



Analysis of Interim Union Budget 2019-20
by
Taxpert Professionals

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PREFACE

Respected Reader,

We at Taxpert Professionals, through our team of expert professionals present to you our analysis of Budget 2019 presented by Mr. Piyush Goyal ji.

The Interim Budget 2019 presented by the NDA Government is not just an Interim Budget, it is a vehicle for the developmental transformation of the nation. At one end, the Government has undertaken to increase public spending through various development schemes & at the other end provided relief to the lower and middle income groups with substantial reliefs in Income Tax, the most significant one being enhancement in income limit for rebate of Income Tax from 3,50,000 to 5,00,000. With variety of tax benefits, the Government has also introduced new schemes in the sector of infrastructure, social security, career development, animal husbandry, farmers and developed few existing ones in the sector of health, housing, etc. In its Budget, the Government placed its emphasis on Renewable energy, inclusion for all, Women Empowerment, Corruption free India, Digitalisation of economy & Development of the nation at the world level.

From speaking about the increase in FDI and rationalisation of FDI policy, Banking reforms and Insolvency and Bankruptcy code, 2016, The Real Estate (Regulation and Development) Act, 2016 (RERA) and Benami Transaction (Prohibition) Act, 1988, Fugitive Economic offenders Act, 2018, Goods and Services Tax Act, 2017 to demonitisation the interim Finance Minister Mr. Piyush Goyal spoke about the result oriented work that the NDA government has done during its tenure.

The Budget tries to achieve holistic inclusion of all parties viz. De-notified, Nomadic and Semi Nomadic as recognised communities, establishment of "Rashtriya Kamdhenu Aayog", Boost to Animal Husbandry and Fisheries sector and also looking after the person of Indian Origin as integral part of India. With bringing of Pradhan Mantri Shram-Yogi Maandhan, Pradhan Mantri Kisan SAMman Nidhi, and creation of department of fisheries the government has shown its commitment towards sustainable and inclusive growth for all.

Digitisation has been one of the key focus of NDA government since beginning. The Government plans to make 1 lakh villages into Digital Villages over next five years. Establishment of the National Centre on Artificial Intelligence as a hub along with Centres of Excellence is something which is also envisaged. The process of digitization of Income tax and other government has already been started at full pace. The government now plans that within 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. On the similar lines as Income tax, Indian Customs shall also be introducing full and comprehensive digitalization of export/import transactions and leveraging RFID technology to improve export logistics.

The budget gives very well laid down procedure for 2030 giving ten dimensions viz physical as well as social infrastructure, digital India, Pollution Free nation, expansion of rural industrialization, Clean Rivers, development of inland waterways , launching space programs, making India self-sufficient in food by high farm production and productivity, healthy society and a proactive and responsible bureaucracy.

While Full tax rebate to Individual taxpayers having taxable annual income up to INR 5 lakhs , Increase in standard deduction from current INR 40,000 to INR 50,000, exemption of levy of income tax on notional rent on a second self-occupied house, Increase in TDS threshold on interest earned on bank/post office deposits from INR 10,000 to INR 40,000, single window clearance for ease of shooting films, has brought a big smile on the face of all the individual Tax payers, the recognition and encouragement to women entrepreneurs by bringing in compulsory sourcing by Government enterprises from women owned SMEs upto 3% is very much appreciable.

Budget 2019 is a well directed Budget setting positive pitch for 2019 elections for NDA Government proposing and listing transformational reforms.

Should you have any query on the Budget or you would like to discuss any points in detail, kindly be free to get in touch with us.

Happy Reading...!!

Warm Regards,

Team Taxpert Professionals

01st Feb 2019



"With this comprehensive ten-dimensional Vision, we will create an India where poverty, malnutrition, littering and illiteracy would be a matter of the past. India would be a modern, technology driven, high growth, equitable and transparent society."

- Finance Minister, Mr. Piyush Goyal ji, Budget speech 2019

SECTORAL INSIGHTS

Mr. Piyush Goyal ji used his Budget speech to present the achievements of the present Government in its tenure and laid down the vision for the next 5, 8 and 10 years.

A gist of the achievements and the proposed path ahead in each sector is summarized below: -

Banking reforms:

Banking system has seen new reforms with **4Rs approach of recognition, resolution, re-capitalisation and reforms** of the Government. A number of measures have been implemented to ensure Clean Banking. To restore the health of public sector banks, recapitalisation has been done with an investment of INR 2.6 lakh crore. Amalgamation of banks has also been done to reap the benefits of economies of scale, improved access to capital and to cover a larger geographical spread. Also, one of the major reform led by Government was implementation of Insolvency and Bankruptcy Code, 2016 which could garner an amount of close to INR 3 lakh crore in favour of banks and creditors.

