible habitations advanced from 2022 to 2019 with 97% of such habitations already being provided with all weather connectivity.30,000 kilometers of PMGSY roads have been built using Green Technology, Waste Plastic and Cold Mix Technology, thereby reducing carbon footprint. 1,25,000 kilometers of road length to be upgraded over the next five years under PMGSY III with an estimated cost of Rs. 80,250 crore
- Scheme of Fund for Upgradation and Regeneration of Traditional Industries (SFURTI) - 100 new clusters to be setup during 2019-20 with special focus on Bamboo, Honey and Khadi, enabling 50,000 artisans to join the economic value chain.
- Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE) consolidated.
- 10,000 new Farmer Producer Organizations to be formed, to ensure economies of scale for farmers.
- Government to work with State Governments to allow farmers to benefit from e-NAM.
- Zero Budget Farming in which few states farmers are already being trained to be replicated in other states.
- Pradhan Mantri Gramin Digital Saksharta Abhiyan -Internet connectivity in local bodies in every Panchayat under Bharat-Net to bridge rural-urban divide. Universal Obligation Fund under a PPP arrangement to be utilized for speeding up Bharat-Net.

Water

- New Jal Shakti Mantralaya to look at the management of our water resources and water supply in an integrated and holistic manner
- Jal Jeevan Mission to achieve Har Ghar Jal (piped water supply) to all rural households by 2024
- To focus on integrated demand and supply side management of water at the local level.
- Compensatory Afforestation Fund Management and Planning Authority (CAMPA) fund can be used for this purpose

Swachh Bharat Abhiyan

- 9.6 crore toilets constructed since Oct 2, 2014.
- More than 5.6 lakh villages have become Open Defecation Free (ODF).
- Swachh Bharat Mission to be expanded to undertake sustainable solid waste management in every village.
- Target of achieving Gandhiji's resolve of Swachh Bharat to make India ODF by 2nd October 2019.
- To mark this occasion, the Rashtriya Swachhta Kendra to be inaugurated at Gandhi Darshan, Rajghat on 2nd October, 2019.
- Gandhipedia being developed by National Council for Science Museums to sensitize youth and society about positive Gandhian values.
- More than 95% of cities also declared Open Defecation Free (ODF).

Urban India

- Pradhan Mantri Awas Yojana – Urban (PMAY-Urban)- Over 81 lakh houses with an investment of about Rs. 4.83 lakh crore sanctioned of which construction started in about 47 lakh houses. Over 26 lakh houses completed of which nearly 24 lakh houses delivered to the beneficiaries. Over 13 lakh houses so far constructed using new technologies.
- The government aims to achieve the objective of "Housing for All" by 2022.

Start-ups and Stand-up India

- A television program proposed exclusively for and by start-ups, within the DD bouquet of channels.
- Stand-Up India Scheme to be continued for the period of 2020-25. The Banks to provide financial assistance for demand based businesses.

"It is good to see the government renew its commitment to boost 'Digital India' in the budget presented by FM Nirmala Sitharaman. The Government's vision on bridging the rural-urban divide with internet penetration will be pivotal in transforming India into a $5 trillion economy"

Kalyan Krishnamurthy
CEO, Flipkart

Women

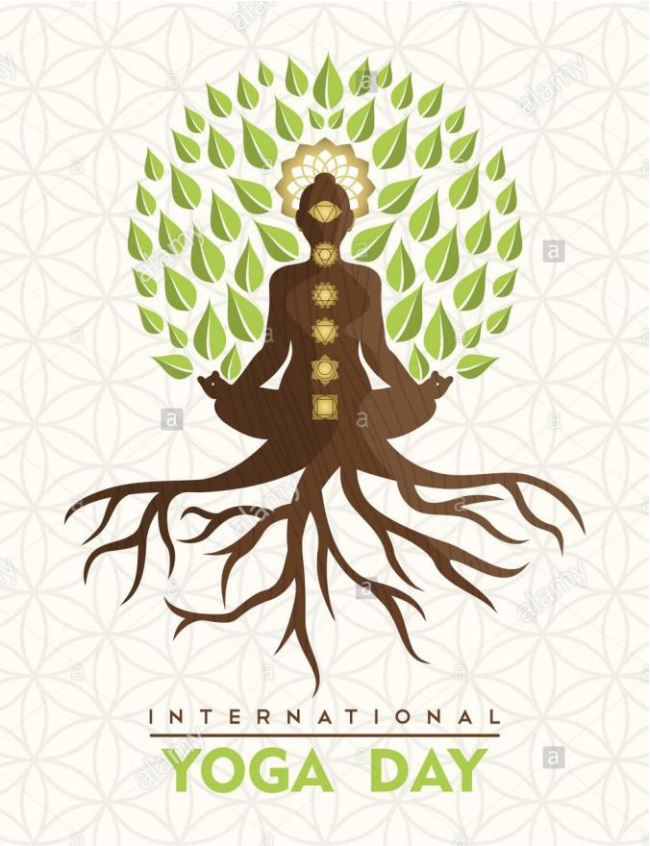
- Approach shift from women-centric-policy making to women-led initiatives and movements.
- A Committee proposed with Government and private stakeholders for moving forward on Gender budgeting.
- Self Help Group:
  - Women SHG interest subvention program proposed to be expanded to all districts.
  - Overdraft of Rs. 5,000 to be allowed for every verified women SHG member having a Jan Dhan Bank Account.
  - One woman per SHG to be eligible for a loan up to Rs. 1 lakh under MUDRA Scheme.

