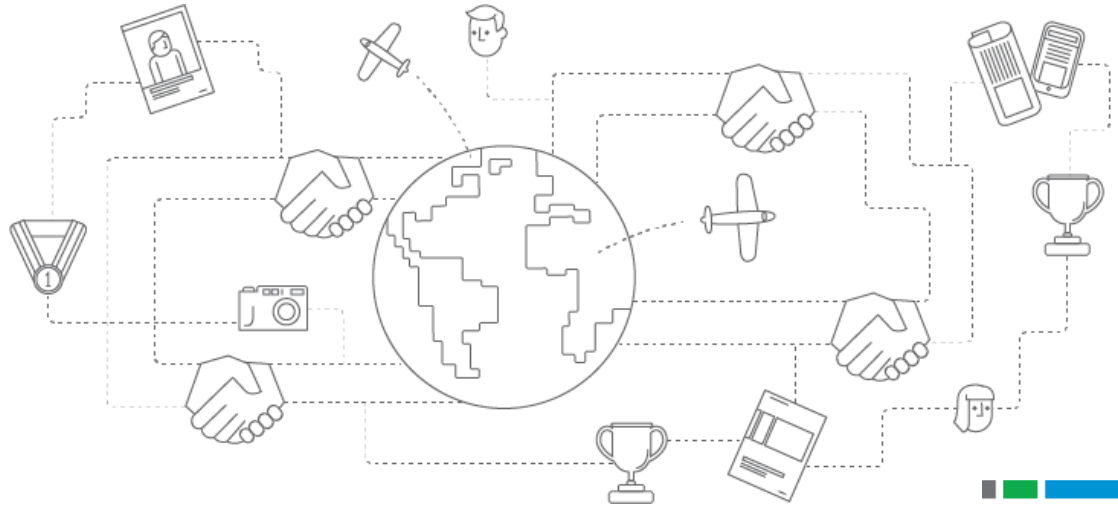


INDIA INTERIM BUDGET 2019



Key highlights in a
nutshell

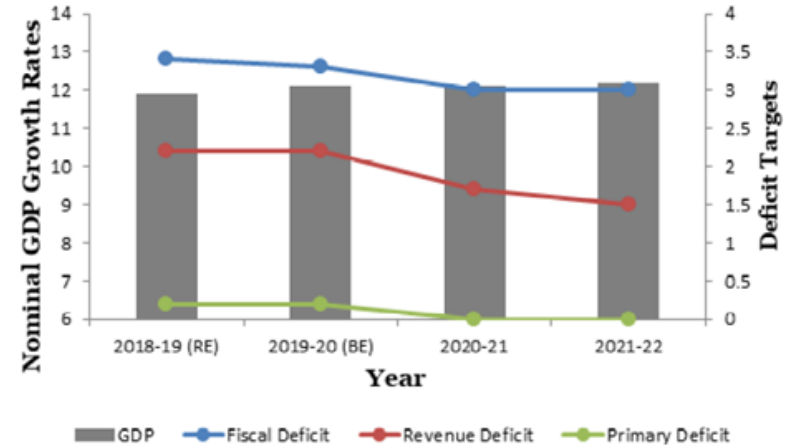


INTRODUCTION TO INDIA INTERIM BUDGET 2019

STATE OF ECONOMY - KEY ECONOMIC INDICATORS

- Indian economy estimated to achieve growth of 7.2% in 2018-19 as compared to 6.7% recorded in 2017-18.
- Today, India is the 6th largest economy of the world.
- Consumer price inflation index has significantly moderated from 9.9% in 2012-13 to 3.6% in 2017-18
- Fiscal Deficit has reduced to 3.4% in 2018-19 and the current account deficit is likely to be only 2.5% of GDP this year.
- Foreign Direct Investment during the last 5 years was about US\$239 Billion.
- India has improved its ranking in the 'Ease of Doing Business' index by 23 positions and is currently ranked at 77th position as per the World Bank Ease of Doing Business 2019 Report.
- Gross Non-Performing Asset Ratio of Scheduled Commercial Banks declined from 11.5% in March 2018 to 10.8% in September 2018.

