BUDGET PANORAMA

FINAL BUDGET

12 JULY 2019

advith
CONSULTING

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Foreword

With an astounding victory, team Modi 2.0 was elected back to power. In this background, it was very well known that this will not be a populist budget, but it would be a development oriented one. True to such expectations, Mrs.Nirmala Sitharaman presented her maiden budget on 5th July, 2019. The budget speech was a little peculiar with not too many schemes and proposal being announced but was more of setting the tone for achieving the $5trillion economy. A lot of emphasis was given on medium to long term infrastructure and policy reforms, which will pave way for a robust India in the coming decade. The fiscal discipline was maintained, and the gliding path of Fiscal deficit was also kept intact.

The decision to rationalise FDI norms in insurance sector is a welcome step. Relaxation of sourcing norms for single brand retail is a step that would bring in some respite to large single brand retailers, though it could result into some dip in revenues for suppliers in India.

Coming to the Direct tax related proposals, the devil was in the detail and the key proposals were not spelt out in the Budget speech. The increase in surcharge which was intended for high income earning individuals has spooked the Foreign Portfolio Investors, as most of them are organised as AOPs to whom the increased surcharge would be applicable. There is excessive emphasis on incentivising digital form of transactions in money and discouraging cash, which is an extremely important and a welcome move. This should keep some check on the parallel economy, which still thrives in India. Proposals for e-based scrutiny is a step in the right direction but is way too cumbersome to implement and goes against the legal principles of personal hearing, which is a key part of principles of natural justice. This needs to be carefully and cautiously planned. In the current mechanism though, physical hearings are a breeding ground for corruption, that is not the only worry for the tax payer. The bigger worry in the current system of scrutiny is that the officers are not thoroughly trained to carry out scrutiny and are not sensitised with the new business practices. Further, the mindless revenue targets fixed for the tax officer to collect tax revenues encourages the tax officers to carry out high pitched and mindless assessments. It is imperative that these concerns be addressed first and the e-scrutiny should be implemented subsequently.

With the introduction of GST and subsuming of most of the Indirect taxes into GST, there is not too much scope for amendments to be made in Indirect tax laws in the Budget anymore. However, a few that have been done in the current Budget are far reaching. The SABKA VISHWAS (Legacy Dispute Resolution) Scheme 2019 announced to bring down the past litigation is a good step and should be whole heartedly welcomed both by the tax payers and the tax authorities alike. With a view to give impetus to Make in India, Import duty have been increased on some products. This could fuel inflation to some extent in the immediate future. It would have been better to create infrastructure to manufacture and then increase the Import duties to discourage import of those goods into India.

Overall, it is a growth-oriented budget with a futuristic message, which was not carved out clearly in the budget speech. The Hon'ble Finance Minister always has a very difficult job; to balance between the Supply side and the Demand side of the budget. With growing population and existence of disparity in the income levels, a large population of the country still expects Government to support them, putting a huge burden on Demand side. On the other hand, with increasing effective taxes for the super rich and no visible immediate benefits for the middle class, a natural dissatisfaction breed in them. However, with very high optimism on Modi 2.0 such dissatisfaction for the time being is largely being ignored, with a hope of a 'New India'.

Krishna Upadhya S – **Lead, Direct Tax Team**

Macro-Economic Scenario

Indicators impacting the Macro Economic conditions

The Macro Economic Framework Statement, issued under Fiscal Responsibility and Budget Management Act, 2003 by the government, contains an evaluation of the growth prospects of the economy, the underlying assumptions, expected GDP Growth Rate, Fiscal balance of the Central Government and the external sector balance of the economy.

India is all set to become USD 5 trillion economy by spurring growth through spending in infrastructure, lowering corporae tax rate and many other implentations and amendments.

Economy in a nutshell

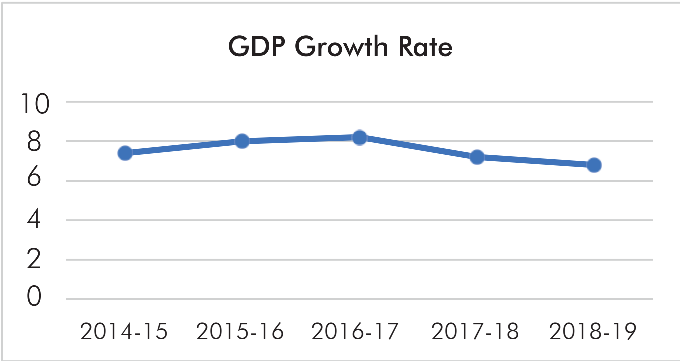
Indian economy remained the fastest growing major economy along with macroeconomic stability with a growth in GDP by 40 basis points.