"The proposal to form a committee that will be responsible for guiding and empowering women in rural India will encourage more women to take part in the work ecosystem, while giving them a boost to start their own entrepreneurial journey."

Shahnaz Husain
CEO, Shahnaz Husain Group

India's Soft Power

- Proposal to consider issuing Aadhaar Card for NRIs with Indian Passports on their arrival without waiting for 180 days.
- Mission to integrate traditional artisans with global markets proposed, with necessary patents and geographical indicators.
- 18 new Indian diplomatic Missions in Africa approved in March, 2018, out of which 5 already opened. Another 4 new Embassies intended in 2019-20.
- Revamp of Indian Development Assistance Scheme (IDEAS) proposed.
- 17 iconic Tourism Sites being developed into model world class tourist destinations.
- Present digital repository aimed at preserving rich tribal cultural heritage, to be strengthened.



"We expect the proposed move to streamline multiple labour laws into a set of four codes will largely resolve the legacy issues and enterprise constraints with regard to the skilled and unskilled labour force in the country"

Gautam Singhania
Chairman and MD, Raymond Ltd

Direct Taxation

"The budget for a 'New India' has a roadmap to transform the agriculture sector of the country. It will strengthen the education system of the country and ensure that benefits of artificial intelligence and space research reach the people.

The Budget is one of hope and will ensure progress of the middle class and boost the process of development."

-Shri. Narendra Modi
Prime Minister of India

Personal Taxation

Personal tax Rate- Surcharge rate increased

Higher surcharge @25% on tax is proposed where taxable income of Individual, HUF, AOP and BOI is between Rs 2 to 5 crores. Taxable Income exceeding Rs 5 Crores to attract surcharge @ 37%. Maximum Surcharge at present was 15% of tax where income exceeds Rs 1 crore. Effective tax rate for Individual, HUF, AOP and BOI having taxable income between Rs 2 to 5 crores is increased from 35.88% to 39% and income exceeding Rs 5 crores from 35.88% to 42.74%. Refer Annexure A1.

Mandatory Filling of Income Tax return by certain person

Mandatory filing of income tax return by persons other than company and Firms is proposed where such person enters into certain high value transactions as stated below even though their total income does not exceed maximum amount not chargeable to tax:

i. Expenditure exceeding 2 lakh for foreign travelling;

ii. Electricity bill paid in excess of Rs 1 lakh;

iii. Deposit in current account in excess of Rs. 1 crore;

Further, it is proposed that person claiming exemption u/s 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB will necessarily be required to file its Return of Income if its total income is more than amount not chargeable to tax before claiming such exemption.

The said amendment is proposed to be effective from AY 2020-21.

Deemed accrual of gift made to a person outside India

To provide that gifts made by residents to persons outside India are subject to tax in India it is proposed to amend section 9 by insertion of clause (viii) under subsection 1 as under:

"(viii) income of the nature referred to in sub-clause (xviia) of clause (24) of section 2, arising from any sum of money paid, or any property situate in India transferred, on or after the 5th day of July, 2019 by a person resident in India to a person outside India".

Section 2(24) (xviia) includes any sum of money or value of property referred to in clause (x) of sub-section (2) of section 56 as income.

The existing provision for exempting gifts as provided in proviso to clause (x) of sub-section (2) of section 56 (such as to relatives) will continue to apply for such gifts deemed to accrue or arise in India. Also in a treaty situation, the relevant article of applicable DTAA shall continue to apply for such gifts as well.

Deduction of interest on loan taken for residential house property

A new Section 80EEA is proposed to be inserted to provide deduction upto Rs 1.5 lakhs on payment of interest on loan taken for purchase of residential house property subject to following conditions:

i. Loan has been sanctioned by a financial institution during the period beginning on the 1st April, 2019 to 31st March 2020.

ii. The stamp duty value of house property does not exceed Rs 45 lakhs;

iii. Assessee does not own any residential house property on the date of sanction of loan.

Where a deduction under this section is allowed for any interest, deduction shall not be allowed in respect of such interest under any other provisions of the Act for the same or any other assessment year.

This amendment is proposed to be effective from AY 2020-21.

"Budget 2019 may seems a bit of a dampener for the middle-classes, as it come with no changes in income-tax slabs and a rise in excise duty on petro products. But this was clearly expected lines, as Sitharaman had little room to man oeuvre. "

-Sunil Kumar Mittal
Chairman, Bharti Enterprises

Tax incentive for purchase of Electric Vehicles

It is proposed to insert a new Section 80EEB so as to provide for deduction up to Rs. 1.5 lakh to an Individual assessee in respect of interest on loan taken for purchase of an electric vehicle from any financial institution subject to the following conditions:

i. Loan has been sanctioned by a financial institution including a NBFC during the period beginning on the 1st April, 2019 to 31st March, 2023;

ii. Assessee does not own any other electric vehicle on the date of sanction of loan.

