

UNION BUDGET 2019-20



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FOREWORD

The Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman made her maiden Budget Speech on 5th July 2019 and presented the Union Budget 2019-20 before the Parliament. The 2019-20 budget is balanced keeping in mind that it is the first of the new government.

With a very positive growth in our economy, India is geared up to become a 3 Trillion Dollar economy this year. The government further aspires to make India a 5 Trillion dollar economy in the coming years. In order to achieve this target , a 10 point decade vision for the decade had been presented.

Expectations about the budget were that some sops will be provided to individual tax payers. Though the budget did not provide much incentive to middle or lower income group and slabs remained unchanged, the super rich have been hit hard .

The budget focuses on increasing tax compliance, and has also made an attempt to ease the compliance process and enhance tax payers' experience.

We have captured some of the important highlights of the budget to see what takes on your pockets this season for ease of your understanding.

DIRECT TAX REFORMS | Individual Tax Rate

There has been **no change** in the tax slabs and tax rates for Individuals/HUF.
However, there has been an increase in the rates of surcharge.

Before

| Slabs | Surcharge Rate |
|---|----------------|
| Total income > Rs 50 lakh, but ≤ Rs 1 crore | 10% |
| Total income > Rs 1 crore | 15% |

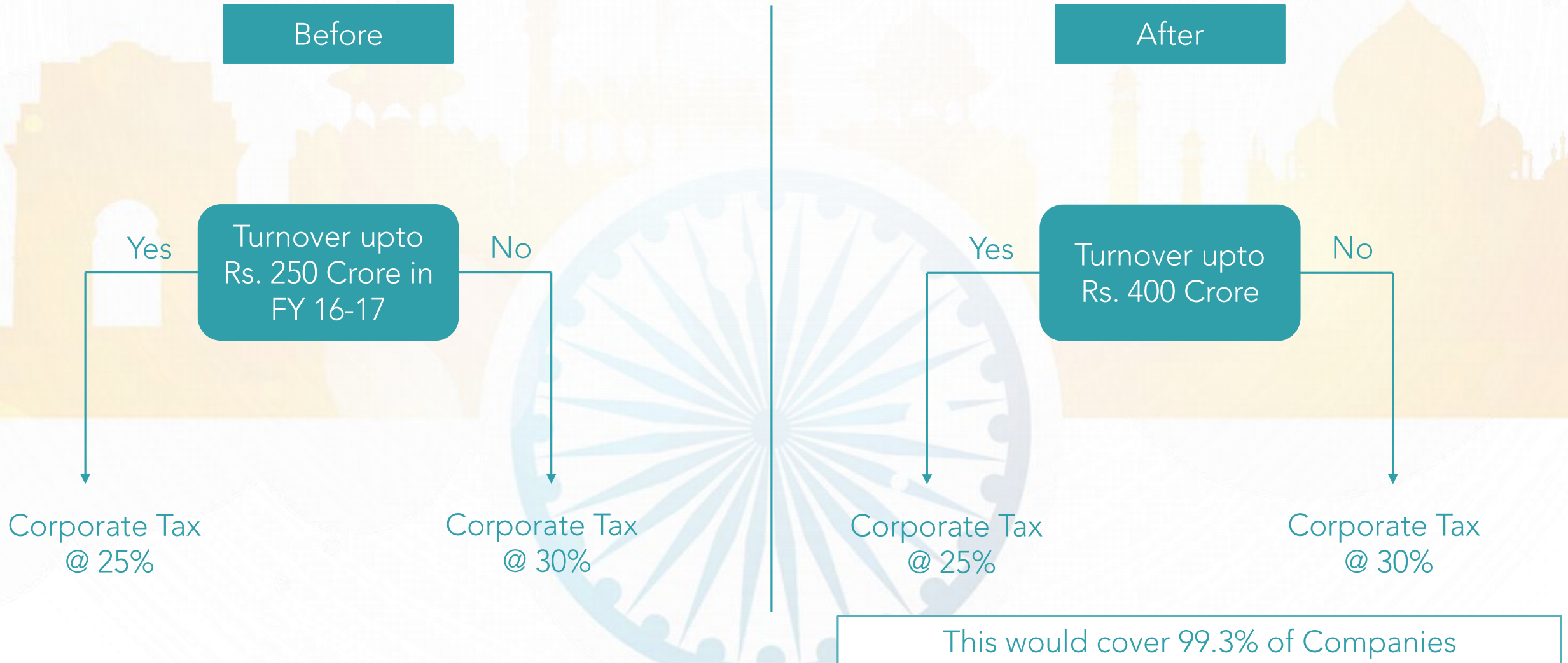
After

| Slabs | Surcharge Rate |
|---|----------------|
| Total income > Rs 50 lakh, but ≤ Rs 1 crore | 10% |
| Total income > Rs 1 crore, but ≤ Rs 2 crore | 15% |
| Total income > Rs 2 crore, but ≤ Rs 5 crore | 25% |
| Total income > Rs 5 crore | 37% |

