



Budget 2019

Key Highlights

Dhiren H Pandya & Associates LLP

Chartered Accountants

Ahmedabad - Mumbai

05 July 2019

Head Office: 204, Mahalaya Complex, Off C.G.Road, Swastik cross roads, Navrangpura, Ahmedabad – 380009 URL:www.dhpa.in

Contents

- 1. Economic Performance & Budget Financials**
- 2. Direct Taxes**
- 3. RBI & Banking Regulations**
- 4. Indirect Taxes**
 - Goods & Services Tax / Excise**
 - Customs**

Prepared by Dhiren H Pandya & Associates LLP, for client service and internal use only.
This document summarizes the key indicator of Budget Performance and key proposals of the Finance Bill 2019.
However, this publication is not intended to give legal, tax, accounting or other professional advice
Expert guidance may be sought before acting upon the proposals.



Economic Performance & Budget Financials

Economic Performance

Key Indicators

Particulars	2015-16	2016-17	2017-18	2018-19
Growth in %				
-GDP (factor cost, constant prices)	8.0	8.2	7.2	6.8 ^a
-Schedule Commercial Bank Credit (Growth Rate)	10.9	8.2	10.0	13.3
-Index of Industrial Production	3.3	4.6	4.4	3.6
Imports (at c.i.f , in USD billion)	396.4	392.6	469.0	395.1 ^b
Export (at f.o.b, in USD billion)	266.4	280.1	309.0	249.9 ^b
Inflation in % (Average in terms of WPI)	-3.7	1.7	3.0	4.3 ^P
Forex reserves (in USD billion)	360.2	370.0	424.5	412.9
Net Foreign Investment (FDI/ FII/ FPI, in USD billion)	31.9	43.2	52.4	14.8 ^b
Exchange Rate(INR/USD) (annual average) ^c	65.47	67.07	64.46	69.92

^a Provisional Estimates ^b April To December 2018 (Provisional)

^P Provisional

^c Indicative rates announced by Foreign Exchange Dealers Association of India (FEDAI)

Dhiren H Pandya & Associates LLP

Budget Financials

Key Budget Financials

(₹ in Crores)

Particulars	2017-18 (Actuals)	2018-19 (B.E.)	2018-19** (R.E.)	2019-20** (B.E.)
1. Revenue Receipt	1435233	1725738	1729682	1962761
2. Capital Receipts ¹	706740	716475	727553	823588
3. Total Receipt (1+2)	2141973	2442213	2457235	2786349
4. Total Expenditure(5+6)	2141973	2442213	2457235	2786349
5. Revenue Expenditure	1878833	2141772	2140612	2447780
6. Capital Expenditure	263140	300441	316623	338569
7. Revenue Deficit(5-1) As a percentage of GDP	443600 -2.6%	416034 -2.2%	410930 -2.2%	485019 -2.3%
8. Effective Revenue Deficit(7-Grants in Aid for Creation of capital Assets) As a percentage of GDP	252566 -1.5%	220689 -1.2%	210630 -1.1%	277686 -1.3%
9. Fiscal Deficit{4-(1+Recoveries of Loan + Other receipts)} As a percentage of GDP	591062 -3.5%	624276 -3.3%	634398 -3.4%	703760 -3.3%
10. Primary Deficit (9-Interest Payments) As a Percentage of GDP	62110 -0.4%	48481 -0.3%	46828 -0.2%	43289 -0.2%

