

BAGARIA
& COMPANY

ANALYSIS OF UNION BUDGET

2019-20



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Economic Survey

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Economic Survey

Analysis of growth of GDP, factors impacting growth, outlook, etc.

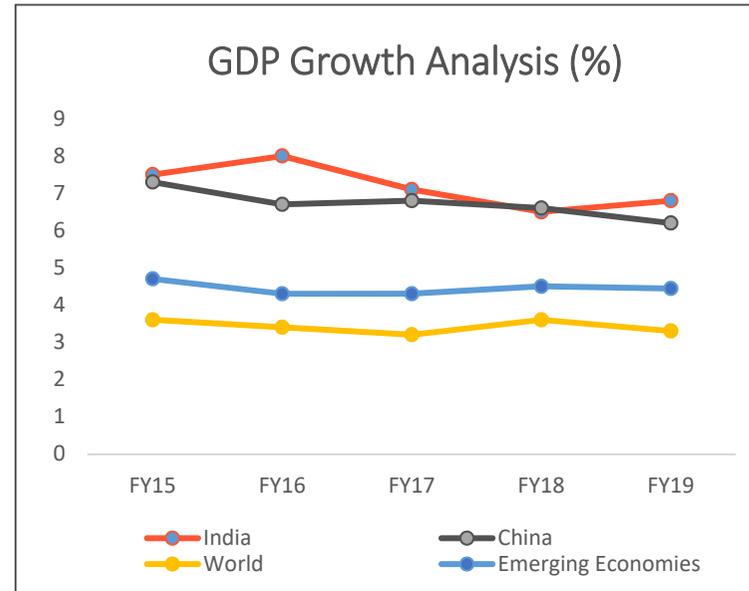
1. Economic Survey 2019

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INDIAN ECONOMY OUTLOOK

- Continued implementation of structural and financial sector reforms with efforts to reduce public debt remain essential to secure the economy’s growth prospects.
- In the near term, continued fiscal consolidation is needed to bring down India’s elevated public debt. This should be supported by strengthening goods and services tax compliance and further reducing subsidies.
- Important steps have been taken to strengthen financial sector balance sheets, including through accelerated resolution of nonperforming assets under a simplified bankruptcy framework. These efforts should be reinforced by enhancing governance of public sector banks.
- Reforms to hiring and dismissal regulations would help incentivize job creation and absorb the country’s large demographic dividend; efforts should also be enhanced on land reform to facilitate and expedite infrastructure development.



Source: World Economic Outlook, April 2019 | IMF

\$5 Tn

Vision for economy driven by 'virtuous cycle' of investment

\$64.4bn

Worth of FDI attracted by India in 2108-19

6th

Largest Economy in World (Target for FY19-20) and Fastest Growing Economy also

77th

Rank in Ease of doing Business (gained 23 points)

2

Rates of Taxes

Trend and amended tax rates

2. Rates of Taxes

Rate for Individuals

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Income	FY19	FY18	FY17	FY16	FY15
For Individual Tax Payer & HUF :					
> Rs. 2.5 Lakhs and < Rs. 5 Lakhs	5.20%	5.15%	10.30%		
> Rs. 5 Lakhs and < Rs. 10 Lakhs	20.80%	20.60%			
> Rs. 10 Lakhs and < Rs. 50 Lakhs	31.20%	30.90%			
> Rs. 50 Lakhs and < Rs. 100 Lakhs	34.32%	33.99%	30.90%		
> Rs. 100 Lakhs	35.88%	35.40%	33.99%		
For Senior Citizen below at 80 age Tax Payer:					
< Rs. 3 Lakhs	-	-	-	-	-
> Rs. 3 Lakhs and < Rs. 5 Lakhs	5.20%	5.15%	10.30%		
> Rs. 5 Lakhs and < Rs. 10 Lakhs	20.80%	20.60%			
> Rs. 10 Lakhs and < Rs. 50 Lakhs	31.20%	30.90%			
> Rs. 50 Lakhs and < Rs. 100 Lakhs	34.32%	33.99%	30.90%		
> Rs. 100 Lakhs	35.88%	35.40%	33.99%		
For Super Senior Citizen above 80 year tax Payer:					
> Rs. 5 Lakhs and < Rs. 10 Lakhs	20.80%	20.60%			
> Rs. 10 Lakhs and < Rs. 50 Lakhs	31.20%	30.90%			
> Rs. 50 Lakhs and < Rs. 100 Lakhs	34.32%	33.99%	30.90%		
> Rs. 100 Lakhs	35.88%	35.40%	33.99%		

Notes:

1. The above mentioned rates are effective rates of tax (including tax rate, surcharge, education cess, Health cess, etc.)
2. From FY 2019-20 a standard deduction of Rs.50,000/- will be available to salaried employees. This deduction is not taken into consideration while calculating the above mentioned rates.
3. For non-resident Indians whose income is exceeding 200 Lakhs but less than 500 Lakhs - effective tax rate is 39%
4. For non-resident Indians whose income is exceeding 500 Lakhs – effective tax rate is 42.12%
5. If the Gross total income is upto Rs. 5 Lakhs, then there is no tax liability.