Where a deduction under this section is allowed for any interest, deduction shall not be allowed in respect of such interest under any other provisions of the Act for the same or any other assessment year.

This amendment is proposed to be effective from AY 2020-21.

Incentives to National Pension Scheme (NPS) Subscribers

- Tax exemption limit of 40% on closure of his account or on opting out of the pension scheme is proposed to be raised to 60%;
- Limit of deduction u/s 80CCD for contribution made by Central Government or any other employer is proposed to be increased from 10% to 14% of the salary of the employee.
- Amount paid or deposited by a Central Government employee as a contribution to his Tier-II account of the pension scheme shall be eligible for deduction u/s 80C.

These amendments are proposed to be effective from AY 2020-21.

Interchangeability of PAN and Aadhaar

- Those who do not have PAN will be allowed to file income tax returns on the basis of Aadhaar number.
- Aadhaar can be quoted wherever PAN is required.

"With this budget, it is clear that the government has put an equal thrust on driving domestic consumption and private investment. "

-Ravneet Gill
MD & CEO, Yes Bank

Corporate Taxation

Corporate Tax reduced to 25% for turnover upto Rs 400 crores

Beneficial Corporate Tax rate of 25% extended to Domestic Companies with total turnover upto Rs. 400 crores from the existing limit of Rs 250 crores. Limit of turnover of Rs 400 cr is to be seen in the FY 2017-18.

Benefits for Start-ups:

A. Rationalization of Capital Gains exemption u/s 54GB for investment in Eligible Start-ups

The existing section 54GB provides benefit of exemption of capital gain arising on transfer of residential property if the net sale consideration is invested in eligible startups by the eligible assessee. Now it is proposed to further rationalize the provisions of section 54GB by making following amendments:

i. Condition of minimum shareholding in start-up of 50% is reduced to 25%;

ii. Lockin period for transfer of new asset being computer or computer software by eligible start-up reduced to 3 years from 5 years; and

iii. Sunset date of benefits u/s 54GB is proposed to be extended to 31st March 2021 from 31st March 2019.

This amendment is proposed to be effective from AY 2020-21.

B. Rationalization of Section 79 dealing with carry forward and set off of losses

The existing section 79 is proposed to be substituted by new section 79 providing benefit of carry forward (c/f) and set off losses to eligible start-ups on satisfaction of either of the two conditions stated in clause (a) and clause (b) of existing section 79:

- Under clause (a) [applicable to companies other than eligible start-ups], no loss incurred in any year prior to the previous year shall be c/f and set off against the income of the previous year, unless on the last day of the previous year, the shares carrying not less than 51% of the voting power were beneficially held by persons who beneficially held shares carrying not less than 51% of the voting power on the last day of the year or years in which the loss was incurred.
- Under clause (b), [applicable to eligible start-ups] the loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, if, all the shareholders of such company who held shares carrying voting power on the last day of the year or years in which the loss was incurred, continue to hold those shares on the last day of such previous year and such loss has been incurred during the period of seven years beginning from the year in which such company is incorporated.

This amendment is proposed to be effective from AY 2020-21.

C. No enquiry or verification of share premium

Start-ups and their investors who file requisite declarations and provide information in their returns will not be subject to any kind of scrutiny in respect of valuations of share premiums u/s 56(2)(viib).

With e-verification for establishing identity of investors and source of funds, funds raised by start-ups will not require any kind of scrutiny from the Income Tax Department.

No inquiry or verification will be done in the pending assessments by assessing officers without obtaining supervisory approval.

Angel Tax

A. Start-ups to be taxed u/s 56(2)(viib) on default in compliance of conditions of exemption

As per the provisions of section 56(2)(viib), Central Government has issued certain notifications for exemption to eligible start-ups subject to fulfilment of conditions stated therein.

To ensure compliance to the conditions specified in the notification, it is proposed to provide that in case of failure to comply with the conditions, the consideration received for issue of shares which exceeds the face value of such shares shall be deemed to be the income of the company of the year in which the failure to comply with any of the said conditions has taken place.

This amendment is proposed to be effective from AY 2020-21.

B. Incentives to Category II Alternative Investment Fund (AIF)

It is proposed to extend the benefit of exemption from angel tax u/s 56(2)(viib) to funds received by a venture capital undertakings from Category II (AIF) in addition to Category I AIF.

This amendment is proposed to be effective from AY 2020-21.

Tax on buyback of shares by listed companies

Any buy back of shares from a shareholder by a company listed on recognised stock exchange, on or after 5th July 2019, shall be covered under provisions of Section 115QA and will attract tax @20% in the hands of the listed company and consequentially amount received by shareholder will be exempt under Section 10(34A).

This amendment is proposed to be effective from 5th July, 2019.

Facilitating demerger of Ind – AS compliant companies

Under section 2(19AA), one of the existing conditions for tax-neutral demerger is that the resulting company should record the assets and the liabilities of the demerged undertaking at the value appearing in the books of accounts of the demerged company. The said provision was resulting in hardship to Ind-AS compliant companies since such companies are required to record the assets and liabilities of demerged undertaking in accordance with provisions of Ind-AS which would be different from value in the books of demerged company. Accordingly, to facilitate the tax neutral demerger of such companies, it is proposed to amend section 2(19AA) to provide that such requirement of recording assets and liabilities at the same value as in demerged company shall not be applicable if the same are recorded by resulting company in compliance of Indian Accounting Standards (Ind-AS).