Medium Term Projections



INTRODUCTION TO INDIA INTERIM BUDGET 2019

DIRECT TAX - BACKDROP

- The tax collections increased significantly from Rs. 6.38 lakh crore in 2013-14 to almost Rs. 12 lakh crore in 2017-18. The number of returns filed have increased from 3.79 crore to 6.85 crore reflecting 80% growth in tax base.
- In 2017-18, 99.54% of the income-tax returns were accepted as they were filed.
- The Present Government has approved a path breaking, technology intensive project to transform the Income-tax Department into a more assessee-friendly one. The Government claims that going forward all returns will be processed in 24 hours and refunds shall be issued simultaneously.
- The Government also mentioned that within the next 2 years, almost all verification and assessment of returns selected for scrutiny will be done electronically through an anonymised back office, manned by tax experts and officials, without any personal interface between taxpayers and tax officers.

INDIRECT TAX - BACKDROP

GST

- The biggest taxation reform undertaken since Independence, 17 different taxes levied by the Central and State/UT Governments with cascading effect of tax on tax, were consolidated into one GST.
- The average monthly tax collection in the current year is Rs. 97,100 crore per month as compared to Rs. 89,700 crore per month in the first year.
- The present Government wished to reduce the GST burden on home buyers and accordingly have moved the GST Council to appoint a Group of Ministers to examine and make recommendations.

CUSTOMS

- Customs department to pursue to attain fully comprehensive digitization of Export / Import transactions.
- Improvement in Logistic transaction leveraging RFID Technology.
- A revised system of duty free importing of capital goods and inputs to manufacture and export has been introduced.

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INTRODUCTION TO INDIA INTERIM BUDGET 2019

The Hon'ble Finance Minister presented the India Interim Budget 2019 on 1 February 2019. Being the interim budget, and with parliamentary elections due in April-May 2019, no legislative measures for change in tax structure is proposed at present. However, on the administrative front, a number of initiatives have been taken to improve compliance, augment revenue collections and streamline tax payer services.

The object of this interim budget is to continue the existing rates of income-tax for the financial year 2019-2020 and to provide certain relief to taxpayers and to make amendments in certain enactments, which are discussed in subsequent slides.

The said proposals will be effective after the Finance Bill, 2019 receives the assent of the Hon'ble President of India.

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DIRECT TAXES

RATES OF INCOME-TAX

Corporate Tax –

- No change in rates - Corporate tax, MAT and DDT.
- No change in Surcharge and Health & Education Cess.

Personal Tax –

- No change in slab rates and deduction under section 80C. Section 87A proposed to be amended to provide relief to the resident individual taxpayers by increasing the amount of tax rebate to Rs. 12,500 from existing Rs. 2,500. The tax rebate shall now be admissible to taxpayers having total taxable income up to Rs. 5,00,000, instead of existing Rs. 3,50,000.
- Standard deduction for salaried employees increased to Rs. 50,000 from Rs. 40,000.

The proposed incidence of income-tax for FY 2019-20 vis-à-vis FY 2018-19 on resident individuals (other than senior citizens and very senior citizens), having different income levels is exemplified as follows:

Net Taxable Income (Rs.)	Tax Liability (Rs.)	
	FY 2019-20	FY 2018-19
3,50,000	-	2,600
4,00,000	-	7,800
5,00,000	-	13,000
8,00,000	75,400	75,400
10,00,000	1,17,000	1,17,000
25,00,000	5,85,000	5,85,000
50,00,000	13,65,000	13,65,000
75,00,000	23,59,500	23,59,500
1,00,00,000	32,17,500	32,17,500
1,50,00,000	51,57,750	51,57,750

