

# INDIA BUDGET 2019

## Key Aspects in a Nutshell



Key Highlights of  
India Budget 2019



# Introduction to Budget 2019

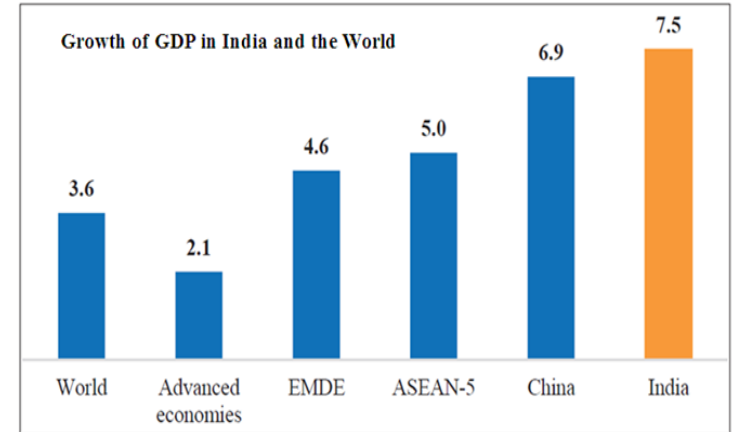
## MACRO ECONOMIC ANALYSIS – ECONOMIC SURVEY 2018-19

Hon'ble Finance Minister Mrs. Nirmala Sitharaman tabled Economic Survey 2018-19 in parliament on 4 July 2019. The key highlights of the Economic Survey 2018-19 are:

### GDP GROWTH

- India became the 6<sup>th</sup> largest economy (3<sup>rd</sup> largest based on PPP) by sustaining growth rates higher than China, thereby earning the epaulette of being the fastest growing major economy in the world.
- GDP growth declined to 6.8% as compared to 7.2% during last year. The GDP growth rate is averaged at 7.5% in the last five years. India would need to grow at 8% annually to become a US\$ 5-trillion economy by FY 2024-25.

Growth of GDP in India and the World



# Introduction to Budget 2019

## MACRO ECONOMIC ANALYSIS – ECONOMIC SURVEY 2018-19

### INFLATION

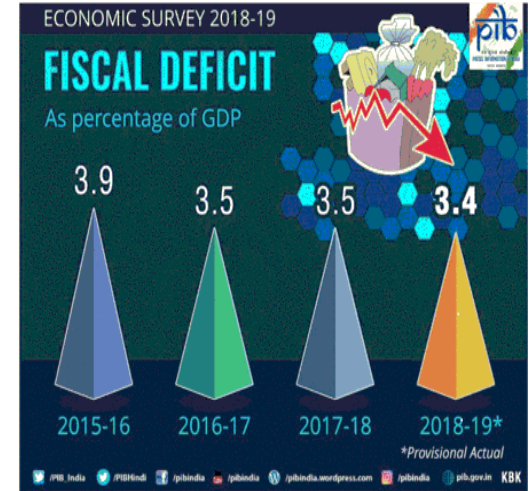
- Headline inflation based on CPI-C continuing on its declining trend for fifth straight FY remained below 4% in the last two years.
- Food inflation based on Consumer Food Price Index (CFPI) also continuing on its declining trend for fifth financial year has remained below 2% for the last two consecutive years.

### FISCAL DEVELOPMENTS

- FY 2018-19 ended with fiscal deficit at 3.4% of GDP and debt to GDP ratio of 44.5%.
- The revised fiscal glide path envisages achieving fiscal deficit of 3% of GDP by FY 2020-21 and Central Government debt to 40% of GDP by FY 2024-25.

### SERVICE SECTOR

- The services sector accounts for 54% of India's Gross Value Added (GVA). Its growth rate moderated to 7.5% in FY 2018-19 from 8.1% in FY 2017-18.