This amendment is applicable from AY 2020-21.

Relaxation to distressed companies:

A. Rationalization of section 79 dealing with carry forward and set off of losses

Finance Act 2018 provided benefit of relaxation from the provisions of section 79 to companies undergoing insolvency proceedings under Insolvency and Bankruptcy Code, 2016. Thus, loss in such cases can be c/f and set off even if there is change in voting power or shareholding exceeding 51%. This benefit is proposed to be extended to certain companies including their subsidiary and the subsidiary of such subsidiary, where:

- NCLT on a petition moved by Central Govt. u/s 241 of Companies Act, 2013 has suspended Board of directors of such company and appointed new directors, who are nominated by Central Government; and
- Change in shareholding of such company and their subsidiary and the subsidiary of such subsidiary, has taken place in previous year pursuant to resolution plan approved by NCLT, after affording a reasonable opportunity to jurisdictional Principal Commissioner or Commissioner.

B. Rationalization of section 115JB – Payment of tax under MAT

For the benefit of aforesaid distressed companies, it is also proposed to amend section 115JB to provide that for calculating book profit under the said section, the aggregate amount of brought forward unabsorbed depreciation and loss (excluding depreciation) shall also be allowed to be reduced.

The said amendments are proposed to be effective from AY 2020-21.

Exemption from deemed income provisions in certain transactions in shares

It is proposed to amend Section 50CA and Section 56(2)(x) to empower the Board to prescribe transactions undertaken by certain class of persons to which the provisions of these Sections relating to taxability of deemed fair market value of shares shall not apply. This amendment is proposed to cover certain genuine cases where the consideration for transfer of shares is approved by certain authorities and person transferring the shares have no control over such determination.

This amendment is proposed to be effective from AY 2020-21.

Provide for pass through of losses in cases of Category I and Category II Alternative Investment Fund (AIF)

In order to remove the genuine difficulty faced by Category I and II AIFs, it is proposed to amend section 115UB to provide that:

i. business loss of the AIF shall be allowed to be c/f and be set-off by it as per the provisions of Chapter VI and it shall not be passed onto the unit holder;

ii. loss other than business loss shall also be ignored for the purposes of pass through to its unit holders, if such loss has arisen in respect of a unit which has not been held by the unit holder for a period of atleast 12 months;

iii. the loss other than business loss accumulated at the level of AIF as on 31.03.2019, shall be deemed to be the loss of a unit holder who held the unit on 31.03.2019 in respect of the investments made by him in the investment fund and allowed to be c/f by him for the remaining period calculated from the year in which the loss had occurred for the first time taking that year as the first year and it shall be set-off by him;

iv. Loss so deemed in the hands of unit holders shall not be available to AIF.

This amendment is proposed to be effective from AY 2020-21.

Rationalisation of deduction u/s 80-IBA in relation to profits derived from affordable housing

In order to align the definition of "affordable housing" u/s 80-IBA with the definition under GST Act, it is proposed to amend the said section so as to modify certain conditions regarding the housing project approved on or after 1st day of September, 2019.

This amendment is proposed to be effective from AY 2020-21.

Transfer Pricing and International Tax

Transfer Pricing (TP)

Rationalization and Clarity on provisions of Secondary Adjustment

To address concerns regarding effective implementation of secondary adjustment regime and to make it easy to comply with, it is proposed to amend section 92CE so as to provide that:-

(i) Condition of threshold of Rs. 1 crore and of primary adjustment made up to AY 2016-17 are alternative conditions;

(ii) Assessee shall be required to calculate interest on the excess money (being amount of primary adjustment) or part thereof;

(iii) section shall apply to Advance Pricing agreements (APAs) which have been signed on or after 1st April, 2017; however, no refund of the taxes already paid till date under the pre amended section would be allowed;

(iv) the excess money may be repatriated from any of the Non-resident (NR) Associated Enterprises of assessee;

(v) in case where excess money or part thereof has not been repatriated in time, assessee will have option to pay additional income-tax at rate of 18% (plus surcharge of 12%) on such excess money or part thereof in addition to existing requirement of calculation of interest till the date of payment of this additional tax;

(vi) the tax so paid shall be the final payment of tax and no credit shall be allowed in respect of the amount of tax so paid;

(vii) deduction in respect of the amount on which such tax has been paid , shall not be allowed under any other provision of the Act; and

(viii) if assessee pays additional income-tax, he will not be required to make secondary adjustment or compute interest from the date of payment of such tax.

Amendments proposed in para (i) to (iv) will apply from AY 2018-19 onwards. Further, amendments proposed in (v) to (viii) will be effective from 1st Sep 2019.

Clarification - Power of AO in respect of modified ITR pursuant to signing of APA

Sec 92CD(3) to be amended w.e.f. 1st Sep 2019, to clarify that where assessment or reassessment has already been completed & modified return of income has been filed by tax payer u/s 92CD(1), the AO hall pass an order modifying the total income of the relevant assessment year determined in such assessment or reassessment, having regard to & in accordance with APA.