According to the World Bank's Ease of Doing Business 2019 Report, India's ranking improved by 23 positions to 77th rank in 2018.

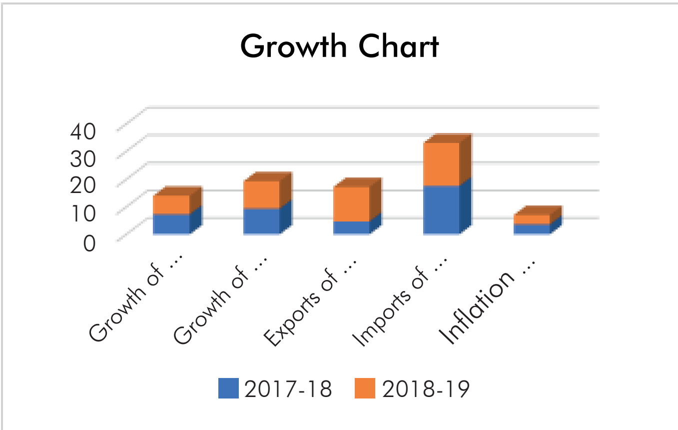
Economic Growth Indicators

- The real growth of the economy was 6.8% in 2018-19, as compared to 7.2% in 2017-18.
- The fiscal deficit target for 2017-18 was budgeted at 3.2% of GDP, but there was a bump of 0.3% and the Fiscal Deficit was 3.5% of GDP.
- Fiscal deficit and revenue deficit were budgeted at higher level in 2018-19 i.e. INR 6,24,276 crore (3.3% of GDP) and INR 4,16,034 crore (2.2 % of GDP) respectively. As per the Provisional Actuals (PA), Fiscal deficit was 3.4% of GDP and revenue deficit was 2.3% of GDP in 2018-19.
- Fiscal deficit and revenue deficit are at 103% and 107% of the Budget Estimates (BE) respectively.
- Current Account Deficit increased from 1.9% of GDP to 2.4% in April-December 2018-19.
- The growth of gross value added (GVA) at constant (2011-12) basic prices was 6.6% in 2018-19, as compared to the growth of 6.9% achieved in 2017-18.
- The growth in agriculture, industry and services was 2.9%, 6.9% and 7.5% respectively in 2018-19, as compared to 5.0%, 5.9% and 8.1% respectively in 2017-18.
- The growth of fixed investment at constant prices increased from 9.3% in 2017-18 to 10.0% in 2018-19.
- Exports and imports of goods and services grew at 12.5% and 15.4% (at constant prices) respectively in 2018-19, as compared to 4.7% and 17.6% respectively in 2017-18.
- Inflation based on Consumer Price Index (Combined) declined to 3.4% in 2018-19 from 3.6% in 2017-18.
- The average inflation measured in terms of Wholesale Price Index (WPI) stood at 4.3% in 2018-19, as compared to 3.0% in 2017-18.

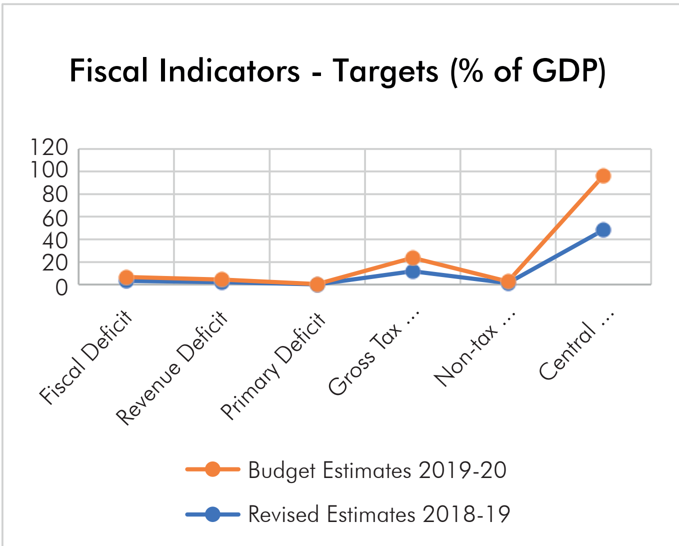
Years	GDP Growth Rate
2014-15	7.4 %
2015-16	8.0 %
2016-17	8.2 %
2017-18	7.2 %
2018-19	6.8 %