As a result of the increased surcharge rates, below is the summary of the “effective tax rates ”

| Taxable Income | Effective Tax Rate- Before | Effective Tax Rate- After | Increase in Tax Rates |
|----------------------------|-------------------------------|------------------------------|-----------------------|
| Upto Rs 5 Lakhs | NIL | NIL | No Change |
| Rs 5 Lakhs – Rs 10 Lakhs | 20.80% | 20.80% | No Change |
| Rs 10 Lakhs to Rs 50 Lakhs | 31.20% | 31.20% | No Change |
| Rs 50 Lakhs to Rs 1 Crore | 34.32% | 34.32% | No Change |
| Rs 1 Crore to Rs 2 Crore | 35.88% | 35.88% | No Change |
| Rs 2 Crore to Rs 5 Crore | 35.88% | 39% | 3.12% |
| Above Rs 5 Crore | 35.88% | 42.74% | 6.86% |

DIRECT TAX REFORMS | Corporate Tax Rate



Existing Deduction:

Rs. 2,00,000

Additional Deduction:

Rs. 1,50,000

Total Deduction:

Rs. 3,50,000

CONDITIONS:

Affordable House



Stamp Duty Value < Rs. 45 Lakhs

Loan Sanction



1st April 2019 – 31st March 2020

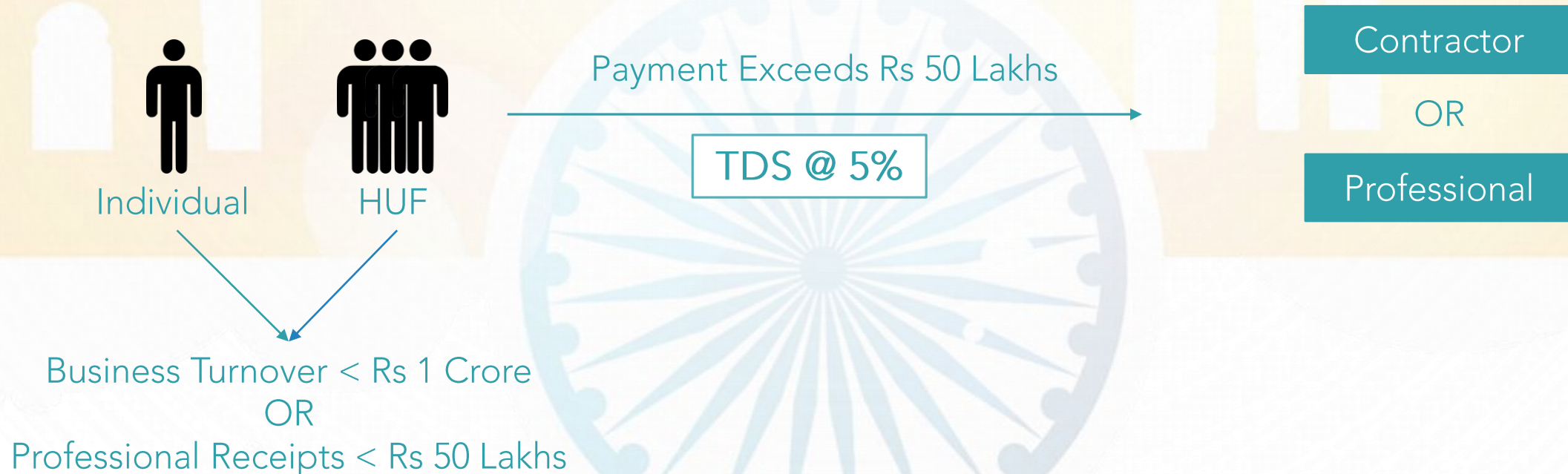
House Properties
owned on date of
loan sanction



Nil

DIRECT TAX REFORMS | Tax Deduction at Source

TDS on payments by Individual/HUF to Contractors, Professionals



DIRECT TAX REFORMS | Tax Deduction at Source

TDS on Cash Withdrawals to discourage cash Transactions



Bank

OR



Post Office

Withdrawal by any person > Rs 1 Crore

TDS @ 2%

Any Person

Faceless E-Assessments

A scheme of faceless assessment in electronic mode involving no human interface is being launched this year in a phased manner. This initiative has been taken in order to curb undesirable practices on the part of tax officials.

Scheme for Allocation of Scrutiny Cases

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. This initiative shall represent a paradigm shift in the functioning of the Income Tax Department.

Government has notified that certain persons having “High Value Transactions” are required to **MANDATORILY** file **Income Tax Returns**.
The following have been described as high value transactions:

Expenditure for travel to foreign country exceeding Rs 2 Lakh
Expenditure for consumption of electricity exceeding Rs 1 Lakh
Any deposit in a bank exceeding Rs 1 Crore



Buy Back Tax extended to listed companies @ 20% plus surcharge.

Interchangeability of PAN and Aadhaar card to be allowed for ease and convenience to taxpayers. ITR can be filed without PAN by quoting Aadhaar

Concessional STCG tax rate of 15% applicable to equity-oriented fund of funds set up for disinvestment of CPSE (Central Public Sector Enterprises)

Limit of Rs 50,000 for reporting Specified Financial Transactions has been removed.