OTHER DIRECT TAX PROPOSALS

House property income and Affordable Housing Sector –

- It is proposed to amend section 23 to provide relief to the taxpayer by allowing an option to claim nil annual value in respect of any 2 houses being declared as self-occupied property instead of 1 such house. However, interest deduction under section 24 shall not exceed the existing limit of Rs. 2,00,000 for both houses put-together.
- It is further proposed to amend section 23 to provide that notional rent in respect of unsold inventory (in the form of building or land appurtenant thereto) shall not be charged to tax up to 2 years, instead of existing 1 year. The said period shall be reckoned from the end of the financial year in which the certificate of completion is obtained from the competent authority.
- It is proposed to amend section 54 to provide relief to an individual & HUF having capital gains up to Rs. 2,00,00,000 arising from transfer of a residential house, by allowing the tax

payers a one- time opportunity at his option to utilize the said amount for purchase or construction of 2 residential houses instead of 1 residential house.

- In order to augment the supply of affordable houses, it is proposed to amend section 80-IBA by extending the time limit by 1 year to claim the tax holiday benefits i.e. the housing projects approved before 31 March 2020 shall be eligible for availing the said deduction.

TDS –

- It is proposed to amend section 194A to ease the burden of compliance by increasing the annual threshold limit to Rs. 40,000 from Rs. 10,000 for deduction of tax at source on interest income paid by a banking company, co-operative society or a post office.
- It is proposed to amend section 194-I to increase the annual threshold limit for deduction of tax at source on rental income from Rs. 1,80,000 to Rs. 2,40,000.

GST – RECENT PROPOSALS APPROVED BY GST COUNCIL – REITERATED IN INTERIM BUDGET

The GST proposals approved by the GST Council on 10 January 2019 (Relevant notifications are awaited):

GST Registration

- Basic exemption limit for suppliers of goods, being increased from Rs 20 lakhs to Rs 40 lakhs with effect from 1 April 2019. The limit for suppliers of services remain the same at Rs 20 lakhs.
- Separate registration can be obtained for different places of business within the same State, even in case of single vertical of business.

New Composition Scheme for Services Providers

- In a major relief to MSME sector and small suppliers, supplier of services having annual turnover upto Rs. 50 lakhs during FY 2017-18, can join this New Composition Scheme.
- The GST rate is proposed at 6% (3% CGST +3% SGST) from the

existing 18% GST, GST Payment to be made on a Quarterly basis and only 1 GST Return to be filed annually.

Increase in Limit of the Existing Composition scheme:

- The limit of Composition scheme for suppliers of goods increased from Rs. 1 crore to Rs 1.5 crore per annum with effect from 1 April 2019.
- Tax to be paid Quarterly and GST Returns to be filed annually.

Consensus received for charging Calamity Cess in Kerala

- Kerala has been given an approval to charge Disaster/calamity cess of up to 1% (applicable on GST rates of 12%, 18% and 24%) on all the intra-state supplies of goods and services within Kerala, for up to 2 years.



Reverse Charge Mechanism (RCM)

- No RCM under GST on Procurement from URP (Un-Registered Persons) [Notification 01/2019 – Central Tax (Rate), 01/2019 Integrated Tax (Rate) dated 29.01.2019].
- The GST Council to decide upon the class of registered persons who shall be liable to pay GST on RCM basis towards supply of goods/ services received from unregistered persons.

E-way Bill

- Linkage of E-way bill with GSTR- Returns have been introduced and presently the option of import consignment to be captured in the GSTR -1 returns have been started.
- Linkage of E-way bill for inter-state and intra-state transaction has been started on a pilot basis and with this facility, taxpayer will not be required to enter data in his Form GSTR-1 for all invoices for which he has generated an e-way bill. This will avoid

double data entry by taxpayers. This facility will help taxpayers to fill up their Form GSTR-1 in less time. This will also avoid any data entry mistakes made while filling details.

- There being a huge gap of transaction between the GSTR -1 for Goods and E-way bills generated, the Government has started to measure and check high value transaction of E-way bills generated for inter-state and intra-state transactions.