	2017-18	2018-19
Growth of Economy	7.2 %	6.8 %
Growth of Fixed Investment	9.3 %	10.0 %
Exports of Goods and Services	4.7 %	12.5 %
Imports of Goods and Services	17.6 %	15.4 %
Inflation based CPI	3.6 %	3.4 %



	Revised Estimates 2018-19	Budget Estimates 2019-20
Fiscal Deficit	3.4 %	3.3 %
Revenue Deficit	2.2 %	2.3 %
Primary Deficit	0.2 %	0.2 %
Gross Tax Revenue	11.9 %	11.7 %
Non-tax Revenue	1.3 %	1.5 %
Central Government Debt	48.4 %	48.0 %



Economic Policies and Proposals

- Taking connectivity infrastructure to the next level, a successful model in ensuring power connectivity is built – **One Nation, One Grid** – that has ensured power availability to states at affordable rates. It is proposed to make blueprint for developing gas grids, water grids, i-ways, and regional airports.
- It is proposed to use public-private partnership to unleash faster development and completion of infrastructural projects.
- Under the **Pradhan Mantri Karam Yogi Maandhan Scheme**, it is proposed to provide pension benefits to about 3 Crore retail traders and small shopkeepers with annual turnover less than Rs. 1.5 crore with enrolment formalities keeping simple, requiring only Aadhaar, bank account and a self-attestation.
- It is proposed to set up a payment platform to enable the MSME's the filing of bills and payments. in view to eliminate delays in government payments.
- The government has proposed to make following relaxation in the Foreign Direct Investment (FDI) norms:
    - Opening up of FDI in aviation, media (animation, AVGC) and insurance sectors.
    - 100% FDI will be permitted for insurance intermediaries.
    - Local sourcing norms will be eased for FDI in Single Brand Retail sector.
- It is proposed to return Regulation authority over housing finance sector to be returned from National Housing Bank (NHB) to the Reserve Bank of India (RBI).
- It is proposed to increase the minimum public shareholding in the listed PSUs, from raising the current threshold of 25% to 35%.
- It is proposed to merge the NRI-Portfolio Investment Scheme Route with the Foreign Portfolio Investment Route.
- Government has proposed to initiate steps to empower accountholders to remedy the current situation in which they do not have control over deposit of cash by others in their accounts. Reforms is proposed to be undertaken to strengthen governance in Public Sector Banks.
- The Finance Minister assured that by 2022 every single rural family, except those who are unwilling to take the connection will have an electricity and a clean cooking facility.
- The National Common Mobility Card (NCMC) standards launched to enable people to pay multiple kinds of transport charges, including metro services and toll tax, across the country, running on RuPay card it would even allow withdrawal of money.

- The Government has proposed to bring in a **New National Education Policy** to transform India's higher education system to one of the global best education systems, proposing major changes in both school and higher education, better Governance systems and greater focus on research and innovation.

- It is proposed to establish a **National Research Foundation (NRF)** to fund, coordinate and promote research in the country.

- Government proposes streamlining multiple labour laws into a set of four labour codes.

- It was proposed to expand Women Self Help Group (SHG) interest subvention programme to all districts. Furthermore, for every verified women SHG member having a Jan Dhan Bank Account, an overdraft of INR 5,000 shall be allowed. One woman in every SHG will also be made eligible for a loan up to INR 1 lakh under the MUDRA Scheme.

- It is proposed to issue Aadhar Cards for NRI's on arrival in India without any waiting period.

Direct Tax Related Proposals

1. Proposals specifically relating to Individual/HUF Tax payers

- There is no change in tax slabs or tax rate for Individuals and HUF.

  The tax slab and tax rates are as under:

Up to INR 2,50,000*	Nil
INR 2,50,001 to INR 5,00,000	5%
INR 5,00,001 to INR 10,00,000	20%
Above INR 10,00,000	30%

Note (*): in the case of resident individual who is of the age 60 years or more, but less than 80 years is INR 3,00,000 and the next slab shall start from INR 3,00,001 and so on.

In the case of resident individual who is of the age 80 years or more total income up to INR 5,00,000 is exempt.

- A surcharge rates for individuals/HUF/AOP/BOI are as under:

Threshold	Rate of Surcharge	Effective tax rate with Surcharge and Cess (once the threshold is crossed)
More than INR 50 Lakhs but less than INR 1 Crore	10%	34.32%
More than INR 1 Crore but less than INR 2 Crore	15%	35.88%
More than INR 2 Crore but less than INR 5 Crore	25%	39%
Above INR 5 Crore	37%	42.744%

- It is proposed to increase the limit of exemption from current 40% to 60% on payment from the National Pension System Trust to an employee on closure of their account or on them opting out of the pension scheme referred to in section 80CCD.