2. Rates of Taxes

Corporate Taxes

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Tax Rate for Companies		FY19					FY18			FY17	FY16	FY15
Status	Income / Turnover Criteria	Income < Rs. 1 cr	Income 1 to 10 Crore	Income > 10 Crore	Income > 400 Crore	Income < 400 Crore	Income < Rs. 1 cr	Income 1 to 10 Crore	Income > 10 Crore			
Domestic Company	Total income < Rs. 1 Crs	26.00%	-	-	-	-	-	-	-	29.87%	30.90%	30.90%
	Rs. 1 crs > Total Income < Rs. 5 Crs	-	27.82%	-	-	-	-	-	-	31.96%	-	-
	Rs. 1 crs > Total Income < Rs. 10 Crs	-	27.82%	-	-	-	-	-	-	-	33.06%	32.40%
	Total Turnover > Rs. 50 Crs in FY16	-	-	-	-	-	25.75%	27.55%	28.84%	-	-	-
	Total Turnover > Rs. 400 Crs in FY18	-	-	-	29.12%	-	-	-	-	-	-	-
	Remaining	-	-	-	-	34.94%	30.09%	33.06%	34.61%	34.61%	34.61%	0.34%
New Domestic Manufacturing Company^	All turnover level	-	-	-	-	-	25.75%	27.55%	28.84%	-	-	-
Foreign companies	Rs. 1 crs > Total Income < Rs. 10 Crs	41.36 %	42.43%	-	-	-	41.20%	42.02%	43.26%	41.2% / 42.024% / 43.26% *		
	Total income > Rs. 10 Crs	-	-	43.68%	-	-	-	-	-	-	-	-
Partnership Firm / LLP	All turnover level	31.20%	34.94%				31.20%	34.94%		29.87%/31.96%/34.61%	30.90%/33.06%/34.61%	30.90%/32.40%/33.99%
AOP / BOI / Trust	All turnover level	31.20%	34.94%				31.20%	34.94%				

Notes:

1. A company within meanings of section 115BA of ITA.
2. Depends on income bracket of the company

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Impact on Individuals and Businesses

Amendments having impact on all assessee, IFSC

3. Impact on Individuals and Businesses

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Affordable Housing

Additional deduction of INR1.5 lakhs to individuals, for interest paid on loan, subject to fulfilment of following conditions:

- a. Loan sanctioned by a financial institution between 1 April 2019 and 31 March 2020
- b. Stamp duty value of property not exceeding INR45 lakhs
- c. Individual not owning any other residential property on date of sanction of loan
- d. Definition of "Affordable Housing" as provided under Income tax law aligned with

Buyback Tax to listed companies

It is proposed to levy Buyback tax to be applied on buyback by listed companies post 5 July 2019; corresponding exemption provided to shareholder.

Demerger provisions

Demerger provisions relaxed to exempt Ind-AS resulting company from recording assets and liabilities of demerged undertaking at book value in hands of demerged company

Rationalization of Securities Transaction Tax (STT)

With the view to rationalize STT provisions, in case of exercise of options, STT to be levied on the difference between settlement price and strike price

Gift from resident to non-resident

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

Relaxation in certain conditions for onshore management of offshore funds

- a. the 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; and
- b. the remuneration paid by the fund to an eligible fund manager in respect of fund management activity undertaken by him on its behalf is not less than the amount calculated in such manner as may be prescribed.

3. Impact on Individuals and Businesses

Tax Deducted at Source

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TDS on payment by Individual/HUF to contractors and professionals

It is proposed levy TDS at the rate of 5% of the aggregate sum paid, only if the aggregate payment is more than 50 Lacs in a year, on account of contractual work or professional fees by an individual or a Hindu undivided family. However, TAN is not required.

This amendment will take effect from 1st September, 2019.

TDS at the time of purchase of immovable property

It is proposed to levy TDS on “consideration for immovable property” which shall 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.

This amendment will take effect from 1st September, 2019.

TDS on cash withdrawal to discourage cash transactions

It is proposed to levy TDS at the rate of 2% on withdrawal of cash from Banks in excess of 100 Lakhs in aggregate during the year by any person.