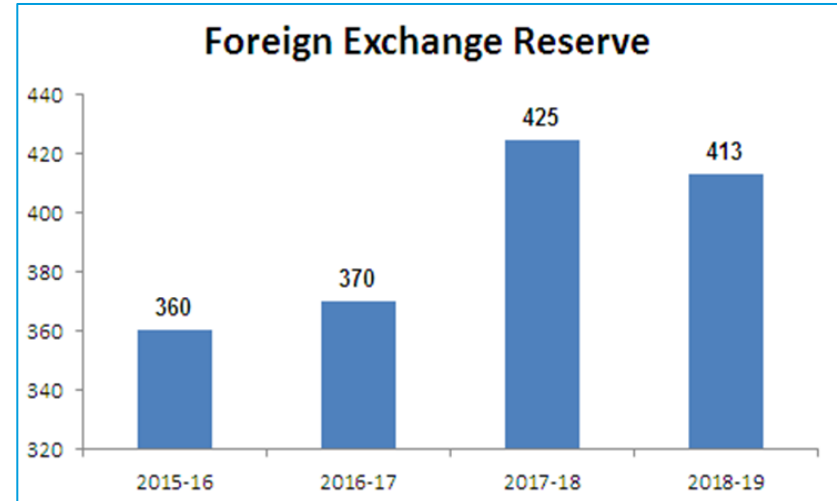


# Introduction to Budget 2019

## MACRO ECONOMIC ANALYSIS – ECONOMIC SURVEY 2018-19

### EXTERNAL SECTOR

- On India's External Sector, the Economic Survey states that it continues to be stable. Although the Current Account Deficit increased to 2.1% of GDP in FY 2018-19, up from 1.8% in FY 2017-18, it is within manageable levels. The widening of the CAD has been driven by deterioration in the trade deficit from 6% of GDP in FY 2017-18 to 6.7% in FY 2018-19.
- Within the major economies running current account deficit, India is among the largest foreign exchange reserve holder and sixth largest among all countries of the world. India's foreign exchange reserves comfortably placed at US\$ 422.2 billion in June 2019.



# Introduction to Budget 2019

In the backdrop of the economic survey, the Hon'ble Finance Minister Mrs. Nirmala Sitharaman presented the first full budget of the NDA Government 2.0 on 5 July 2019. The Indian economy is now the sixth largest in the world and will grow to become US\$ 3 trillion economy in the FY 2019-20. In Purchasing Power Parity terms, the Indian economy is the third largest economy, next to China and USA.

The direct tax collection grew from Rs. 6.38 lakh crore in FY 2013-14 to around Rs. 11.37 lakh crore in FY 2018-19 registering a growth of 78%.

The tax proposals for amendments under Finance (No. 2) Bill, 2019 are organized under the following heads:

1. Rates of income-tax
2. Measures for promoting less cash economy
3. Tax incentives
4. Widening and deepening of tax base
5. Facilitating resolution of distressed companies
6. Improving effectiveness of tax administration
7. Strengthening anti-abuse measures
8. Removing difficulties faced by the taxpayers
9. Rationalisation of provisions

**The said proposals will be effective after the Finance (No. 2) Bill, 2019 receives the assent of the Hon'ble President of India.**



# Direct Tax Proposals

## RATES OF INCOME-TAX

- **Personal Tax** - No change in slab rates and deduction under section 80C. Tax rebate of Rs. 12,500 and standard deduction of Rs. 50,000 for salaried individuals provided in Interim Budget in February 2019 to be continued.
- **Super Rich Tax** - Change in surcharge for individuals, HUF, AOP, BOI and artificial juridical person –
  - 25% surcharge as against 15% in case of person having total income exceeding Rs. 2 Crore but not exceeding Rs. 5 Crore resulting in tax rate of 39%.
  - 37% surcharge as against 15% in case of person having total income exceeding Rs. 5 Crore resulting in tax rate of 42.744%.
- **Corporate Tax** – Tax rates for the companies having total turnover or gross receipts up to Rs. 400 Crores in FY 2017-18 reduced to 25%. Tax rates for other companies / LLPs / Firms / other entities remain unchanged. No change in surcharge.
- No change in health and education cess which is currently levied at the rate of 4%.
- MAT and DDT rates unchanged.