This has been done to address apprehensions expressed that due to use of words “assess or reassess or recompute”, the AO may start fresh assessment or reassessment in completed assessments or reassessments of assessees who have modified their returns of income in accordance with APAs entered, while the intention of legislature is for AO to merely modify total income consequent to modification of ITR in pursuance to APA.

Clarification regarding "Accounting year" under Country-by-Country Reporting

In case of the Alternate Reporting Entity (ARE) of an international group, "accounting year" u/s 286 for purposes of Country-by-Country Reporting (CbCR) is clarified to be accounting year of parent company of the international group.

Applicable w.e.f. AY 2017-18 onwards.

Rationalisation of provisions u/s 92D

Filing of Master File u/s 92D and CbCR u/s 286 by a constituent entity (CE) of an international group, to be applicable even when no international transaction undertaken by such CE.

Applicable AY 2020-21 onwards.

International Tax

Incentive in respect of Rupee Denominated Bonds (RDB)

Exemption granted through a press release to interest income of NR from RDB issued by a company or a business trust, outside India, during the period 17 September 2018 to 31 March 2019 to be now brought under Sec 10. Applies w.e.f. AY 2020-21 onwards.

Incentives to International Financial Services Center (IFSC) in GIFT City

- 100% profit-linked deduction u/s 80-LA now in any 10-year block within a 15-year period
- Exemption from Dividend Distribution Tax (DDT) to companies & Mutual Funds for accumulated income as well, apart from current income. Applied w.e.f. 1st Sep 2019.
- Exemptions from capital gains extended to Category III - Alternative Investment Fund (AIF)
- Interest payment on loan taken by IFSC from non-residents to be exempt from tax
- Capital gains exemption to be granted on certain additional securities to be notified apart from GDRs & RDBs, if traded on a recognised stock exchange by specified persons

Relaxation in conditions of special taxation regime for offshore funds

- The cutoff date for determining monthly average of corpus of fund (i.e., INR 1 billion) would be either (A) six months from end of month of its establishment or (B) at the end of such financial year, whichever is later.
- The remuneration paid by fund to an eligible fund manager would not be less than the amount calculated in the prescribed manner replacing the requirement to have arm's length remuneration.

Applicable w.e.f. AY 2019-20

Online filing of application seeking AO's Tax determination certificate

Process for seeking AO's tax determination on payment to non-residents will be made fully online in an effort to improve effectiveness & efficiency of tax administration. Applies w.e.f. 1st Nov 2019.

"On direct taxes, the focus is on providing incentives to priority areas like housing, start-ups etc. in spite of revenue constraints and at the same time, try to address some of the pain points that industry is facing.

There is a clear intent of simplifying procedures and making it easier for taxpayers to comply with the law."

-Akhilesh Ranjan
CBDT Member

Rationalization & Simplification

Provisions for promoting Cashless Economy

a) TDS on Cash Withdrawals

It is proposed to insert a new section 194N to provide for deduction of TDS on cash withdrawal exceeding Rs 1 crore during the year @ 2% to discourage cash transactions.

b) Businesses to accept payments through prescribed electronic modes:

To promote cash less economy, it is proposed to insert a new section 269SU mandating the persons carrying on businesses to accept payments through prescribed electronic modes where business turnover exceeds Rs 50 Crore. Penalty of Rs 5000 per day for non compliance is proposed u/s 271DB.

Faceless scrutiny assessment

It is proposed to launch a scheme of faceless assessment in a phased manner in electronic mode involving no human interface in which cases selected for scrutiny shall be allocated to assessment units in a random manner and notices shall be issued electronically by a Central Cell, without disclosing the name, designation or location of the Assessing Officer. The Central Cell shall be the single point of contact between the taxpayer and the Department.

Rationalisation of penalty provisions relating to under-reported income

In order to provide for manner of computing the quantum of penalty in a case where the person has under-reported income and furnished his return for the first time under section 148, it is proposed to suitably amend the provisions of section 270A.
These amendments will take effect retrospectively from 1st April, 2017 and will, accordingly, apply in relation to AY 2017-2018 and subsequent AYs.

Widening the scope of Statement of Financial Transactions (SFT)

It is also proposed to remove the current threshold of Rs. 50,000 on aggregate value of transactions during a financial year, for furnishing of information, with a view to ensure pre-filling of information relating to small amount of transactions.

It is also proposed to amend the penalty provisions contained in Section 271FAA so as to ensure correct furnishing of information in the SFT and widen the scope of penalty to cover all the reporting entities under section 285BA.

These amendments will take effect from 1st day of September, 2019.

Widening of Black Money Act

The definition of the term "Assessee" under the Black Money Act is proposed to be widened to cover non-residents and not-ordinarily residents, who were residents in the year in which the undisclosed income /asset was earned/acquired.

Incentives to Non-Banking Finance Companies (NBFCs)

Incentives to Non-Banking Finance Companies (NBFCs) – benefit of taxability of interest income in relation to certain categories of bad or doubtful debts, on receipt or credit to P/L whichever is earlier basis, as provided u/s 43D to scheduled banks etc is proposed to be extended to NBFCs.

Corresponding changes u/s 43B also proposed to provide that any sum payable by the assessee as interest on any loans or advances taken from NBFCs shall be allowed as deduction if it is actually paid on or before the due date of furnishing the return of income of the relevant previous year.

