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# Foreword

The Finance Minister Sri Piyush Goyal presented an Interim Union Budget, 2019 on 1st February, 2019. Being an election year, the interim budget was keenly watched to see if the Government will tend to become populist and ignore fiscal prudence or will they stick to fiscal discipline. To a large extent, the Finance Minister has done a great balancing act of extending benefits to a large section of the society without moving away from the focal point of fiscal discipline.

Being, an interim budget, the Finance Minister did not have too much flexibilities to make drastic tax related proposal. Within the limited space available, the Minister did extend a major tax benefit by way of a Rebate for those having a taxable income upto INR 500,000. In an ideal scenario for a salaried individual, this could mean a Nil Income tax almost upto INR 950,000. This is an extremely welcoming gesture for the honest tax paying individuals, who were thanked by the Minister for contributing to serve the poor and create better infrastructure.

A large part of the budget speech of the Finance Minister revolved around highlighting the initiatives taken by this Government over the last 4 years. Some noteworthy proposals like, the proposal to create a National Centre on Artificial Intelligence is a step in the right direction to harness the benefits of Artificial Intelligence. It was also mentioned in the Budget speech that in the next 2 years, it is proposed to make the tax assessments completely anonymous, which, if implemented correctly and within the framework of legal and practical feasibilities, should be a great move to check corruption at the first level of tax administration and also would bring in parity in the tax assessments.

The focus on agriculture sector and introducing a scheme of income support to farmers is a step in the right direction. However, in order to really improve the lives of farmers, it is necessary to continue efforts on improving storage facility and avoid supply chain bottlenecks that farmers face.

The results of the upcoming General Elections are going to decide whether this term of the incumbent Government in general and the proposals in the interim budget in particular were perceived positively by the people of this country or not.

**Team Advith**

# Key non-tax highlights of the Interim Union Budget 2019

- ▶ Budget 2019-20 reflects the Government's firm commitment to substantially boost investment in Agriculture, Social Sector, Education and Health. This is substantiated by increase in expenditure of INR 3,26,965 crores over Revised Estimate (RE 2018-19) while keeping the fiscal deficit at 3.4% of GDP.
- ▶ The Finance Minister highlighted that the FDI in the last 5 years has been \$239 billion
- ▶ In the revised estimates 2018-19, the total expenditure has been kept at INR 24,57,235 crore and is more than budgeted estimates of 2018-19 by INR 15,022 crore.
- ▶ Defence Budget will be crossing INR 3,00,000 crore for the first time in 2019-20.
- ▶ Government to launch a mega pension yojana namely '**Pradhan Mantri Shram-Yogi Maandhan**' for the unorganised sector workers with monthly income upto INR 15,000. This pension yojana shall provide them an assured monthly pension of INR 3,000 from the age of 60 years on a monthly contribution of a small affordable amount during their working age.
- ▶ Government to launch "**Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)**" to extend direct income support at the rate of Rs. 6,000 per year to farmer families, having cultivable land up to 2 hectares. An amount of INR 20,000 crores was provided in the Revised estimate of FY 2018-19 and INR 75,000 crores has been proposed to be allocated in budget of FY 2019-2020.
- ▶ It was proposed that a 'National Centre on Artificial Intelligence' would be created and a '**National Programme on Artificial Intelligence**' would be catalysed by such a centre.
- ▶ Capital support from the budget for railways has been proposed at INR 64,587 crore in 2019-20.
- ▶ In order to ease the process of obtaining clearances for shooting of cinematography films, a Single Window clearance as available to foreigners is proposed to be made available to India filmmakers as well.
- ▶ The Finance Minister also announced that the number of income tax returns filed were 6.85 crores showing a 80% growth in tax base and the collection of income tax was INR 12 lakh crores in the current year.

# Vision for next decade



To build physical as well as social infrastructure for a ten Trillion Dollar economy and to provide ease of living.



To create a Digital India reaching every sector of the economy, every corner of the country and impacting the life of all Indians.



Making India a pollution free nation with green Mother Earth and blue skies



Expanding rural industrialisation using modern digital technologies to generate massive employment.



To clean rivers, with safe drinking water to all Indians, sustaining and nourishing life and efficient use of water in irrigation.



Scaling up of Sagarmala Programme and to develop other inland waterways faster. Powering India's development and growth by our coastline and our ocean waters



Space programme – Gaganyaan, India becoming the launch-pad of satellites for the World and placing an Indian astronaut into space by 2022.