- It is proposed to insert a new proviso to section 56(2)(x) to provide for exemption from applicability of this section, when a person receives any sum of money, immovable property or other property **from such class of persons and subject to such conditions, as may be prescribed.**

- It is proposed to insert a new clause so as to provide for deduction to Central Government employees for making contribution in specified account of pension scheme referred to in section 80CCD.

- Since the contribution of Central Government to pension scheme in relation to its employees have increased from 10% to 14%, section 80CCD is proposed to be amended to provide exemption for contribution upto 14%.

- A new section 80EEA is proposed to be inserted to provide for deduction of **INR 1,50,000** towards interest payable on loan taken from any financial institution for the purpose of acquisition of a residential house property subject to the following conditions (affordable housing):

  (i) the loan has been sanctioned by the financial institution during the period from **1st April, 2019 and ending on 31st March, 2020**;

  (ii) the **stamp duty value** of residential house property does not exceed **INR 45 lakh**;

  (iii) the assessee does not own any residential house property on the date of sanction of loan

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

- It is proposed to insert a new section 80EEB, to provide deduction of **INR 1,50,000** towards interest payable on loan taken by individual from any financial institution for the purpose of purchase of an electric vehicle subject to following conditions:

  (i) Loan has been sanctioned by the financial institution during the period from **1st April, 2019 and ending on 31st March, 2023**.

  (ii) Such deduction shall not be allowed under any other provision of this Act for the same or any other assessment year.

2. Proposals relating to Business Income

- Tax rate for Domestic companies proposed to be changed as under:

Condition	Tax rate
Total turnover or gross receipts in FY 2017-18 < **INR 400 crores**	25%
All other cases	30%

- It is proposed to insert a new clause (da) to section 43B to include interest on any loan or borrowing from a deposit taking non-banking financial company or systemically important non-deposit taking non-banking financial company to be allowable as deductions only on actual payment.

- Section 80-IBA provides that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building housing projects, there shall, subject to certain conditions, be allowed, a deduction of an amount equal to 100% of the profits and gains derived from such business.

  It is proposed to amend the said section so as to modify certain conditions regarding the housing project approved on or after 1st September, 2019. The modified conditions are as under:

  (i) the assessee shall be eligible for deduction under the section, in respect of a housing project if a residential unit in the housing project have carpet area not exceeding 60 square meter in metropolitan cities or 90 square meter in cities or towns other than metropolitan cities of Bengaluru, Chennai, Delhi National Capital Region (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon, Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan Region); and

  (ii) the stamp duty value of such residential unit in the housing project shall not exceed INR 45 lakh.

3. Capital Gain related proposals

- It is proposed to insert a new proviso to section 50CA so as to provide the deeming provisions of determining full value of consideration on transfer of unquoted shares, shall not apply to such class of persons and subject to such conditions as may be prescribed.

- Concessional rate of Short term capital gains tax (under section 111A) is proposed to be extended to funds set-up by Central Public Sector enterprises for disinvestment.

- Provisions of section 54GB provide for exemption in respect of capital gain arising from the transfer of a long-term capital asset, being a residential property owned by the individual or HUF. For claiming the exemption, the taxpayer is required to utilise the net consideration for subscription in the equity shares of a start-up before the due date of filing of the return of income.

  The taxpayer is required to have more than 50% share capital or more than 50% voting rights after the subscription in shares in the eligible company. Further, the said section, puts restriction on transfer of assets acquired by the company for 5 years from the date of acquisition. It is proposed to amend the said section so as to

  (i) extend the sun set date of transfer of residential property for investment in eligible start-ups from 31st March 2019 to 31st March 2021.

  (ii) relax the condition of minimum shareholding of 50% of share capital or voting rights to 25%.

  (iii) relax the condition restricting transfer of new asset being computer or computer software from the current 5 years to 3 years

4. Proposals relating to Trust

- It is proposed to amend section 12AA with effect from 1st September,2019 so as to empower Principal Commissioner or the Commissioner **to register** the trust or institution after taking cognisance of compliance that they are supposed to abide by under any other law for the time being in force as are material for the purpose of achieving its objects. Further, similar powers are also proposed to be given **to cancel the registration** of such trust or institution, if it has not complied with the requirement of any other law, or order has either not been disputed or has attained finality.