Health:

The Government had launched world's largest health care programme, Ayushman Bharat, to provide medical treatment to nearly 50 crore people. Lakhs of poor and middle class people are also benefiting from reduction in the prices of essential medicines, cardiac stents and knee implants, and availability of medicines at affordable prices through Pradhan Mantri Jan Aushadhi Kendras. There are 21 AIIMS operating or being established in the country presently. 14 of these 21 AIIMS have been announced since 2014. In this Budget, Honourable Finance Minister announced setting up of new the 22nd AIIMS in Haryana.

Farmers:

Agriculture continues to be the main driver of the rural economy. To provide an assured income support to the small and marginal farmers, the Government has proposed to launch a historic programme namely "**Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)**". Under this programme, vulnerable landholding farmer families, having cultivable land upto 2 hectares, will be provided direct income support at the rate of 6,000 per year. This income support will be transferred directly into the bank accounts of beneficiary farmers, in three equal instalments of 2,000 each. The programme would be made effective from 1st December 2018 and the first instalment for the period upto 31st March 2019 would be paid during this year itself.

Infrastructure:

Under the Pradhan Mantri Gram Sadak Yojana, construction of rural roads has been tripled. 15.80 lakh habitations out of a total of 17.84 lakh habitations have already been connected with pucca roads and work is going on to complete the rest very soon. Pradhan Mantri Gram Sadak Yojana (PMGSY) is being allocated 19,000 crore in BE 2019-20 as against 15,500 crore in RE 2018-19. Because of 'UDAAN Scheme', today an ordinary citizen is also travelling by air. The number of operational airports has crossed 100 with the commissioning of the Pakyong airport in Sikkim.

This major leap in wholly developed technology by our engineers will give an impetus to the Make in India programme and create jobs. Capital support from the budget for railways is proposed at INR 64,587 crore in 2019-20.

Animal Husbandry and Fisheries:

The Government recognised the need of considerable support to Animal Husbandry and Fisheries industry. The Government has increased the allocation for Rashtriya Gokul Mission to 750 crore in the current year itself. To provide sustained and focused attention towards development of this sector, Government has decided to create a separate Department of Fisheries. In the last budget, Government had announced the facility of extension of Kisan Credit Card scheme (KCC) to Animal Husbandry and Fisheries farmers. In the current budget, it has been proposed to provide the benefit of 2% interest subvention to the farmers pursuing the activities of animal husbandry and fisheries, who avail loan through Kisan Credit Card. Further, in case of timely repayment of loan, they will also get an additional 3% interest subvention.

The Government has decided that all farmers affected by severe natural calamities, where assistance is provided from National Disaster Relief Fund (NDRF), will be provided the benefit of interest subvention of 2% and prompt repayment incentive of 3% for the entire period of reschedulement of their loans.

It further announced setting up of "Rashtriya Kamdhenu Aayog" to upscale sustainable genetic up-gradation of cow resources and to enhance production and productivity of cows.

Social Security:

The Government proposes to launch a mega pension yojana namely '**Pradhan Mantri Shram-Yogi Maandhan**' for the unorganised sector workers with monthly income upto 15,000. This pension yojana shall provide them an assured monthly pension of 3,000 from the age of 60 years on a monthly contribution of a small affordable amount during their working age. An unorganised sector worker joining pension yojana at the age of 29 years will have to contribute

only 100 per month till the age of 60 years. A worker joining the pension yojana at 18 years, will have to contribute as little as 55 per month only. The Government will deposit equal matching share in the pension account of the worker every month.

Digital:

Digitisation has been one of the key focus of NDA government since beginning. The Government plans to make 1 lakh villages into Digital Villages over next five years. Establishment of the National Centre on Artificial Intelligence as a hub along with Centres of Excellence is something which is also envisaged. The process of digitization of Income tax and other government has already been started at full pace.

The government now plans that within 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. In the similar lines as Income tax, Indian Customs shall also be introducing full and comprehensive digitalization of export/import transactions and leveraging RFID technology to improve export logistics.

MSME's & traders:

Government has undertaken many effective steps to strengthen MSME sector, which provides employment to crores of people. Recently, a scheme of sanctioning loans upto 1 crore in 59 minutes was also launched. GST registered SME units will get 2% interest rebate on incremental loan of 1 Crore. The requirement of sourcing from SMEs by Government enterprises has been increased to 25%. Of this, the material to the extent of at least 3% will be sourced from women owned SMEs.