Making India self-sufficient in food, exporting to the world to meet their food needs and producing food in the most organic way



Healthy India - Aiming at healthy society with an environment of health assurance and the support of necessary health infrastructure



Transforming India into a Minimum Government Maximum Governance nation.

# Direct Tax Related Proposals

## 1. Rates of Income Tax for individuals/HUF/AOP/BOI/Artificial Juridical Person

- ▶ There is no change in tax slabs or tax rate for Individuals and HUF which is given here in below:

|                               |     |
|-------------------------------|-----|
| 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.

## 2. Proposal relating to Income from Salary

- ▶ It is proposed to increase the standard deduction from salary from INR 40,000 to INR 50,000 which is restricted to actual salary received by amending section 16 of the Act.

## 3. Proposals relating to Income from House Property

- ▶ As per provisions of section 23 of the Act, for the purpose of taxation, the annual value of the self-occupied residential property would be taken to be Nil. If the owner of the house property has in his occupation more than one house, then the option to declare the annual value as Nil was available only in respect of one of such houses, which is choosable at his option. And the annual value of other than such house shall be taken as if such house property/properties has been let out.

It is proposed to amend section 23 so as to give the benefit of declaring the annual value as Nil on a second self-occupied property also.

- ▶ Further, the aggregate amount of interest on the amount borrowed for the purpose of acquisition, construction, repair, renewal or reconstruction of the self-occupied property/properties, as the case may be, that can be deducted remains the same at INR 2,00,000.



- ▶ In the case of any building or land appurtenant thereto which is held as stock-in-trade, it has been proposed to extend the period of exemption from declaring a notional rent from 1 year to 2 years from the end of the financial year in which the Completion Certificate is obtained by amending section 23(5) of the Act.

#### 4. Capital Gain related proposal

- ▶ Section 54 of the Act provides for exemption from Long Term Capital Gain resulting from sale of property used for residence, if the same is reinvested into another residential house. It has been proposed to extend this benefit as below:
  - ▶ If the amount of capital gain from such sale does not exceed INR 2,00,00,000
  - ▶ the seller of the property may at his option, purchase or construct 2 residential houses in India within the period available for seeking exemption.
  - ▶ Such benefit is available once in a life time for such tax payer

#### 5. Proposals relating to deduction from Gross Total Income and rebate from tax

- ▶ It is proposed to increase the rebate on income tax u/s 87A from INR 2,500 to INR 12,500 for the resident individuals having taxable income of upto INR 5,00,000.
- ▶ It is proposed to extend the time limit from 31st March 2019 to 31st March 2020 for seeking competent authority's approval towards affordable housing projects for claiming deduction u/s 80-IBA from profits and gains of such projects.

#### 6. Proposals on TDS provisions

- ▶ It is proposed to increase the threshold on interest earned on deposits for applying TDS by bank/co-operative society engaged in carrying on the business of banking/post office from INR 10,000 to INR 40,000 u/s 194A.
- ▶ It is proposed to increase the TDS threshold on payment of rent for use of any machinery/plant/equipment and land/building/furniture/fittings from INR 1,80,000 to 2,40,000 u/s 194I.

#### 7. Tax Assessments

In the budget speech, it was mentioned that, within the next two years, almost all verification and assessment of returns selected for scrutiny will be done electronically through anonymised back office, manned by tax experts and officials, without any personal interface between taxpayers and tax officers. No proposal in the current Finance Bill has been made on this.

# Proposal on Indian Stamp Act, 1899

- ▶ It has been proposed to levy stamp duty on transaction of securities through stock exchange
- ▶ Necessary amendments to levy Stamp duties on one instrument relating to one transaction and collection of the same at one place through the Stock Exchanges have been proposed.
- ▶ A separate definition of the word debenture has been proposed by carving it out from the definition of the term bond. Separate duty for the transaction in such debentures have also been proposed.









## **BUDGET PANORAMA 2019-INTERIM BUDGET**

**DISCLAIMER:** The content of this alert is intended solely for the purpose of information. This should not be treated as technical tax advice to make decisions. You would have to contact your tax advisor to seek specific applicability of the contents of the alert for your case. We bear no responsibility of any loss occasioned to any person acting or refraining from action as a result of any material in this alert.

**advith**  
CONSULTING

No. 72/1, 1st Floor, Jnanodaya School Road Shankarapark,  
Shankarpuram Bengaluru -560 001



[www.advithconsulting.in](http://www.advithconsulting.in)



[info@advithconsulting.in](mailto:info@advithconsulting.in)



080 22426483