5. Income tax proposals for Start-up

- Section 56(2)(viib) taxes the difference between face value of shares and consideration received on issue of shares by certain companies. Some conditions are proposed to be amended for relaxing the applicability of this provision. Such proposed changes are:

  (i) Such consideration is received by a venture capital undertaking (VCUs) from a venture capital company or a venture capital fund (VCF)

  Currently the benefit of exemption is available to Category I Alternative Investment Fund (AIF). It is proposed to amend the said section to extend this exemption to fund received by VCUs from Category II AIF as well.

  (ii) such consideration is received by a company from such class or classes of persons as may be notified from the Central Government.

  It is proposed to amend such provision by inserting a new proviso to tax the differential amount even if it is received from the specified class or classes of persons, if such company has failed to comply with any of the conditions specified in the notification.

6. Proposals relating to Tax Deducted at Source

- Section 201 provides that where any person being the deductor, who is required to deduct tax at source on any sum in accordance with the provisions of the Act, does not deduct or does not pay such tax or fails to pay such tax after making the deduction, then such person shall be deemed to be an assessee in default in respect of such tax.

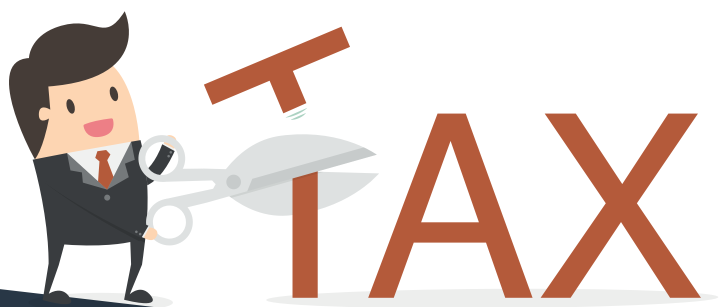
  If however, the resident deductee has furnished his Income tax return and disclosed the payment in question in the return, the deductor is not considered as assessee-in-default. This relaxation is now extended to payments to non-resident deductee also.

  Consequential amendment is proposed to be made to section 40(a)(i) also wherein once a deductor is not considered as assessee-in-default, then such payments will not be disallowed in the hands of the deductor.

- It is also proposed to amend the proviso to sub-section (1A) of section 201 to provide for levy of interest on the deductor till the date of filing of return by the non-resident deductee.

- TDS on payments from life insurance policy, which are not exempt is proposed to be increased from 1% to 5%.

- Section 194-IA provides for TDS on purchase of immovable property exceeding INR 50 lakhs at 1% to be made by the buyer. Typically on transactions involving sale of apartments/flats, the builders charge various charges like parking fees, club house charges etc. It is now clarified that TDS of 1% is to be effected on all such charges irrespective of the nomenclature.



- Earlier TDS was required to be deducted by Individuals only in case where they are subject to audit under Income Tax Law. However, it is proposed to insert section 194M and 194N to extend the requirement to deduct tax at source by Individuals and HUF (other than those covered by earlier provisions) in the following circumstances:
  - Payment is being made towards any contract for work or
  - Payment is being made for any professional services
  - And the payment is during a financial year exceeds INR 50 lakhs

- A new section is proposed to be implemented by way of section 194N, whereby any bank or post office which is allowing a cash withdrawal by any person from an account in a financial year exceeding INR 1 crore is required to deduct tax at source at 2%.

- Section 195 provides for withholding of taxes on payments made to non-resident. Further, 195(2) provides for making an application for lower or Nil deduction by the payer. Amendment is proposed whereby this process is being made online from the current manual process.

7. Proposals relating to Mergers and Acquisition

- One of the existing conditions for tax-neutral demergers is that the resulting company should record the property and the liabilities of the undertaking at the value appearing in the books of accounts of the demerged company.

  Since Indian Accounting Standards (Ind-AS) compliant companies are required to record the property and the liabilities of the undertaking at a value different from the book value of the demerged company, it is proposed to amend section 2(19AA) 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 Indian Accounting Standards specified in Annexure to the Companies (Indian Accounting Standards) Rules, 2015.

- With effect from 5th July 2019, tax on buyback of shares by a domestic company is proposed to be extended to unlisted shares also. Consequential amendment is proposed to be made as to make such receipt of amount exempt in the hands of the shareholder. Amendments have been proposed for section 115QA and 10(34A).