### Super Rich Taxed Royalty

Tax Rate Break-up	Income Range			
	upto 1 cr	Above 1 crs upto 2 crs	Above Rs. 2 crs upto Rs. 5 crs	Above Rs. 5 crs
New Tax Rate	34.32	35.88	39	42.744
Earlier tax rate	34.32	35.88	35.88	35.88
Effective increase (%)	0	0	3.12	6.864

# Direct Tax Proposals

## MEASURES FOR PROMOTING LESS CASH ECONOMY

- **Mandating acceptance of payments through prescribed electronic modes** - Insertion of section 269SU in the Act to provide that every person, carrying on business, shall, provide facility for accepting payment through the prescribed electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, if his total sales, turnover or gross receipts in business exceeds Rs. 50 crore during the immediately preceding previous year.

Consequential amendment in the Payment and Settlement Systems Act, 2007 to provide that no bank or system provider shall impose any charges upon anyone, either directly or indirectly, for using the modes of electronic payment prescribed under section 269SU of the Income-tax Act.

Amendment to take effect from 1 November 2019.

- **TDS on cash withdrawal to discourage cash transactions** - Insertion of section 194N in the Act to provide for levy of TDS at the rate of 2% (w.e.f 1 September 2019) on cash payments in excess of Rs. 1 crore in aggregate made during the year, by a banking company or cooperative bank or post office, to any person from an account maintained by the recipient.
- **Prescription of electronic mode of payments** - Amendment in certain sections of the Act to include such other electronic mode as may be prescribed, in addition to the already existing permissible modes of payment in the form of an account payee cheque or an account payee bank draft or the electronic clearing system through a bank account.

# Direct Tax Proposals

## TAX INCENTIVES

- **Tax incentive for interest on electric vehicles loan-** Insertion of section 80EEB in the Act to provide for a deduction in respect of interest on loan taken for purchase of an electric vehicle from any financial institution up to Rs. 1,50,000 subject to certain conditions.
- **Tax incentive on interest for affordable housing loan -** Insertion of section 80EEA in the Act to provide a deduction in respect of interest up to Rs. 1,50,000 on loan taken for residential house property from any financial institution subject to certain conditions.
- **Realignment of definition of affordable housing -** Amendment of section 80-IBA of the Act to modify certain conditions regarding the housing project approved on or after 1 September 2019 for alignment with the GST Act.
- **Incentives for start-ups -** The eligible start-up shall be allowed to carry forward the business loss even if all the shareholders do not continue to hold the shares on the last day of the financial year as long as 51% of the shares carrying voting power are continued to be held by persons who beneficially held such shares on the last day of the year or years in which the loss was incurred.
- **Extension of sunset clause for investment in start-ups -** For the purpose of claiming exemption under section 54GB of the Act, the sun-set date for transfer of residential property for investment in eligible start-ups has been extended from 31 March 2019 to 31 March 2021 along with relaxation of certain other conditions.
- **Incentives to Non-Banking Finance Companies (NBFCs) and amendment in section 43B -** Inclusion of deposit-taking NBFCs and systemically important non deposit-taking NBFCs within the scope of section 43D of the Act which provides for taxation of interest income on certain bad and doubtful debts on receipt basis. Consequentially, deduction of such interest to be allowed only on payment basis under section 43B of the Act.