This amendment will take effect from 1st September, 2019.

way of issue of Rupee Denominated Bonds

It is proposed to remove levy of TDS on interest payments made by specified companies on borrowings made by it in foreign currency from sources outside India under a loan agreement or by way of issue of any long-term bond including long-term infrastructure bond, or rupee denominated bond

TDS on non exempt portion of life insurance pay-out on net basis

It is proposed to provide for tax deduction at source at 5% on income component (i.e. after deducting premium paid) of the life insurance sum paid by the insurer

This amendment shall be effective from 1st September, 2019.

3. Impact on Individuals and Businesses

Transfer Pricing

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Clarifications on secondary adjustment:

The condition of threshold of Rs. 100 Lakhs and of primary adjustment made up to assessment year 2016–17 are alternate conditions —this amendment will take effect retrospectively from financial year 2017–18.

Option given to the taxpayer to make onetime payment in case of excess money or part thereof is not repatriated on time into India —this amendment will be effective from 1 September 2019.

- a. Taxes will be paid 18% plus 12% surcharge on excess money or part thereof in addition to payment of interest till date of payment of additional tax. The tax so paid is final payment of tax and no corresponding tax credit will be allowed.
- b. There is no deduction under any other provision of the Income-tax Act, 1961, in respect of amount on which such additional tax is paid.
- c. The excess money may be repatriated from any of the associated enterprises of the taxpayer which is not resident in India —this amendment will take effect retrospectively from FY 2017–18.

advance pricing agreements (APAs) signed on or after 1 April 2017. However, there is no refund of prior paid taxes —this amendment will take effect retrospectively from FY 2017–18.

- d. Clarification on assessing officer's power to assess or reassess post modified return pursuant to APA
- e. Clarificatory amendment to master file compliance requirement —applicable even if no transfer pricing documentation is required to be maintained; this amendment will be effective from financial year 2019–20
- f. Clarificatory amendment to alternate reporting requirement of country-by-country reporting —the accounting year in case of an alternate reporting entity of the multinational group (where the parent entity is outside India) will be the reporting accounting year of such parent entity; this amendment will take effect retrospectively from FY 2016–17

- The secondary adjustment provisions will apply to

3. Impact on Individuals and Businesses International Financial Service Centre (IFSC)

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To promote development and bring IFSC at par with similar IFSC in other countries, following additional benefits are proposed :

Section	Existing Provisions	Proposed Amendment
47	Any transfer of bonds, Global Depository Receipts, rupee denominated bond of an Indian company or derivative, by a non-resident through a recognised stock exchange located in any IFSC and where the consideration is paid in foreign currency shall not be subject to capital gains tax.	It is 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. Transfer of units of an AIF situated in IFSC by a non-resident shall not be subject to capital gains tax.
10	NA	Interest income from units in IFSC to non-resident Indian shall not be taxable in India from 1 September, 2019.
115O	No tax on income distributed (including dividend) by a unit of IFSC, having earned income only in foreign exchange.	No tax on any dividend paid out of income derived from operations in IFSC. This amendment will take effect from 1st September, 2019.
115R	Additional income-tax is levied on income distributed by specified companies and mutual funds situated in IFSC.	No additional income-tax is levied on income distributed by specified companies and mutual funds situated in IFSC.
80LA	Profit linked deduction of an amount equal to 100% of income for the first five consecutive assessment years and 50% of income for the next five consecutive assessment years, to units of an IFSC	Profit linked deduction of an amount equal to 100% of income for any ten consecutive years. The assessee, at his option, may claim the said deduction for any ten consecutive assessment years out of fifteen years beginning with the year in which the necessary permission was obtained.
115A	Section 115A (4) prohibits any deduction under chapter VIA which includes section 80LA	Conditions contained in Section 115A(4) shall not apply to a unit of an IFSC for under section 80LA is allowed.

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NBFC & Distressed Companies

Incentive provided to NBFCs and Distressed companies

4. NBFC & Distressed Companies

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Incentives to NBFCs

Section	Existing Provisions	Proposed Amendment
43D	The benefit of recording income on cash basis is presently available to public financial institutions, scheduled banks, cooperative banks, State financial corporations, State industrial investment corporations and public companies like housing finance companies.	Deposit-taking NBFCs and systemically important non deposit-taking NBFCs to be included in the said beneficiary list
43B	Any sum payable by the assessee as interest on any loan or advances from a deposit-taking NBFCs and systemically important non deposit-taking NBFCs shall be allowed as deduction if it is actually paid in previous year	Any sum payable by the assessee as interest on any loan or advances from a deposit-taking NBFCs and systemically important non-deposit-taking NBFCs shall be allowed as deduction if it is actually paid on or before the due date of furnishing the return of income of the relevant previous year

Incentives to Distressed companies

Section	Existing Provisions	Proposed Amendment
79	Companies under IBC were given the benefit of carry forward of unabsorbed losses even in case of change in shareholding of 51% or more. Further such companies were allowed to reduce aggregate of unabsorbed depreciation and loss brought forward for calculating MAT liability.	The said benefits were extended to companies for which Central Government has moved to NCLT for oppressions & mismanagement and pursuant to that there is 51% or more change in shareholding of such companies, their subsidiary and the subsidiary of subsidiary.