OTHER ASPECTS

Stamp Duty - It is proposed to amend levy of stamp duty on securities and debentures as follows:

Type of Instrument	Existing Provision	Proposed Provision
In case of issue / transfer of Debentures	0.05% per year of the face value of the debenture, subject to a maximum of 0.25% or Rs. 25,00,000, whichever is lower	<ul style="list-style-type: none"> In case of issue of debenture - 0.005% In case of transfer and re-issue of debenture - 0.0001%
In case of issue / transfer of any other Security	<p>Stamp duty on issue of shares was earlier charged by States through State Stamp Duty Acts;</p> <p>Stamp duty @0.25% was levied on transfer of shares in physical form;</p> <p>No provision for derivatives / other securities under the existing Indian Stamp Act, 1899</p>	<ul style="list-style-type: none"> Issue of security other than debenture - 0.005% Transfer of security other than debenture on delivery basis - 0.015% Transfer of security other than debenture on non-delivery basis - 0.003% Derivatives– <ul style="list-style-type: none"> (i) Futures (equity and commodity) - 0.002% (ii) Options (equity and commodity) - 0.003% (iii) Currency and interest rate derivatives - 0.0001% (iv) Other derivatives - 0.002% Government securities - 0% Repo on corporate bonds - 0.00001%”



OTHER ASPECTS

- “Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)” launched to provide direct income support of Rs. 6,000 p.a. to farmer families with cultivable land of up to 2 hectares with annual outlay of Rs. 75,000 crore.
- Government proposes to launch a mega pension yojana namely 'Pradhan Mantri Shram-Yogi Maandhan' for the unorganised sector workers with monthly income upto Rs. 15,000. This pension yojana shall provide them an assured monthly pension of Rs. 3,000 from the age of 60 years on a monthly contribution of a small affordable amount during their working age. An unorganised sector worker joining pension yojana at the age of 29 years will have to contribute only Rs. 100 per month till the age of 60 years. A worker joining the pension yojana at 18 years, will have to contribute as little as Rs. 55 per month only. The Government will deposit equal matching share in the pension account of the worker every month. It is expected that at least 10 crore labourers and workers in the unorganised sector will avail the benefit of 'Pradhan Mantri Shram-Yogi Maandhan' within the next five years, making it one of the largest pension schemes in the world.
- Government has undertaken many effective steps to strengthen the MSME sector which provides employment to crores of people. Recently, a scheme of sanctioning loans upto Rs. 1 crore in 59 minutes has been launched. GST-registered SME units will get 2% interest rebate on incremental loan of Rs. 1 Crore. The requirement of sourcing from SMEs by Government enterprises has been increased to 25%. Of this, material to the extent of at least 3% will be sourced from women owned SMEs.



VISION FOR NEXT DECADE

India is poised to become a US\$ 5 trillion economy in the next 5 years and aspires to become a US\$ 10 trillion economy in the next 8 years thereafter. The Government has laid down 10 dimensions to make India a modern, technology driven, high growth, equitable and transparent society:

1. Build physical as well as social infrastructure and to provide ease of living.
2. Create a digital India reaching every sector of the economy, every corner of the country and impacting the life of all Indians.
3. Making India a pollution free nation with green Mother Earth and blue skies.
4. Expanding rural industrialisation using modern digital technologies to generate massive employment.
5. Clean rivers, with safe drinking water to all Indians, sustaining and nourishing life and efficient use of water in irrigation using micro-irrigation techniques.
6. Develop and grow India's coastline and ocean waters powering India's development and growth.
7. Aiming at the outer skies, develop space programmes.
8. Make India self-sufficient in food, exporting to the world to meet their food needs and producing food in the most organic way.
9. Aim at healthy society with an environment of health assurance and the support of necessary health infrastructure.
10. Transform India into a Minimum Government Maximum Governance nation with support of Team India.

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This publication is general in nature. In this publication, we have endeavoured to highlight certain significant aspects of the Union Budget 2019, presented by the Honourable Finance Minister of India, Shri Piyush Goyal on 1 February 2019. The effective dates of budget proposals would vary. It may be noted that nothing contained in this publication should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the topics covered in this publication. Appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this publication.

1 February 2019

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