# Direct Tax Proposals

## TAX INCENTIVES

- **Mega Investment in Sunrise and Advanced Technology Areas** – A scheme to be launched to invite global companies to set up mega-manufacturing plants in sunrise and advanced technology areas such as Semi-conductor Fabrication (FAB), Solar Photo Voltaic cells, Lithium storage batteries, Solar electric charging infrastructure, Computer Servers, Laptops, etc. and provide them investment linked income tax exemptions under section 35AD of the Act and other indirect tax benefits.
- **Incentives for Category II Alternative Investment Fund (AIF)** - The exemption under section 56(2)(viib) relating to excess amount received over fair market value of the shares extended to Category-II AIFs.
- **Incentives to National Pension System (NPS) subscribers** - Amendment in section 10 of the Act exempting payment from the NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme by increasing the limit from 40%. to 60% of the total amount payable.



# Direct Tax Proposals

## TAX INCENTIVES

### • Incentives to International Financial Services Centre (IFSC) -

- Amendment in section 47 of the Act to provide that any transfer of a capital asset, by AIF, of which all the unit holders are non-resident, are not regarded as transfer subject to fulfillment of specified conditions.
- Amendment in section 10 of the Act to provide that any income by way of interest payable to a non-resident by a unit located in IFSC in respect of monies borrowed by it on or after 1 September 2019, shall be exempt.
- Amendment in section 115-O of the Act to provide that any dividend paid out of accumulated income derived from operations in IFSC, after 1 April 2017 shall not be liable for tax on distributed profits.
- Amendment in section 115R of the Act to provide that no additional income-tax shall be chargeable in respect of any amount of income distributed, on or after the 1 September 2019, by a Mutual Fund of which all the unit holders are non-

residents and which fulfills certain other specified conditions.

- Amendment in section 80LA of the Act to provide that the deduction shall be increased to 100% for any ten consecutive years out of fifteen years beginning with the year in which the necessary permission was obtained.
- Amendment in section 115A of the Act to provide that the conditions contained in sub-section (4) of section 115A (which relates to prohibition of any deduction under chapter VIA of the Act) shall not apply to a unit of an IFSC.



# Direct Tax Proposals

## WIDENING AND DEEPENING OF TAX BASE

- **Deemed accrual of gift made to a person outside India** - The scope of section 9 of the Act which relates to income deemed to be accrued or arise in India to be widened to include income arising from sum of money paid or transfer of any property situated in India for inadequate consideration as referred to in section 56(2)(x) of the Act by a resident to a non-resident.
- **Widening the scope of Statement of Financial Transactions (SFT)** - In order to enable pre-filling of return of income, widening the scope of furnishing of statement of financial transactions ('SFT'):
  - Mandating certain prescribed persons other than those currently furnishing SFT
  - Removing current threshold of Rs. 50,000 on aggregate value of transactions for furnishing of SFT
- **Inter-changeability of PAN & Aadhaar** - To ensure ease of compliance, Providing for inter-changeability of PAN with Aadhaar number -
  - Person who has not been allotted a PAN and possesses the Aadhaar number, may furnish his Aadhaar number in lieu of PAN wherever required under the Act
  - Person who has been allotted a PAN and who has linked his Aadhaar number with PAN may furnish his Aadhaar number in lieu of PAN.
  - Person who has been allotted a PAN shall be deemed to be invalid if not linked with Aadhaar number.



# Direct Tax Proposals

## WIDENING AND DEEPENING OF TAX BASE

- **Mandatory furnishing of return of income by certain persons** - Amendment in section 139 of the Act to provide mandatory filing of returns by the persons entering into specified transactions such as:
  - Amount deposited exceeding Rs. 1 Crore in one or more current account with a banking company or a co-operative bank
  - Expenditure incurred exceeding Rs. 2 lakhs for himself or any other person for travel abroad
  - Expenditure incurred exceeding Rs. 1 lakh towards consumption of electricity
  - Claiming roll-over exemption under the capital gains against investment in house or bond or other assets
- **Tax Deduction at Source (TDS) on payment by Individual/HUF to contractors and professionals** - Insertion of section 194M in the Act to provide for levy of TDS at the rate of 5% (w.e.f .1 September 2019) where sum or the aggregate of sums paid or credited in a year on account of contractual work or professional fees exceeds Rs. 50 lakhs per year by an individual or an HUF (who is not required to deduct tax under section 194C or section 194J of the Act). Such individuals or HUFs shall be able to deposit the TDS by using their PAN.
- **TDS at the time of purchase of immovable property** - Widening the definition of consideration for the purpose of deduction of tax at 1% on purchase of immovable property under section 194-IA of the Act to 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. The amendment would be effective from 1 September 2019.