B.E. Budget Estimate, R.E. Revised Estimate

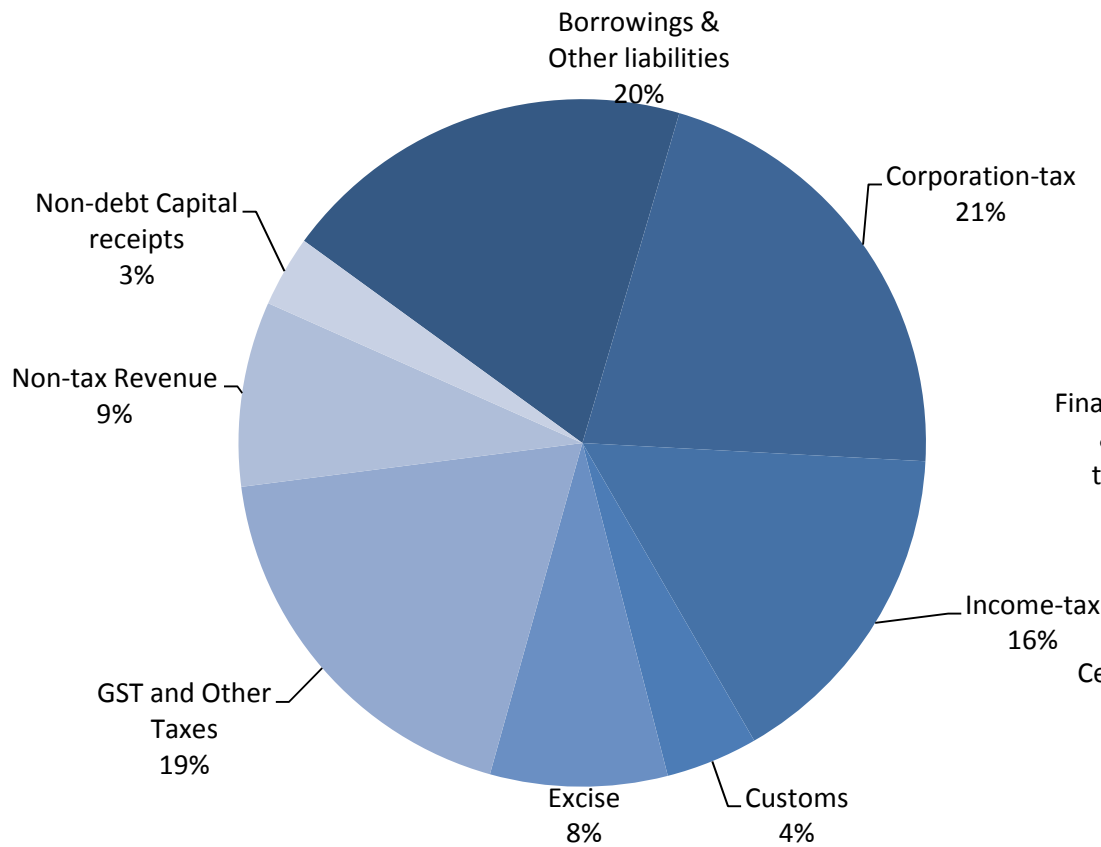
**GDP for BE 2019-20 has been projected at ₹ 21100607 crore assuming 12.0% growth over the estimated GDP of ₹ 18840731 crore for 2018-19(RE).

¹ Excluding receipts under Market Stabilization Scheme.