- Under the existing provisions of the section 47, any transfer of a capital asset, being bonds or Global Depository Receipts or rupee denominated bond of an Indian company or derivative, made by a non-resident through a recognised stock exchange located in any IFSC and where the consideration for such transaction is paid or payable in foreign currency shall not be regarded as transfer.

  It is also proposed to widen the types of securities listed in said clause by empowering the Central Government to notify other securities for the purposes of this clause.

8. Proposals in relation to International Taxation and Non-residents

- It is proposed to insert a new clause to section 9(1) so as to provide that any sum of money or value of property referred to in section 56(2)(x), arising from any sum of money paid, or any property situated in India transferred on or after the 5th day of July, 2019 by a person resident in India to a person outside India, be the income deemed to accrue or arise in India.

- Section 9A(3)(j) speaks about the eligibility of offshore funds for not constituting business connection in India. One of such conditions is, the corpus of the fund shall not be less than one hundred crore rupees at the end of such previous year in which the fund has been established or incorporated. It is proposed to amend the provision retrospectively from 1st April 2019 so as to provide that, corpus of the fund shall not be less than one hundred crore rupees at the end of a period of six months from the end of the month of its establishment or incorporation or at the end of such previous year, whichever is later.

9. Promoting Digitalisation/Less Cash Economy

- To promote digitalization and treat other payment methods like digital wallets on par with bank payments, it is proposed to substitute the words "bank account" with the words "bank account or through such other electronic mode as may be prescribed" in the following sections:

  (i) In the first proviso to section 13A(d) which is about donations received by political parties exceeding INR 2,000

  (ii) In clause (f) to section 35AD(8) which speaks about expenditure of capital nature incurred towards specified business, shall not include any expenditure in respect of which the payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds INR 10,000.

  (iii) In section 40A which provides for disallowance of any expenditure, for which the taxpayer makes payment (or an aggregate of payments) exceeding INR 10,000

  (iv) Sub-section (1) to section 43 provides the definition of the term "actual cost" for the purpose of computing depreciation on value of fixed assets. The second proviso to the said section specifies that where the assessee incurs any expenditure for the acquisition of an asset or part thereof, and in respect of such acquisition, he makes a payment or aggregate of payments exceeding INR 10,000 in a day to a person in any mode other than an account payee cheque or an account payee bank draft or using the electronic clearing system through a bank account, then such expenditure shall not be included in the determination of the actual cost.

  (v) In case of sale of immovable property as a capital asset or as stock in trade and if the actual sale value is less than the value adopted for stamp duty purposes, such value is deemed as full value under section 50C and Section 43CA respectively. Further, if the agreement to sell the property was signed on a different date and the stamp duty values were different on such dates, the tax payer can adopt the lower stamp value as on the date of agreement provided that the consideration has been received in part or full by banking channels. It is proposed to amend both the sections to recognise other digital form of payment also as a valid method for extending this relaxation.

(vi) In the proviso to section 44AD(1) which provides for computation of profits and gains of eligible business on presumptive basis at 6% of the total turnover or gross receipts received through an account payee cheque or an account payee bank draft or the use of electronic clearing system through a bank account.

(vii) In section 80JJAA which provides for the deduction of 30% of additional employee cost incurred by an assessee in the previous year in the course of a business covered u/s 44AB, for three years. Sub-clause (b) of clause (i) of the Explanation to this section specifies that the additional employee cost in case of an existing business shall be nil if the emoluments are paid otherwise than by an account payee cheque or an account payee bank draft or by use of electronic clearing system through a bank account.

(viii) Amendments have also been proposed in section 269SS and 269T where accepting any loan or repaying any loan in modes other than cash is prohibited.

(ix) A new section 269SU has been inserted whereby any business taxpayer having a turnover exceeding INR 50 crores in immediate previous year needs to enable its customers to make payments using alternate modes of digital payments mandatorily. Non-compliance to this attract a penalty of INR 5,000 per day of failure.

10. Proposals relating to Transfer Pricing provisions

- Section 92CD specifies the provisions relating to entering into an Advance Pricing Agreement (APA) by any person with the CBDT for determining the ALP in relation to the international transaction entered into by that person which shall have an rollover effect, if such person has filed any return before entering into such APA. After entering into the APA, he shall file modified return in accordance and limited to the agreement.

  In cases where assessment or reassessment has already been completed and modified return of income has been filed by that person u/s 92CD(1), it is proposed to amend the provision so as to make the Assessing Officer pass an order modifying the total income of the relevant assessment year determined in such assessment or reassessment, having regard to and in accordance with the APA.