# Direct Tax Proposals

## FACILITATING RESOLUTION OF DISTRESSED COMPANIES

- **Measures for resolution of distressed companies** - The existing provisions of section 79 of the Act are not applicable to a company where any change in shareholding takes place in a previous year pursuant to a resolution plan approved under the Insolvency and Bankruptcy Code, 2016 (IBC). The provisions are now extended to cover the subsidiary and step down subsidiary of the aforementioned company. Consequent amendments for allowance of aggregate of loss and unabsorbed depreciation to such companies proposed under section 115JB of the Act.
- **Prescription of exemption from deeming of fair market value of shares for certain transactions** - Amendment in section 56(2)(x) and section 50CA to empower the Board to prescribe transactions undertaken by certain class of persons to which fair market value as per the prescribed rules shall not be deemed to be the consideration for the purpose of taxability under the said sections.

## IMPROVING EFFECTIVENESS OF TAX ADMINISTRATION

- **Online filing of application seeking determination of TDS on payment to non-residents** - Introduction of online filing of application seeking determination of tax to be deducted at source on payment to non-residents under section 195(2) and section 195(7) of the Act.
- **Faceless E-assessment** - A scheme of faceless assessment in electronic mode involving no human interface is being launched this year in a phased manner. 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.



# Direct Tax Proposals

## STRENGTHENING ANTI-ABUSE MEASURES

- **Tax on income distributed to shareholder in case of listed companies** - The buy-back tax at the rate of 23.296% under section 115QA of the Act extended to listed companies with effect from 5 July 2019. Consequential exemption provided to shareholders under section 10(34A) of the Act where tax has been paid by the company.

## REMOVING DIFFICULTIES FACED BY TAX PAYERS

- **Facilitating demerger of Ind-AS compliant companies –** Amendment in section 2 of the Act (relating to tax neutral demergers) to provide that the requirement of recording property and liabilities at book value by the resulting company shall not be applicable in a case where the property and liabilities of the undertakings received by it are recorded at a value different from the value appearing in the books of account of the demerged company immediately before the demerger in compliance to the Ind-AS.
- **Relaxing the provisions of sections 201 and 40 of the Act in case of payments to non-residents** - The benefit under section 201 of the Act for not treating the payer as assessee in default for non-deduction of tax if the payee has paid tax, filed his return of income and furnished an accountant's certificate extended to payments made to non-residents. Consequential amendments proposed in section 201(1A) and section 40 of the Act.



# Direct Tax Proposals

## REMOVING DIFFICULTIES FACED BY TAX PAYERS

- **Clarification in respect of modified return of income in case of Advance Pricing Agreement (APA)** - Amendment in section 92CD of the Act to clarify where assessment or reassessment has already been completed and modified return of income has been filed, the AO shall pass an order modifying the total income of the relevant assessment year determined in such assessment or reassessment, in accordance with APA.
- **Amendment in provisions of secondary adjustment** – The excess money may be remitted by any non-resident AEs. Further, for effective implementation of secondary adjustments regime, at the option of the taxpayer, an additional tax at the rate of 20.16% may be paid on the excess money not repatriated in addition to the interest to be calculated on such excess money till the payment of such additional Income-tax.
- **Provide for pass through of losses in cases of Category I & Category II AIF**- The benefit of pass through of income (other than profit & gains from business) earned by the Category I and II AIF to unit holders extended to losses (other than business loss).