"Union Budget has taken several measures to reduce risk aversion and increase lending to NBFCs. Measures like one time partial 6 month guarantee to PSBs to buy sound NBFCs' loans and higher re-capitalization of PSBs require a special mention"

-Dinanath Dubhashi
MD & CEO,
L&T Finance Holdings Ltd

Promoting other Digital mode of payments

In order to encourage other electronic modes of payment, it is proposed to amend Sections 13A, 35AD ,40A, 43(1), 43CA, 44AD, 80JJAA, 269SS, 269ST, 269T so as to include such other electronic mode as may be prescribed, in addition to the already existing permissible modes of payment/receipt i.e. account payee cheque or an account payee bank draft or the electronic clearing system through a bank account.
These amendments will be effective from 1st September, 2019.

Concessional rate of STCG tax to certain equity oriented fund of funds

In order to incentivise fund of funds set up for disinvestment of Central Public Sector Enterprises (CPSEs), it is proposed to amend section 111A so as to extend the concessional rate of tax for short-term capital gains in respect of transfer of units of such fund of funds.

This amendment is proposed to be effective from AY 2020-21.

Cancellation of registration of the Trust or Institution

Amendment is proposed in section 12AA to empower cancelation of the registration of trust or Institution if such trust or institution does not comply with other laws at the time of registration or after registration has been granted which are material to object and purpose of such trust or institution.

This amendment will be effective from 1st September, 2019.

Relief to the Salaried persons

Section 89 contains the provisions for providing relief to the salaried class persons where salary is paid in arrear or in advance.

Section 140A, 143, 234A, 234B and 234C contain provisions relating to computation of tax liability after allowing credit for prepaid taxes and certain admissible reliefs, credits etc. However, the relief u/s 89 is not specifically mentioned in these sections, which is resulting into genuine hardship in the case of taxpayers who are eligible for this relief. Accordingly, amendment is proposed in such sections to provide credit of relief u/s 89.

These amendments are effective retrospectively w.e.f 01.04.2007 and thus apply to AY 2007-08 and subsequent years

Enhancing the time limit for sale of attached property

To protect the interest of Revenue, time limits for the sale of immovable property attached towards recovery of tax, penalty etc is proposed to be increased to 7 years (existing limit- 3 years) from the end of the financial year in which order in consequence of which any tax, penalty etc. becomes final.

Withholding Tax

Rationalisation of sections 201 and 40(a)(i) for payments to non-residents

Provisions of section 201 dealing with “assessee in default” for default in tax deduction and consequent disallowance u/s 40(a)(i) are proposed to be rationalized. The benefit that payer shall not be deemed to be “assessee in default” for non-deduction of TDS where the resident payee declared the payment in its ITR and paid tax, is proposed to be extended to the cases where payee happens to be Non Resident.

TDS on Purchase of Immovable Properties u/s 194-IA

Provisions of TDS on purchase of immovable property u/s 194-IA extended to other connected payments by defining the meaning of “consideration for immovable property” which 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 the immovable property.

TDS on Individual/HUFs making payment to Contractors & Professionals

New section 194M is proposed to be inserted providing for deduction of TDS @ 5% by Individuals and HUFs on payments to contractors and professionals exceeding Rs 50 lakhs for personal purposes or for business purpose where such business is not covered in Tax Audit.

Rationalisation of TDS on payment of Life Insurance Policy

TDS u/s 194DA on payments under life insurance policy which are not exempt u/s 10(10D) is proposed to be changed to 5% of net income component as against existing rate of 1% on gross payment.

Indirect Taxation

"Instead of lowering GST on all cars, she aligned with the visioin for mobility and incentivised only Electric Vehicles (EVs). In fact, the budget is an accumulation of seemingly unspectacular moves that will NUDGE the economy onto a trajectory towards $5 trillion and an improved 'ease of living"

-Anand Mahindra
Chairman (Mahindra Group)

Amendment in The Central Goods and Services Tax Act, 2017

- Alternative composition scheme for supplier of services or mixed suppliers having an annual turnover in the preceding financial year up to Rs. 50 lakhs, proposed.
- Powers conferred on the Government to enhance the threshold exemption limit from Rs. 20 lakhs to such amount not exceeding Rs. 40 lakhs in case of supplier who is engaged exclusively in supply of goods.
- Aadhaar authentication made mandatory for specified class of new taxpayers.
- Specified class of registered persons to provide prescribed mode of electronic payment to the recipients.
- Composition taxpayers may furnish annual return along with the quarterly payment of taxes. Other taxpayers may be given an option for quarterly or monthly furnishing of returns and payment of taxes under proposed new return system.
- Facility to be provided to transfer an amount from one (major or minor) head to another (major or minor) head in electronic cash ledger.
- Interest u/s Section 50 to be charged on net cash tax liability except cases where returns are filed subsequent to initiation of any proceedings under section 73 or 74.
- Central Government may disburse refund amount to the taxpayers in respect of refund of State taxes as well.
- Changes made in provisions related to National Appellate Authority for Advance Ruling.
- National Anti-profiteering Authority empowered to impose penalty equivalent to 10% of the profiteered amount.