Entertainment:

To promote entertainment industry - Single window clearance for ease of shooting films, available only to foreigners, is proposed to be made available to Indian filmmakers as well. Regulatory provisions will rely more on self-declaration. It is also proposed to introduce anti-camcording provisions in the Cinematograph Act to control the menace of piracy.

ECONOMIC INDICATORS

The year 2018-19 has been very revolutionary for the Indian Economy. Over the last five years have seen India being universally recognized as a bright spot of the global economy. The country witnessed its best phase of macro-economic stability during this period. India is the fastest growing major economy in the world with an annual average GDP growth during last five years higher than the growth achieved by any Government since economic reforms began in 1991. From being the 11th largest economy in the world in 2013-14, we are today the 6th largest in the world. Besides generating high growth rate, the Government contained double-digit inflation and restored fiscal balance.

The survey for 2018-19 was tabled by Finance Minister Piyush Goyal in Parliament. As per our honorable Finance Minister - Controlling inflation and increasing transparency has been a priority area for the Central Government. Adding to it he said that inflation in the country in Dec, 2018 was down to 2.19%.

The decline in inflation was broad-based across major commodity groups except housing, fuel and food. The economy has witnessed a gradual transition from a period of high and variable inflation to more stable prices in the last four years. Our Finance Minister articulated that we are moving towards realising a **'New India' by 2022**, when India celebrates 75 years of independence: an India which is clean and healthy, where everybody would have a house with universal access to toilets, water and electricity; where farmers' income would have doubled; youth and women would get ample opportunities to fulfil their dreams; an India free from terrorism, communalism, casteism, corruption and nepotism.

Due to a stable and predictable regulatory regime, growing economy and strong fundamentals, India could attract massive amount of Foreign Direct Investment (FDI) during the last 5 years - as much as \$239 billion. This period also witnessed a rapid liberalisation of the FDI policy, allowing most FDI to come through the automatic route.

The Government broke the back of back-breaking inflation. The Government brought down average inflation to 4.6%. Infact, inflation in December 2018 was down to 2.19% only. From the high of almost 6% seven years ago, the fiscal deficit has been brought down to 3.4% in 2018-19. The current account deficit (CAD), against a high of 5.6% six years ago, is likely to be only 2.5% of GDP this year.

BUDGET HIGHLIGHTS

1. The benefit of tax rebate has been extended to assesses having income upto Rs. 5 lakh
2. Standard Deduction from the salary income to be raised to Rs. 50,000 from Rs. 40,000
3. TDS threshold to be raised from Rs. 10,000 to Rs. 40,000 on interest earned on bank/post office deposits
4. No change in the slab rate of taxes
5. Tax on notional rent exempted for a second self-occupied house
6. TDS threshold for deduction of tax on rent to be increased from Rs. 1,80,000 to Rs. 2,40,000
7. Benefit of rollover of capital gains increased from investment in one residential house to two residential houses for capital gains up to Rs. 2 crore.
8. Tax benefits for affordable housing extended till 31st March, 2020 under Section 80-IBA of Income Tax Act
9. Tax exemption period for real estate business on notional rent, on unsold inventories, extended from one year to two years

BUDGET PROPOSALS – DIRECT TAX

Section No.	Extant Provisions	Proposed change	w.e.f.	Reason of change
Salary				
Sec 16	The income chargeable under the head salary was computed after giving a standard deduction of forty thousand rupees or the amount of the salary, whichever is less	The amount of standard deduction has been increased from "forty thousand", to "fifty thousand".	1st day of April, 2020	To provide relief to the salaried taxpayers.
House Property				
Sec 23	Where the property of an assessee consist of more than one house, the provisions w.r.t. the Self Occupied Property was applicable only in respect of one of such houses, which the assessee may, at his option, specify in this behalf. Any property self occupied in excess of two was, for tax purposes required to be considered as Let out Property.	The benefit of tax provisions w.r.t. the Self Occupied Property is extended from one to "two houses". Therefore, w.e.f 1 April 2020, any property self occupied in excess of two will be treated as Let out Property.	1st day of April, 2020	To provide relief to the taxpayer by allowing him an option to claim nil annual value in respect of any two houses, declared as self-occupied, instead of one such house as currently provided.
Sec 23(5)	Under the extant provisions, where the property is held as stock-in-trade and which could not be let out during the whole or any part of the previous year, the annual value of such	The proposed changed here is extending a period of "one year" to "two years". Therefore, now, notional rent of property, held as stock in trade beyond a period of two years	1st day of April, 2020	To provide relief to the taxpayers that notional rent in respect of unsold inventory shall not be charged to tax