## RATIONALISATION OF PROVISIONS

- Threshold of tax payable increased from Rs. 3,000 to Rs. 10,000 for initiation of prosecution proceedings on non-filing of return of income.
- **Rationalisation of provisions relating to maintenance, keeping and furnishing of information and documents by certain Persons** - Amendment in section 92D of the Act to provide that the information and document to be kept and maintained by a constituent entity of an international group, and filing of required form, shall be applicable even when there is no international transaction undertaken by such constituent entity.
- **Rationalisation of penalty provisions relating to under-reported income** - Section 270A of the Act to be amended 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 of the Act.



# Indirect Tax Proposals

## CGST AMENDMENTS

- GST rate on Electrical Vehicles to be reduced from 12 % to 5%. India to be a Global Hub for Manufacturing of Electrical Vehicles. (Notification yet to be published)
- Proposed Single Monthly return for tax payers having annual turnover below Rs. 5 crores. The same is currently available for trial and shall be applicable from October 2019 (Notification yet to be published)
- Free accounting Software to be provided to Small Businesses for enabling GST Return Filing.
- For Large Tax Payers, Electronic Tax Invoices to be generated on GST portal thus, eliminating the need for a separate E-way bill, to be rolled out from Jan 2020 in a phased manner.
- Fully Automated GST Refund mechanism to be developed. Section 54 of the CGST Act has been amended to enable Refund processing by a single authority.
- Section 10 of the CGST Act has been amended to bring in an alternative composition scheme for supplier of services or mixed suppliers (not eligible for the earlier composition scheme) having an annual turnover in preceding financial year upto Rs 50 lakhs, with GST rate @ 6 % (CGST 3 % + SGST 3%)
- The Government may, at the request of a State and on the recommendations of the Council, enhance the aggregate turnover limit from Rs. 20 lakhs to such amount not exceeding Rs. 40 lakhs in case of supplier who is engaged in exclusive supply of goods.
- Section 25 of the CGST Act has been amended to make Aadhaar authentication mandatory for specified class of current and new taxpayers and to prescribe the manner in which certain class of registered taxpayers are required to undergo Aadhaar authentication. In absence of an Aadhaar Number alternative and viable means of identification to be provided.





# Indirect Tax Proposals

## CGST AMENDMENTS

- Section 49 of the CGST Act has been amended to provide a facility to the registered person to transfer an amount from one (major or minor) head to another (major or minor) head in the electronic cash ledger, subject to certain conditions and restrictions as maybe prescribed.
- Section 50 of the CGST Act has been amended so as to provide for charging interest only on the net cash tax liability, except in those cases where returns are filed subsequent to initiation of any proceedings under section 73 or 74 (Sections to issue show cause notice, in case of short payment of tax) of the CGST Act.
- NAA for Advance Ruling : New sections 101A, 101B and 101C are being inserted in the CGST Act for constitution and operation of National Appellate Authority for Advance Ruling, which shall replace (State) Appellate Authority for Advance Ruling.

- Section 171 of the CGST Act has been being amended so as to empower the National Anti Profiteering Authority (under sub-section (2) of section 171 of the Act) to impose penalty equivalent to 10% of the profiteered amount, in case when the profiteered amount has not been deposited within 30 days of the passing of Order.

## IGST AMENDMENTS

- A new section 17A is being inserted in the IGST Act so as to bring into the Act, provisions for transfer of amount between Centre and States consequential to amendment in section 49 of the CGST Act allowing transfer of an amount from one head to another head in the electronic Cash ledger of the registered person.