Sabka Vishwas Legacy Dispute Resolution Scheme

- A dispute resolution cum amnesty scheme called 'the Sabka Vishwas Legacy Dispute Resolution Scheme' is being introduced for resolution and settlement of legacy cases of Central Excise and service tax.

Amendments under Customs Laws

- Powers given to an officer of Customs to arrest a person who has committed an offence outside India or Indian Customs waters.
- Amendment to provide offences which shall be cognizable and those which shall be non-bailable.
- Maximum ceiling on General penalty under Customs Act has been increased from Rs. 1 lakh to Rs. 4 lakh.
- Maximum penalty in respect of contravention of Customs Rules and Regulations has been increased from Rs. 50,000 to Rs. 2,00,000.

Changes in rate of duty under Central Excise

- Refer Annexure-A2

Changes in rate of duty under Customs

- Refer Annexure- A3

Annexure A1

Income Tax Rates

Personal Tax

No change in tax slab for individuals

Tax Rate	Age		
	Below 60 years	Over 60 years but less than 80 years	Age over 80 years
5%	Rs.2,50,000 to Rs.5,00,000*	Rs.3,00,000 to Rs.5,00,000*	-
20%	Rs.5,00,001 to Rs.10,00,000	Rs.5,00,001 to Rs.10,00,000	Rs.5,00,001 to Rs.10,00,000
30%	Above Rs.10,00,000	Above Rs.10,00,000	Above Rs.10,00,000

-*No Tax on individual having taxable income upto Rs.5,00,000 as a result of rebate of Rs. 12,500 u/s 87A

-The same tax rates as that of Below 60 Years are applicable on Non-residents but the rebate u/s 87A is not applicable

Corporate Tax

Basic tax rates for companies is proposed as under :-

Particulars	Proposed Tax Rates
For domestic companies whose total turnover or gross receipts in the FY 2017-18 does not exceed Rs. 400 Crores	25%
For other domestic Companies	30%
For Foreign Companies	40%

Firms and LLP

Basic tax rate remains unchanged at 30%

Surcharge of Income Tax

Surcharge for domestic and foreign companies remains unchanged as :

Particulars	Domestic Company	Foreign Company
Income exceeding Rs. 1 crore but not exceeding Rs. 10 Crore	7%	2%
Income exceeding Rs. 10 Crore	12%	5%

Surcharge for Individuals, HUF, AOP, BOI and AJP is proposed as under :-

Particulars	Proposed Rate
Income exceeding Rs. 50 Lakh but not exceeding Rs. 1 Crore	10%
Income exceeding Rs. 1 Crore but not exceeding Rs. 2 Crore	15%
Income exceeding Rs. 2 Crore but not exceeding Rs. 5 Crore	25%
Income exceeding Rs. 5 Crore	37%

*Surcharge for co-operative societies, firms & LLP remains unchanged at 12% on the total income exceeding Rs. 1 Crore

Cess

The health & Education cess in all cases remains unchanged at 4%

Effective Tax Rates

Effective tax rates for individuals, HUF, AOP, BOI, & AJP having total income upto Rs. 2 Crore remains unchanged.

Effective tax rates for individuals, HUF, AOP, BOI, & AJP having total income of more than Rs. 2 Crore is proposed as under:-

Income	Rs. 2 Crore to Rs. 5 Crore		Above Rs. 5 Crore	
	Existing Rates	Proposed Rates	Existing Rates	Proposed Rates
Normal Income	35.88%	39.00%	35.88%	42.74%
Dividend Income/LTCG on Listed securities	11.96%	13.00%	11.96%	14.26%
Other LTCG	23.92%	26.00%	23.92%	28.50%
STCG on Listed securities	17.94%	19.50%	17.94%	21.37%

Annexure A2

Commodity	From	To
Other than filter cigarettes, of length not exceeding 65 millimeters	Nil	Rs 5 per thousand
Other than filter cigarettes, of length exceeding 65 millimeters but not exceeding 70 millimeters	Nil	Rs. 5 per thousand
Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimeters or its actual length, whichever is more) not exceeding 65 millimeters	Nil	Rs. 5 per thousand
Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimeters or its actual length, whichever is more) exceeding 65 millimeters but not exceeding 70 millimeters	Nil	Rs. 5 per thousand
Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimeters or its actual length, whichever is more) exceeding 70 millimeters but not exceeding 75 millimeters	Nil	Rs. 5 per thousand
Other (*Cigarettes containing tobacco*)	Nil	Rs. 10 per thousand
Cigarettes of tobacco substitutes	Nil	Rs. 5 per thousand
Hookah or gudaku tobacco	Nil	0.5%
Smoking mixtures for pipes and cigarettes	Nil	1%
Other than paper rolled biris, manufactured without the aid of machine	Nil	5 paisa per thousand
Other *(Biris)*	Nil	10 paisa per thousand
Other *smoking tobacco*	Nil	0.5%
“Homogenised” or “reconstituted” tobacco	Nil	0.5%
Chewing tobacco	Nil	0.5%
Preparations containing chewing tobacco	Nil	0.5%
Jarda scented tobacco	Nil	0.5%
Snuff	Nil	0.5%

Commodity	From	To
Preparations containing snuff	Nil	0.5%
Tobacco extracts and essence	Nil	0.5%
Other *(manufactured tobacco and substitutes)*	Nil	0.5%