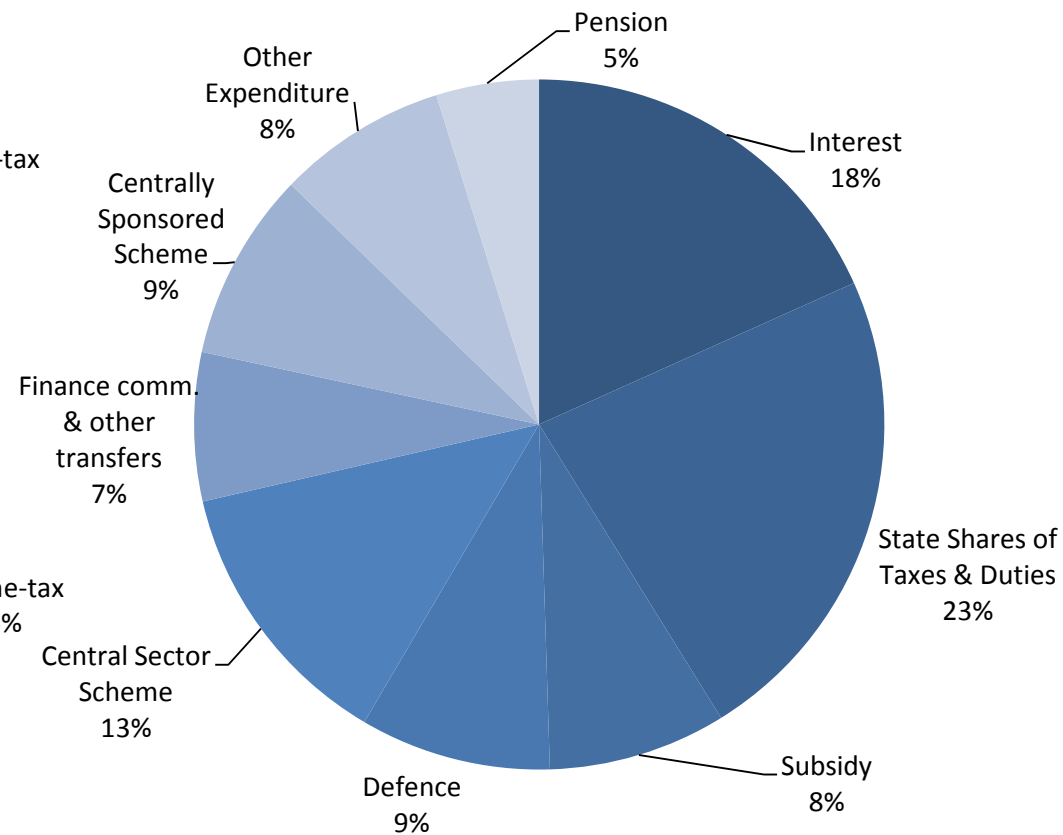
Budget Financials

Where the Rupee comes from & Where the rupee goes to

Where the Rupee comes



Where the Rupee Goes



Key Policy Announcements

Pension:

- ❖ Pension benefits to around 3 crore retail traders and small shopkeepers with annual turnover less than Rs. 1.5 crore under Pradhan Mantri Laghu Vyapaari Mann-Dhan Yojana (PMLVMY).

Banking:

- ❖ Proposed further recapitalization of Public Sector Banks: Rs. 70,000 Crore.

FDI & FPI:

- ❖ 100% Foreign Direct Investment (FDI) to be permitted for Insurance intermediaries.
- ❖ Statutory limit for Foreign Portfolio Investment (FPI) in a company increased to sectoral limit.
- ❖ Local sourcing norms to be eased for FDI in single brand retail.



Direct Taxes

Personal Taxation – Higher Slabs

❖ Surcharge on Income Tax hiked for High Income Assesse:

Income (Rs.)	Existing				Proposed			
	Tax Rate (%)	Surcharge (%)	Health & Education Cess (%)	Effective Rate (%)	Tax Rate (%)	Surcharge (%)	Health & Education Cess (%)	Effective Rate (%)
50 Lakh-1 Crore	30	10	4	34.32	30	10	4	34.32
1 Crore-2 Crore	30	15	4	35.88	30	15	4	35.88
2 Crore-5 Crore	30	15	4	35.88	30	25	4	39.00
> 5 Crore	30	15	4	35.88	30	37	4	42.74

Personal Taxation – Other Slabs / TDS

- ❖ **There is no change in slab rates**
- ❖ **Rebate Under section 87A** (interim budget)
 - Resident individuals with income less than Rs. 5 lacs shall be eligible for rebate from tax upto Rs. 12,500/-
 - Resulting in tax free income of upto Rs. 5 lacs
- ❖ **Salary Income** (interim budget)
 - Standard deduction Rs.50,000 from Rs.40,000
- ❖ **Withdrawal from Pension Scheme by Employee**
 - Increased the limit of exemption from current 40% to 60% of payment on final withdrawal from NPS;

Tax Deducted at Source

❖ Cash withdrawal exceeding Rs. 1 Crore

- TDS@2% for cash withdrawal exceeding Rs. 1 Crore in aggregate during the year

❖ TDS on payment of specified Life Insurance Policies

- Increased to 5% from 1%

❖ TDS on payments to Contractor and Professionals

- TDS to be deducted by Individuals/HUF @ 5%
- On payments above Rs.50 lacs
- In respect of payments to contractors/professionals (non-audited / personal purpose)
- No need to obtain TAN

Tax Deducted at Source

❖ TDS on Interest (interim budget)

- Threshold limit increased from Rs. 10,000/- to Rs. 40,000/- on interest income from banking company, co-operative society or a post office

❖ TDS on Rent (interim budget)

- TDS threshold limit increased from Rs. 1,80,000/- to Rs. 2,40,000/- on rental income from housing property

❖ Surcharge on applicable TDS on Income of Non resident in excess of Rs. 50 Lakhs:

Income (Rs.)	Existing Surcharge (%)	Proposed Surcharge (%)
50 Lakh-1 Crore	10	10
1 Crore-2 Crore	15	15
2 Crore-5 Crore	15	25
> 5 Crore	15	37

Corporate Taxation

❖ Rate of tax for domestic Company:

Existing Turnover/Gross Receipts (Rs.)	Existing Rate (Basic)	Proposed Rate (Basic)
Upto 250 Crores	25%	25%
250 to 400 Crores	30%	25%
Above 400 Crores	30%	30%

❖ Buy-Back of shares (Listed Companies):

- To be taxed @20% in hands of company (Currently not taxable)
- Exempt in hands of shareholders
- W.e.f. July 5th, 2019

Corporate Taxation / NBFCs

❖ Electronic mode of payment:

- Option to be given by all business entities with turnover >Rs.50Crores
- Failure to do so may attract penalty of Rs. 5000/ day
- W.e.f. November 1st, 2019

❖ Interest Payment to NBFC:

- Deduction available only if actual payment is made:

❖ Tax Incentive to NBFCs:

- Tax on interest income on certain categories of bad or doubtful debt on actual receipt basis

Gifts to Non-Resident / Capital Gain

❖ Gift/Transfer by Resident to Non Resident Taxable:

- If value exceeds Rs 50,000 without consideration

❖ Capital Gain on Sale of House Property: (interim budget)

- Exemption to extent of investment in 1 House Property was allowed
- Now the exemption to be extended to investment in 2 House Properties instead of 1
- Available only if Capital Gain arising is less than or equal to Rs.2 Crores
- Can be availed only in one assessment year

Alternate Investment Fund

❖ AIF Capital Gain :

- No tax on transfer of bonds or GDR of Indian company by category III AIF having all unit holders non resident

❖ AIF Loss Pass-through:

- Loss other than business loss accumulated in investment fund to be deemed to be loss of unit holder
- Unit to be held for at least 12 months

Deductions

❖ Contribution to National Pension Scheme (NPS):

- Deduction u/s 80C available for **contribution made by Central Government employee** for ≥ 3 years
- Deduction in respect of **contribution made by employer** to be availed at following % of his salary:

Contribution by:	Existing (%)	Proposed (%)
Central Government	10%	14%
Other Employer	10%	10%

❖ Business Income of a Unit of IFSC in SEZ:

- Deduction from business income for following years:

Existing	Proposed
100% for first 5 consecutive years 50% for next 5 consecutive years	100% for any 10 consecutive years out of 15 years

Deductions

❖ **Housing Loan interest (New Sec. 80EEA):**

- Deduction upto Rs. 150000 on interest on housing loans, if:
 - a) loans obtained between April 01, 2019 and March 31, 2020, &
 - b) Stamp Duty Value of house \leq Rs. 45 Lakhs
 - c) Assessee does not own any other residential property
- If deduction availed under this section, cannot be availed under any other section

❖ **Electric Vehicle Loan Interest (New Sec. 80EEB):**

- Deduction upto Rs. 150000 on interest on electric vehicle loans, if:
 - a) loans obtained between April 01, 2019 and March 31, 2023
- If deduction availed under this section, cannot be availed under any other section

Deductions

❖ Deductions for Housing Projects (Sec 80-IBA):

- 100% Deduction for profits and gains from housing projects and for ***projects approved after September 01, 2019***, following conditions proposed to be changed:

Carpet area of residential unit	Existing	Proposed
For 6 metropolitan cities	<= 30 sq. m.	<= 60 sq. m.
For other cities	<= 60 sq. m.	<= 90 sq. m.

- Stamp Duty Value of residential unit <= Rs. 45 Lakhs

IFSC Taxation

❖ Specified income distributed by Mutual Funds not chargeable to tax:

- Mutual fund located in IFSC and deriving income in foreign exchange, with all non-resident unit holders
- Income is derived by transactions made on recognized Stock Exchange that is located in any IFSC
- Income distributed on or after September 1, 2019

❖ Interest Payment to NRI by unit in IFSC :

- Not Taxable in respect of borrowings on or after September 1, 2019

Compliances

❖ Additional Criteria for return filling :

- Deposits > Rs. 1 Crore in current account(s), or
- Expenditure > Rs. 2 Lakhs on foreign Travel, or
- Electricity Consumption Expenditure > Rs.1 Lakhs, or
- If income falls within chargeable criteria before availing rollover exemption on investment in house, bonds, etc assets, as specified