- Section 92CE provides for secondary adjustment in cases where a Primary TP adjustment has been made. The proviso to sub-section 1 provides exemption in cases where the amount of primary adjustment made in any previous year does not INR 1 crore and the primary adjustment is made in respect of an assessment year commencing on or before 1st April, 2016.

  It is proposed to amend the section as below:

  (i) With effect from 1st April 2018 - the condition of threshold of INR 1 crore and of the primary adjustment made upto assessment year 2016-17 are alternate conditions.

  (ii) With effect from 1st September 2019, as an alternate to repatriating the amount of primary adjustment to India, the following alternate mode is proposed:

    - in a case where the excess money or part thereof has not been repatriated in time, the tax payer will have the option to pay additional income-tax at the rate of 18% on such excess money or part thereof in addition to the existing requirement of calculation of interest till the date of payment of this additional tax.
    - 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

- the deduction in respect of the amount on which such tax has been paid, shall not be allowed under any other provision of the Act
- if the assessee pays the additional income-tax, he will not be required to make secondary adjustment or compute interest from the date of payment of such tax.

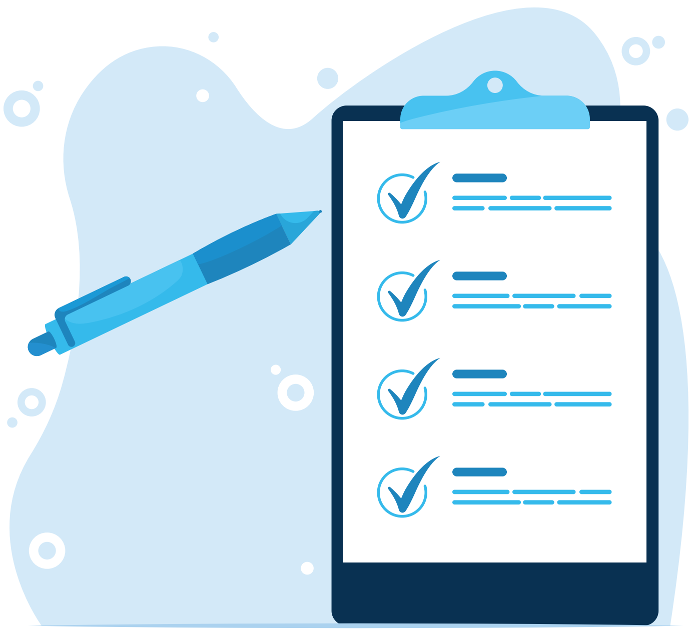
- It is proposed to substitute section 92D, in order to provide that the information and document to be kept and maintained by a constituent entity of an international group, and filing of required form, shall be applicable even when there is no international transaction undertaken by such constituent entity.

11. Proposals relating to effective tax administration and compliances

- Section 139 of the Act provides for filing of tax returns when the taxable income of the tax payer exceeds Basic exemption threshold. There are exemptions available from capital gains tax on reinvestment provided under section 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB. In order to ensure that tax payers claiming these exemptions also file their tax returns, it is proposed to compute the basic exemption threshold for mandatory filing of tax returns before giving those exemptions. Thereby, ensuring that all tax payers claiming the above exemptions are also required to file the tax returns mandatorily.

- Further, amendment have also been proposed in the above section to make the filing of tax returns mandatory for those people not have taxable income but who have undertaken the following transactions in a year:
  - Has deposited INR 1 crore or more in current accounts maintained with banks
  - Has incurred an amount exceeding INR 2 lakhs on foreign travel
  - Has incurred an amount exceeding INR 1 lakhs on electricity consumption
  - Any other condition that may be prescribed in future

- Amendments have been proposed in section 139A, where PAN and Aadhar number have been made interchangeable. Thereby, enabling those not having PAN can also file tax returns by quoting their Aadhar number.



Indirect Tax Related Proposals

Proposals relating to Goods and Services Tax (GST)

- Facility of transferring the balances available in cash ledger from tax, interest, penalty, fee between central, integrated and state taxes is proposed to be made available.
- It is proposed to include the composition scheme for service providers in the Act which is currently operational through notification.
- National Appellate Authority for Advance Ruling scheme is proposed to be established for resolving the issues where there are conflicting rulings by different state authorities for same entity.
- Penalty for profiteering u/s 171 is proposed to be waived off, if the amount is paid within 30 days from date of passing the order.