	property or part of the property, for the period up to one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, is taken to be nil. Hence, such property, beyond a period of a year was considered as "Income from House Property" and notional rent was chargeable to tax.	(as against one year earlier) will be considered for computation of "Income from House Property".		upto two years, instead of existing one year.
Sec 24	Under extant provisions, Sec 24 specifies the deductions that can be availed from the Net Annual Value derived from the House Property. The deduction shall be INR 30,000/- or 2,00,000/- subject to fulfilment of conditions.	As Sec 23 is amended to extend the benefits of provision of Self Occupied Property from one house to two house. Therefore, to bring deduction in line with Sec 23, this change is proposed. Here, the proposed change is that the aggregate of deduction w.r.t. both the properties shall not exceed "two lakhs rupees".	1st day of April, 2020	To provide that the monetary limit of deduction on account of interest payable on borrowed capital shall continue to apply to the aggregate of the amounts of deduction in case of more than one self-occupied houses.
Capital Gains				
Sec 54	Under extant provisions, there is exemption allowed to assessee (Individual or HUF) on the income from Capital Gains which arises as a result of transfer of long term capital assets. The exemption is to the extent of purchase or construction of another residential House Property.	The benefit of exemption under this section was earlier available only with respect to one residential house, which is now extended to two houses, provided that the amount of the capital gain does not exceed two crore rupees. Also, this option can be availed only ONCE during lifetime.	1st day of April, 2020	To provide relief to the taxpayers having long-term capital gains up to two crore rupees, arising from transfer of a residential house, by affording the assessee a one time opportunity, at his option, to utilise the said amount for the purchase or construction of two residential houses in India instead of one residential house as currently provided.

Deduction under Chapter VI-A				
Sec 80-IBA	This section provides for deduction of an amount equal to hundred per cent of the profits and gains derived from such business. The benefit of this section was allowed if the project was approved by the competent authority after the 1st day of June, 2016, but on or before the 31st day of March, 2019	The benefit is proposed to be extended for projects approved upto 31st March, 2020.	1st day of April, 2020	To augment the supply of affordable houses by extending the time limit from 31st March, 2019 to 31st March, 2020 for obtaining approval of the housing project for availing deduction.
Rebate				
Sec 87A	An assessee, being an individual resident in India, whose total income does not exceed [three hundred fifty thousand] rupees, shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to hundred per cent of such income-tax or an amount of [two thousand and five hundred] rupees, whichever is less.	<p>The limit of income shall be increased from "INR 350,000" to "INR 5,00,000"</p> <p>The amount of rebate shall be increased from "INR 2,500" to "INR 12,500".</p> <p>Therefore, here it is essential to note that this benefit is not available to assessees with total income exceeding 5,00,000/-</p>	1st day of April, 2020	To provide relief to the individual taxpayers by increasing the maximum amount of tax rebate to twelve thousand five hundred rupees from existing two thousand five hundred rupees.
Tax Deducted at Source				
Sec 194A	The TDS deduction limit in case of interest income other than income by way of interest on securities is INR 10,000/-	The limit for TDS deduction is increased from "INR 10,000" to "INR 40,000".	1 st day of April 2019	To ease the burden of compliance.

Sec 194-I	The TDS deduction limit in case of any person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident any income by way of rent is INR 1,80,000/-	The limit for TDS deduction is increased from "INR 180,000" to "INR 240,000".	1 st day of April 2019	Enhancement of threshold limit from INR 180,000" to "INR 240,000 for deduction of tax at source on rental income.
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BUDGET PROPOSALS – INDIRECT TAX

Considering the Proposals in respect of Direct Tax, there are no Proposals under Indirect Tax / GST. We understand that other reason for no proposals under GST is formation of GST Council & Recommendations of the council is positively accepted by the Government.

Keeping in mind the relaxation provided to Middle Class, the Honourable Finance Minister has recommended GST council to appoint group of ministers to examine & make recommendations to reduce the burden of GST on the Home Buyers. In view of the above since no considerable changes are recommended, we request you to regularly follow us for all the GST updates which are shared by us.

"We will transform India into a leading nation of the world with the help of our people. We, along with them have laid the foundation. A grand edifice will be erected with their support. We have given a decisive leadership, whose intent is clear, policy is transparent and integrity is resolute".

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