Effective change in rate of Special Additional Excise Duty and Road and Infrastructure Cess on Petrol and Diesel

Commodity	From	To
A. Increase in effective rate of Special Additional Excise Duty on Petrol and Diesel		
Motor spirit commonly known as petrol	Rs. 7 per litre	Rs. 8 per litre
High speed diesel oil	Rs. 1 per litre	Rs. 2 per litre
B. Increase in effective rate of Road and Infrastructure Cess, levied as additional duty of excise, on Petrol and Diesel		
Motor spirit commonly known as petrol	Rs. 8 per litre	Rs. 9 per litre
High speed diesel oil	Rs. 8 per litre	Rs. 9 per litre

Annexure A3

Commodity	From	To
Floor covering of plastics, Wall or ceiling coverings of plastics	10%	15%
Ceramic roofing tiles and ceramic flags and pavings, hearth or wall tiles	10%	15%
Base metal fittings, mountings and similar articles suitable for furniture, doors, staircases, windows, blinds, hinge for auto mobiles	10%	15%
Silver (including silver plated with gold or platinum) unwrought or in semi- manufactured forms, or in powdered form	10%	12.5%
Base metals clad with silver, not further worked than semi-manufactured	10%	12.5%
Gold (including gold plated with platinum) unwrought or in semi- manufactured forms, or in powder form	10%	12.5%
Base metals or silver, clad with gold, not further worked than semi- manufactured	10%	12.5%
Platinum, unwrought or in semi-manufactured form, or in powder form	10%	12.5%
Base metals, silver or gold, clad with platinum, not further worked than semi- manufactured	10%	12.5%
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%	12.5%
Glass mirrors, whether or not framed, including rear-view mirrors	10%	15%
Locks of a kind used in motor vehicles	10%	15%
Oil or petrol filters for internal combustion engines	7.5%	10%
Intake air-filters for internal combustion engines	7.5%	10%
Air purifiers or cleaners and other filtering or purifying machinery and apparatus for gases	7.5%	10%
Lighting or visual signaling equipment of a kind used in bicycles or motor vehicles	10%	15%
Other visual or sound signalling equipment for bicycles or motor vehicles	7.5%	15%
Horns for vehicles	10%	15%
Parts of visual or sound signalling equipment for bicycles or motor vehicles	7.5%	10%
Windscreen wipers, defrosters and demisters, Sealed beam lamp units and other lamps for automobiles	10%	15%

Commodity	From	To
Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705.	10%	15%
Bodies (including cabs), for the motor vehicles of headings 8701 to 8705	10%	15%
Indoor and outdoor unit of split –system air conditioner	10%	20%
Loudspeaker	10%	15%
Digital Video Recorder (DVR) and Network Video Recorder (NVR)	15%	20%
CCTV camera and IP camera	15%	20%
Optical Fibres, optical fibre bundles and cables	10%	15%
Specified Defence equipment and their parts imported by the Ministry of Defense or the Armed Forces	Applicable rate	Nil
Raw material, parts or accessories for use manufacture of artificial kidneys, disposable sterilized dialyzer and micro-barrier of artificial kidney	Applicable Rate	Nil
Cashew kernel broken	Rs 60/ Kg or 45%, whichever is higher	70%
Cashew kernel whole, Cashew nuts shelled, others	Rs 75/ Kg or 45%, whichever is higher	70%
All forms of Uranium ores and Concentrates for generation of nuclear power (Uranium concentrate U3O8 already exempt)	2.5%	Nil
All goods for use in generation of Nuclear power (Certain goods such as sintered natural uranium dioxide already exempt)	7.5%	Nil
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 soap and oleochemicals.	Nil	7.5%
Petroleum Crude	Nil	Re.1 per tonne

Commodity	From	To
Naphtha	5%	4 %
Ethylene dichloride (EDC)	2%	Nil
Methyloxirane (Propylene Oxide)	7.5%	5%
Poly Vinyl Chloride	7.5%	10%
Articles of plastics	10%	15%
All goods i.e. Butyl Rubber	5%	10%
Chlorobutyl rubber or bromobutyl rubber	5%	10%
a. Newsprint b. Uncoated paper used for printing of newspapers c. Lightweight coated paper used for printing of magazines	Nil	10%
Printed books (including covers for printed books) and printed manuals, in bound form or in loose-leaf form with binder, executed on paper or any other material including transparencies.	Nil	5%
Wool Fibre	5%	2.5%
Wool Tops	5%	2.5%
Marble Slabs	20%	40%
Water blocking tapes for manufacture of optical fiber cable	Nil	20%
Wire of other alloy steel (other than INVAR)	5%	7.5%
Cobalt mattes and other intermediate products of cobalt metallurgy	5%	2.5%
Stone crushing (cone type) plants for the construction of roads	Nil	7.5%
Charger/Power adapter for CCTV camera/IP camera/DVR/NVR	Nil	15%
Specified electronic items like plugs, sockets, switches, connectors, relays.	Nil	Applicable Rate
Catalytic convertor (All goods under these tariff items other than catalytic converters will continue at 7.5%)	5%	10%
Completely Built Unit (CBU) of vehicles falling under heading 8702, 8704	25%	30%

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