Mode of payment under Sections 269SS, 269ST and 269T, in respect of specified payments/receipts has been widened to include **“All modes of Electronic Payment”**

The scope of “income deemed to accrue or arise” in India in case of nonresidents will be expanded to include “any gift of money or property situated in India by resident to nonresident.” However, existing exemptions under the income tax law and tax treaty benefits will continue.

Technology Centric

GST to become more technology oriented. And hence the following simplifications of GST related processes have been provided:

Simplified single monthly returns

Free accounting software for return preparing for Small Businesses

Fully automated GST refund module

Introduction of Electronic Invoicing System

INDIRECT TAX REFORMS | Goods & Service Tax

Composition Scheme Eligibility

Before

- Manufacturer of goods
- Trader of goods
- Restaurant Service

With an annual turnover of upto
Rs 1 Crore/ Rs 75 Lakhs (as the case maybe)

After

- Manufacturer of goods
- Trader of goods
- Restaurant Service

With an annual turnover of upto
Rs 1.5 Crore/ Rs 75 Lakhs (as the case maybe)

- Service providers

With an annual turnover of upto Rs 50 Lakh

Registration Limit for Supplier of Goods

Before

Rs 20 Lakhs

After

Rs 40 Lakhs

Relief to Tax Payers

Facility to be provided to registered person to transfer an amount from one head to another in the electronic cash ledger (from CGST to SGST or IGST and/or vice versa)

Composition taxpayers to furnish annual return along with quarterly payment of taxes.

In case of delayed filing of return, interest to be paid only on the tax liability (net of ITC) paid through electronic cash ledger

Increase in customs duty on gold & other precious metals from 10 per cent to 12.5 per cent

Customs duty rationalisation/exemption for certain products, including parts of electric vehicles/defence equipment not manufactured in India

General penalty for any contravention of customs provisions increased from INR 1 lakhs to INR 4 lakhs

Legacy Dispute Resolution Scheme has been introduced for quick closure of pending litigations in Central Excise and Service tax from pre-GST regime

Special additional excise duty and road and infrastructure cess increased by INR 1 each on petrol and diesel

OTHER KEY REFORMS

As a measure to boost capital growth, Public Sector Undertakings (PSUs) have been provided with a capital of Rs 7,000 Crores .

Minimum shareholding in Public Companies has been increased to **35%** from 25%

Any payment from NPS trust to an Assessee on closure of his account which is exempt from tax, has been increased to **60%** from 40%

Under NPS scheme, deduction for employer's contribution has been increased to **14%** from 10%, in case of a Central Government employee



What is Angel Tax?

Angel tax is levied on the capital raised via the issue of shares by unlisted Start-ups from an Indian investor if, Issue Price of Shares > Fair Market Value of Shares.
The excess realization is considered as income and therefore, taxed accordingly.

Before

Angel Tax applicable in all cases

After

Angel Tax not applicable, subject to providing necessary information and submitting requisite declarations

Section 54GB of Income Tax Act, 1961

Provides for exemption of capital gain arising from sale of Residential property, provided the net sale consideration is used for subscription in the equity shares of an "Eligible Company"

CONDITIONS:

Before

After

Time Limit for transfer of House Property

Before 31st March 2019

Before 31st March 2021

Minimum Shareholding in Eligible Company

50%

25%

Computer or computer software should not be transferred within

5 years

3 years

START-UP REFORMS | Others

An exclusive television programme for Start-Ups. This shall serve as a platform for promoting start-ups, discussing issues affecting their growth, matchmaking with venture capitalists and for funding and tax planning.



At present, start-ups are not required to justify fair market value of their shares issued to certain investors including Category-I Alternative Investment Funds (AIF). The same benefit has been extended to Category-II Alternative Investment Funds. Therefore, valuation of shares issued to these funds shall be beyond the scope of income tax scrutiny.



Certain conditions for carry forward and setoff of losses for eligible start-up have been relaxed.



MICRO, SMALL & MEDIUM ENTERPRISES

Interest Subvention of 2% shall be provided to GST registered MSMEs, on fresh and incremental loans.

MSMEs can now avail loans upto Rs 1 Crore, which shall be cleared in 59 minutes.

Creation of a payment platform for MSMEs to enable filing of bills and payment thereof on the platform in order to avoid delay in payments.



ENCOURAGING ELECTRIC VEHICLES

Manufacturer

Government allocates Rs 10,000 Crores for enhancing electric vehicle production and establishing the necessary charging infrastructure for electric vehicles (FAME Scheme)

Consumer

Additional Income Tax deduction of Rs1,50,000 on the interest paid on loans taken to purchase electric vehicles. The said loan could be availed from 1st April 2019 till 31st March 2023.

GST on Electric Vehicles reduced from 12% to 5%



Let's Talk!

For a deeper discussion on how this issue might effect your business, please contact

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