# Indirect Tax Proposals

## SABKA VISHWAS (LEGACY DISPUTE RESOLUTION) SCHEME, 2019

- Pending Litigation from Pre-GST regime i.e. under Excise and Service tax is more than 3.75 Lakh Crores.
- A dispute resolution cum amnesty scheme called “Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019” is being introduced for resolution and settlement of legacy cases of Central Excise and Service Tax.
- The proposed ‘Scheme’ covers past disputes of taxes which have got subsumed in GST namely Central Excise, Service Tax and Cesses. All persons are eligible to avail the scheme except a few exclusions including as those convicted under the act in the case for which he intends to make declaration and those who have filed an application before the Settlement Commission.
- The relief under the scheme varies from 40 % to 70 % of the tax dues for cases other than voluntary disclosure cases, depending on the amount of tax dues involved.
- A declaration u/s 124 shall be made in an electronic form as may be prescribed, the correctness of which shall be verified by designated officer.
- The scheme also provides relief from payment of interest and penalty. For voluntary disclosures, the relief is regarding waiver of interest and penalty on payment of full tax dues disclosed.
- The person discharged under the scheme shall also not be liable for prosecution.
- The ‘Scheme’ provides for method of payment of tax dues, arrears and restrictions regarding the manner of payment etc.
- The ‘Scheme’ shall become available from a date to be notified.
- The procedural details and rules regarding the ‘Scheme’ shall be notified in due course.



# Indirect Tax Proposals

## SERVICE TAX - RETROSPECTIVE EXEMPTIONS

- Services provided by the State Government by way of grant of liquor licence, are proposed to be exempted from service tax for the period from 1st April, 2016 to 30th June, 2017.
- Consideration paid for long term lease of 30 years, or more in case of plots provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having 50% or more ownership of Central Government, State Government, Union Territory to the developers in any industrial or financial business area, is proposed to be exempted from Service Tax for the period from 1st October, 2013 to 30th June, 2017
- Services provided by the Indian Institutes of Management (IIM), as per the guidelines of the Central Government, to their students, by way of prescribed educational programmes, except Executive Development Programme, are proposed to be exempted from service tax for the period from 1st July, 2003 to 31st March, 2016.

## CENTRAL EXCISE - AMENDMENTS

- **Petrol and Diesel:** Increase in Special Additional Excise duty and Road and Infrastructure Cess each by 1 rupee a Litre on petrol and diesel.
- **Tobacco Products:** A nominal basic excise duty is being proposed to be imposed on Tobacco products ( Cigarettes , hookah, etc, and Crude Petroleum oil products produced in specified oil fields )



# Indirect Tax Proposals

## CHANGES IN CUSTOMS DUTY RATE :

- **Make in India** : Reduction in Custom Duty on various inputs and raw material to reduce cost of manufacturing, Promote Electrical mobility, promote Defence sector.
- Various changes in customs duty to provide level playing field to domestic industry.
- Changes in custom duty to address the problem of duty inversion in certain sectors.
- Reduction in custom duty to promote renewable energy.
- Export promotion for sports goods.
- Increase in road and infrastructure cess -motor spirit commonly known as petrol, high speed diesel oil.
- Duty Rationalization on Petroleum Crude, Electronic Goods , Capital Goods for manufacturing of specified electronic items.
- Custom duty on Gold, Silver, Platinum, and other base metals have been increased.

## MAJOR AMENDMENTS IN CUSTOMS ACT. 1962:

- Allowing furnishing of departure manifest by a person notified by the Central Government.
- Introducing provisions for verification of Aadhaar or any other identity and other compliance by a person for protecting the interests of revenue or to prevent smuggling.
- Provision to enable the proper officer to scan or screen, with the prior approval, any person who has any goods liable to confiscation secreted inside his body and to enable the magistrate to take action upon the report of scanning by the proper officer.
- Empowering proper officer of customs to arrest a person who has committed an offence outside India or Indian Customs waters and to make certain offences as cognizable and non-bailable.
- Empowering the proper officer to provisionally attach any bank account for safeguarding the government revenue and prevention of smuggling.
- Providing powers to release bank account provisionally attached under section 110 on fulfilment of certain conditions.