❖ Cancellation of Registration of Trust :

- If not Complied requirement of any other act in force

Others

❖ PAN and Aadhar number can be used interchangeably:

- In case where a person has not been allotted one of the two
- Penalty of Rs. 10000 leviable on misquoting of Aadhar number

❖ No proceeding against failure to furnish return of income (other than companies):

- Where tax payable > Rs. 10000 (earlier Rs. 3000)
- Any tax already paid before expiry of assessment year to be considered



RBI & Banking Regulations

Reserve Bank of India – NBFCs

Key Changes from NBFC perspective

- ❖ **RBI empowered to remove directors of NBFC**
- ❖ **RBI empowered to take actions against auditors of NBFC**
- ❖ **RBI empowered to following in respect of NBFC**
 - Amalgamation with other non-banking institution
 - Reconstruction of NBFC
 - Splitting the NBFC into different units or institutions
 - Reduction in pay and allowances of Key personnel
 - Cancellation of some shares of NBFC
 - Sales/Disposal of Assets of NBFCs

RBI – Housing Finances / E-payments

Key Changes from NBFC perspective

- ❖ **RBI empowered to take actions as Regulatory Authority against Housing Finance Companies**

Electronic Payments

- ❖ **Banks barred from imposing charges on anyone for using electronic modes of payment (w.e.f. November 1, 2019)**



GST and Excise

Goods & Service Tax

Threshold Limit:

Particulars	Existing	Proposed
Threshold for Supplier of Goods (Other than Mixed supply or service provider)	Rs. 20 lacs	Rs. 40 lacs

Tax Payments:

- ❖ Facility to transfer amounts from one head to other in Electronic Cash Ledger to be provided
- ❖ Interest to be charged only on net Cash Tax liability i.e. tax net of ITC (currently charged on Gross Tax)

National Appellate Authority for Advance Ruling:

- ❖ Authority formed for appeals against Advance Rulings

Goods & Service Tax – Composition

New Composition Scheme:

❖ New scheme for Supplier of Services / Mixed Supply:

- Tax @ 3%
- Applicable for annual supply less than Rs.50 lacs
- No Interstate supply by supplier
- Not a manufacturer of goods already notified
- Scheme only for Resident Taxable person

❖ Compliances for Composition Scheme:

- Single Annual return proposed
- Quarterly payment of tax to be done

Goods & Service Tax – Compliances

Annual Returns:

- ❖ Commissioners empowered to extend due dates

Quarterly Returns:

- ❖ Proposed to be introduced for tax payers with turnover less than Rs. 5 crores

Other Simplification Proposals:

- ❖ Automated refund module to be implemented
- ❖ Electronic Invoice system may be introduced to eliminate need to E-way bill (By January 2020)

(Details of other simplification proposal yet to be issued)

Goods & Service Tax – Miscellaneous

National Anti-profiteering Authority:

- ❖ Authority entitled to impose penalty of 10% of the profiteered amount unless tax paid within 30 days of order

Retrospective Amendments:

- ❖ Uranium Ore exempted retrospectively under GST
- ❖ Services by State government in form of issuing liquor license exempted from April 2016
- ❖ Services provided by IIMs to students exempted from July, 2003 (service Tax)
- ❖ Lease exceeding 30 years in respect of land provided by State to Industrial Development Corporations/Financial business

Amnesty / Dispute Resolution Scheme

Sabka Vishwas Legacy Dispute Resolution Scheme:

- ❖ Amnesty Scheme introduced to resolve old Service Tax and Excise cases
- ❖ Synopsis of relief under the scheme

Particulars of Dues	Value of Duty (Rs)	Relief (as % of dues)
Dues relatable to Show Cause notice pending as on 30 June, 2019	<=50 lacs	70%
	>50 lacs	50%
Dues related to late fee or penalty only	Any	100%
Dues related to amount in arrears OR declarant has shown duty as payable but not paid	<=50 lacs	60%
	>50 lacs	40%
Dues linked to enquiry, investigation, audit	<=50 lacs	70%
	>50 lacs	50%
Tax dues payable on voluntary disclosure	Any	No Relief