Proposals relating to Customs Law

- It is proposed to levy 5% Basic Customs Duty (BCD) on printed books which were exempt earlier.
- It is proposed to exempt BCD on raw materials and parts needed for manufacture of electronic items like mobile chargers, batteries, CCTV/IP cameras, etc.
- It is proposed to increase special additional excise duty and Road and Infrastructure Cess each by 1 rupee/ltr on petrol and diesel.
- It is proposed to increase the rates on luxury items such as gold, marbles, motor vehicles, etc.
- Limits for duty-free import of gold and silver by NRIs returning to India is proposed to be reduced from 10 KG of gold to 1 KG and 100 KG of silver to 10 KG.

Proposals relating to service tax

- Retrospective exemptions under service tax are proposed for the following:
  - (i) Levy of service taxes on grant of liquor license by the State Government (Service tax would have been payable under RCM, if this exemption was not provided).
  - (ii) Certain other courses offered by IIMs to students
  - (iii) Long term lease of more than 30 years given by the Government or Government entity to developers for development of infrastructure for financial business.
- It is proposed to make the amendment so as to enable the taxpayers to claim the refund within 6 months from date of passing of the Finance Act, 2019, if any of the above taxes are already paid in the past.

Other Proposals

- It is proposed to introduce Amnesty scheme for payment of arrears in legacy indirect tax regime – SABKA VISHWAS (Legacy Dispute Resolution) Scheme 2019. The scheme provides for the following:

Situation	Duty amount INR 50 lakhs or less	Duty amount in excess of INR 50 lakhs
Amount already in arrears – i.e. arrears on account of order reaching finality and no appeal being filed or amount shown as payable in returns filed before 30-06-2019 but not paid	40% of tax dues payable and 60% shall be waived Interest, penalty, fees shall be completely waived	60% of tax dues payable and 40% shall be waived Interest, penalty, fees shall be completely waived
Where there are no tax dues but only penalty or late fee is pending as per notice	Entire late fee or penalty shall be waived	Entire late fee or penalty shall be waived
The tax dues relatable to a show cause notice or appeal which is pending as on 30th June, 2019	30% of tax dues payable and 70% shall be waived Interest, penalty, fees shall be completely waived	50% of tax dues payable and 50% shall be waived Interest, penalty, fees shall be completely waived
Tax dues linked to an enquiry, investigation or audit against the declarant and the amount is quantified in writing on or before 30th June, 2019	30% of tax dues payable and 70% shall be waived Interest, penalty, fees shall be completely waived	50% of tax dues payable and 50% shall be waived Interest, penalty, fees shall be completely waived
The tax dues payable on account of a voluntary disclosure by the declarant	100% of tax dues payable and no waiver of tax Interest, penalty, fees shall be completely waived	100% of tax dues payable and no waiver of tax Interest, penalty, fees shall be completely waived

Key points to consider about the scheme:

- In respect of matter and period covered under this scheme, no proceeding or prosecution shall be initiated unless the declaration is established to be false.

- Covers all legacy central indirect taxes which got subsumed under GST, being central excise, service tax, related cesses and 26 other taxes. But it does not include customs duty or central excise for products which are still outside the ambit of GST.

  The application and proceedings under this scheme are to be made electronically in form as may be prescribed.

- Any amount paid as pre-deposit will be deducted while computing amount payable. However, any excess amount paid as pre-deposit, as compared to final amount payable, will not be refundable.

- Amount shall be payable in cash only and not through credit.

- Amount paid shall not be refundable or taken as credit under any enactment either by declarant or any other person.

- Persons not eligible to opt for this scheme are those:

  (i) who have filed an appeal before the appellate forum and such appeal has been heard finally on or before 30th June, 2019

  (ii) who have been convicted for any offence punishable under any provision of the indirect tax enactment for the matter for which he intends to file a declaration;

  (iii) who have been issued a show cause notice, under indirect tax enactment and the final hearing has taken place on or before 30th June, 2019

  (iv) who have been issued a show cause notice under indirect tax enactment for an erroneous refund or refund

  (v) who have been subjected to an enquiry or investigation or audit and the amount of duty involved in the said enquiry or investigation or audit has not been quantified on or before 30th June, 2019

  (vi) a person making a voluntary disclosure,

    - after being subjected to any enquiry or investigation or audit; or
    - having filed a return under the indirect tax enactment, wherein he has indicated an amount of duty as payable, but has not paid it

  (vii) who have filed an application in the Settlement Commission for settlement of a case

  (viii) persons seeking to make declarations with respect to excisable goods set forth in the Fourth Schedule to the Central Excise Act, 1944.

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