# Indirect Tax Proposals

## MAJOR AMENDMENTS IN CUSTOMS ACT, 1962:

- Providing for penalty on any person who has obtained any instrument ( Duty benefits) by fraud, collusion , wilful misstatement or suppression of facts which is utilised for payment of duty.
- Providing for making the offence punishable if the instrument obtained by fraud, collusion, wilful misstatement or suppression of facts, is used for making payment of duty exceeding 50 lakh rupees.
- Enhancing maximum penalty to :
  - Rs 4 lakh for violation of provisions of the Act;
  - Rs 2 lakh for violation of Rules or Regulation.

## REDUCING LITIGATION:

In respect of cases covered under deemed closure Proceedings under section 28, no fine in lieu of confiscation shall be imposed on the infringing goods.

## AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975

- Providing for anti-circumvention measure in respect of countervailing duty.
- Providing appeal provisions against determination of safeguard duties to allow appeal against determination of safeguard duty by designated authority with CESTAT.
- First Schedule to the Customs Tariff Act, 1975 is amended -
  - Create specific tariff lines for specific products, presently classified as “others”;
  - Rectify the errors to align it with HSN.
- Amendment in Chapter Notes to Chapter 98, so as to exclude Printed books imported for personal use from the purview of Chapter 98. Printed books imported for personal use will now attract applicable duty, i.e. BCD 5 %



# Other Aspects

## • Foreign Investment

The Hon'ble Finance Minister has announced several measures to attract foreign investment:

- The Government will examine suggestions of further opening up of FDI in aviation, media (animation, AVGC) and insurance sectors in consultation with all stakeholders.
- 100% Foreign Direct Investment (FDI) will be permitted for insurance intermediaries.
- Local sourcing norms will be eased for FDI in Single Brand Retail sector (at present 30% local sourcing should be from India).
- Increase the statutory limit for FPI investment in a company from 24% to sectoral foreign investment limit with option given to the concerned corporates to limit it to a lower threshold. FPIs will also be permitted to subscribe to listed debt securities issued by REITs and InvITs.
- Merge the NRI-Portfolio Investment Scheme Route (Schedule 2) with the Foreign Portfolio Investment Route (Schedule 3).

- **MSMEs and Start-ups** - For ease of access to credit for MSMEs, Government has introduced providing of loans up to Rs. 1 crore for within 59 minutes through a dedicated online portal.

Under the Interest Subvention Scheme for MSMEs, 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans, has been continued.

Further, it has been announced to create a payment platform for MSMEs to enable filing of bills and payment thereof on the platform itself which are payable by Government.

- **Multilateral Instruments** – India has deposited the Instrument of Ratification to OECD, Paris along with its Final Position in terms of Covered Tax Agreements (CTAs), Reservations, etc. under the Multilateral Instruments (MLIs).

Out of 93 CTAs notified by India, 22 countries have already ratified the MLIs as on date and the Double Taxation Avoidance Agreement (DTAA) with these countries will be modified by MLIs. For these countries, MLIs will enter into force for India on 1st October 2019 and its provisions will have effect on India's DTAAs from FY 2020-21 onwards.

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# Other Aspects

- **Rationalisation of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015** - The provisions of section 2 of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 amended to widen the scope of 'assessee' to include a person being a non-resident or not ordinarily resident in India under the Income-tax Act in the previous year, who was resident in India either in the previous year to which the income referred to in section 4 of the Income-tax Act relates, or in the previous year in which the undisclosed asset located outside India was acquired.
- **Rationalisation of provisions relating to STT** - As per the existing provisions section 99 of the Finance (No.2) Act, 2004, the value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be, the settlement price.

In order to rationalise the levy of STT where the option is exercised, it is proposed to amend the said section so as to provide that value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be the difference between the strike price and the settlement price.

This amendment will take effect from 1 September 2019.

- **Labour Law Reforms** - The Government is proposing to streamline multiple labour laws into a set of four labour codes.
- **Tenancy Law Reforms** - It is proposed that several reform measures would be taken up to promote rental housing. A Model Tenancy Law will also be finalized and circulated to the States.
- No mention of new direct tax code proposed to be roll out by the Government.

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Other Proposals



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Introduction



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Indirect Tax



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