Excise – Major Rate Changes

Tobacco and Tobacco products	Existing (BED)	Proposed (BED)	Movement
Cigarettes	Nil	Rs. 5 per thousand	↑
Others (cigarettes containing tobacco)	Nil	Rs. 10 per thousand	↑
Hookah	Nil	0.5%	↑
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%	↑

Excise – Major Rate Changes

Changes in Special Additional Excise Duty

Tobacco and Tobacco products	Existing (Rs. per litre)	Proposed (Rs. per litre)	Movement
Petrol (Unbranded)	7	8	↑
Petrol (Branded)	7	8	↑
Diesel (Unbranded)	1	2	↑
Diesel (Branded)	1	2	↑

Changes in Additional Excise Duty

Tobacco and Tobacco products	Existing (Rs. per litre)	Proposed (Rs. per litre)	Movement
Petrol (Unbranded)	8	9	↑
Petrol (Branded)	8	9	↑
Diesel (Unbranded)	8	9	↑
Diesel (Branded)	8	9	↑



Customs

Customs

Penal Provisions

- ❖ General Penalty where no specific penalty in act, is increased from Rs. 1 lac to Rs. 4 lac
- ❖ Penalty for contravention of rules or regulation is increased from Rs. 0.50 lac to Rs. 2 lacs

Exemptions

- ❖ Defense equipment imported by ministry of defense, Medical devices for manufacture of artificial kidneys and nuclear fuels, Uranium ores or certain goods used generation of nuclear power are exempted from basic custom duty.

Customs – Major Rate Changes

Construction Materials	Existing (BCD)	Proposed (BCD)	Movement
Floor covering of plastics	10%	15%	↑
Ceramic roofing tiles or wall tiles	10%	15%	↑
Base metal fittings or similar article	10%	15%	↑

Automobiles Parts	Existing (BCD)	Proposed (BCD)	Movement
Friction Materials, Glass mirrors, Locks, horns	10%	15%	↑
Oil or petrol filter. Intake air filter	7.5%	10%	↑
Windscreen wipers, chassis fitted with engines, bodies(including cab)	10%	15%	↑

Customs – Major Rate Changes

Electronics and Electrical	Existing (BCD)	Proposed (BCD)	Movement
Split system of air conditioner	10%	20%	↑
CCTV Camera and IP camera	15%	20%	↑
Optical fibers and cables	10%	15%	↑

Bullion	Existing (BCD)	Proposed (BCD)	Movement
Silver done bar (having content more than 95%)	8.5%	11%	↑
Gold done bar(having content more than 95%)	9.35%	11.85%	↑
Gold or silver (having content less than 95%)	10%	12.5%	↑

Customs – Major Rate Changes

Petrol and Diesel	Existing (AED)	Proposed (AED)	Movement
Petrol	Rs. 8 per litre	Rs. 9 per litre	↑
Diesel	Rs. 8 per litre	Rs. 9 per litre	↑

Other Products	Existing (BCD)	Proposed (BCD)	Movement
Marble Slabs for flooring	20%	40%	↑
Water blocking tapes from manufacture of optical fiber	-	20%	↑

Export Duty	Existing (BCD)	Proposed (BCD)	Movement
El tanned leather	15%	-	↓
Hides, skins and leathers, tanned and untanned, all sorts	60%	40%	↓

Budget Team

CA Dhiren H Pandya, Partner
Email: dhiren@dhp.a.in

CA Varun Pandya, Partner
Email: varun@dhp.a.in

CA Nirali Pandya

CA Devang Panchal

CA Khushali Dave

CA Prachi Modi

Unnati Shukla

Dharam Vaghrola

Shubham Manghani

Prateek Goplani

Pankti Shah

Bharat Bhagat

Dhiren H Pandya & Associates LLP

Ahmedabad Office:

204, Mahalaya Complex,
Near Hotel President,
Off. C.G.Road, Navrangpura,
Ahmedabad 380009

Phone: +91 79 26400005 /
+91 79 26426729

Mumbai Office:

K-3- Shop, 10, Hilton Society,
Shree Ram Nagar, S.V.Road,
Borivali (West)
Mumbai 400092

Phone: +91 22 65666065

Email : info@dhpa.in

URL : <http://www.dhpa.in>



:

<http://www.facebook.com/1dhpa>



:

http://www.twitter.com/_dhpa