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Start-Ups and Electric Vehicles

Further ease of doing business for start-ups and boost for electric vehicles

5. Start-Ups and Electric Vehicles Incentives

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START-UPS

Lapse of losses due to change in shareholding

It is proposed that closely held eligible start ups can carry forward unabsorbed losses if they satisfy any of the below mentioned two conditions:

- a. There is not more than 51% change in shareholding from the last day of the year in which losses were incurred to last day of the financial year.
- b. If all the shareholders of the eligible start ups continue to be shareholders from the year in which losses were incurred to last day of the financial year.

In simple terms if any of the original shareholders exit from the company then to carry forward unabsorbed losses it is mandatory to continue having at least 51% shareholding between the original shareholders.

Transfer of residential property for investing in a start-up.

It is proposed that no capital gains tax shall be levied on transfer of residential property if the sum received pursuant to such transfer is utilized to acquire atleast 25% shares of eligible start-ups. Such transfer of residential property can be made until 31 March 2021. Further, no computer or computer software of the start ups should be transferred for a period of 3 years.

Angel Tax Relief

Finance Minister in her Budget speech promised Angel tax issue will be resolved for start-ups and investors by way of following measures:

- a. No scrutiny in respect of valuation of share premium if investors file requisite declaration and provide information in their returns.
- b. Investors shall be identified by way of E-verification resulting in no scrutiny assessment from the income tax department

ELECTRIC VEHICLES

Additional income tax deduction of up to Rs.1.5 Lakhs will be available for loans taken by individuals from any financial institution for purchase of electric vehicles between 1 April 2019 and 31 March 2023.

Suggestion to GST council to reduce GST rate from 12% to 5% for electric vehicles

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Procedural Aspects

Analysis of procedures, assessments

6. Procedural Aspects

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1. New category of taxpayers are mandatorily required to file tax returns if during the previous year:
 - a. Expenditure incurred is more than INR2 lakh for foreign travel
 - b. Electricity expenditure exceeding INR1 lakh
 - c. Deposits in current account exceeding INR1 crore
 - d. Satisfying other prescribed conditions
2. For ease of taxpayers, PAN and Aadhaar will be made interchangeable, and taxpayers without PAN can file the tax returns quoting Aadhaar.
2. E-assessment regime to bring paradigm shift:
 - a. Emphasis on faceless scrutiny assessments (i.e., without human interface) —scheme to be launched in a phased manner
 - b. Central cell to be central point of contact for taxpayer
 - c. E-notices to be issued without disclosure of name, designation and location of assessing officers
4. Prefilled tax returns forms enumerating salary, bank interest, capital gain from securities and dividends, etc., will be made available for taxpayers.

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OTHER HIGHLIGHTS

Other important points of Budget 2019, not covered above

7. Other Highlights

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GST

Further Simplification of GST Processes:

1. Taxpayers having annual turnover of less than ₹5 crore can now file quarterly returns.
2. Fully automated GST refund module shall be implemented.
3. An electronic invoice system is proposed that will eventually eliminate the need for a separate e-way bill.

FDI / FPI

1. India attracted \$64.4 bn worth of FDI in 2018-19
2. 100% FDI to be permitted for Insurance intermediaries
3. Statutory limit for FPI investment in a company increased to sectoral limit from 24%
4. Local sourcing norms to be eased for FDI in single brand retail

OTHER ASPECTS

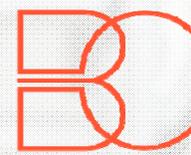
1. 1 percentage duty and cess will be levied on petrol and diesel per litre
2. Promotion of rental housing: Model tenancy law to be finalised
3. Enhancing Ease of Tax-Payers: Aadhaar and PAN to be interchangeable
4. Aadhaar will be issued for NRIs with Indian passports after arrival without mandatory waiting period
5. Price of gold precious metals to go up due to hike in custom duty.
6. Pradhan Mantri Karam Yogi Maandhan: Pension benefits to retail traders and small shopkeepers.

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