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Reform, Perform, Transform

A faint, dotted world map is visible in the background of the slide.

Information in the following slides is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. K Vijayaraghavan & Associates LLP accepts no responsibility for loss arising from any action taken or not taken by anyone using these slides.

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Foreword



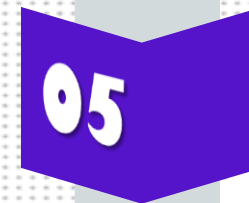
Direct Tax Proposals and Reforms



Indirect taxes



Sectoral Reforms



Other Key Measures



Schemes

The Budget of July 2019 provided an exemplary overview of the way forward for the Modi Government, which was backed by a huge mandate. The FM has presented a budget that is pragmatic and reflects the economic realities facing the nation.

This budget is largely ‘promissory’ in nature with a lot of policy reforms that would be formulated in the coming days, a pro-development budget with the ideology of “reform, perform and transform” several key sectors and geographical regions, with special focus on housing sector, electric vehicles, infrastructure development, education and relaxation of FDI in various sectors.

The focus continues in the direction of the earlier budgets of the NDA seeking to broaden the tax base, reduce tax rates in a gradual manner, minimize opportunities for tax base erosion and enable a friendlier tax administration.

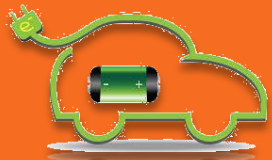
In a comprehensive sense, it shows the way forward for NDA 2.0 and showcases a sincere attempt to put India on the Growth Path to become a USD 5 Trillion Economy.

We have captured some of the important highlights of the budget to see what takes on your pockets this season for ease of your understanding.

ବିଦାରଣା ବିମ୍ ଜଗତ



US \$ 1.85
trillion in 2014



Swadeshi



11th Largest
Economy

Reached US \$
2.7 trillion



6th Largest
Economy

Expected US \$
5 trillion



Make in
India

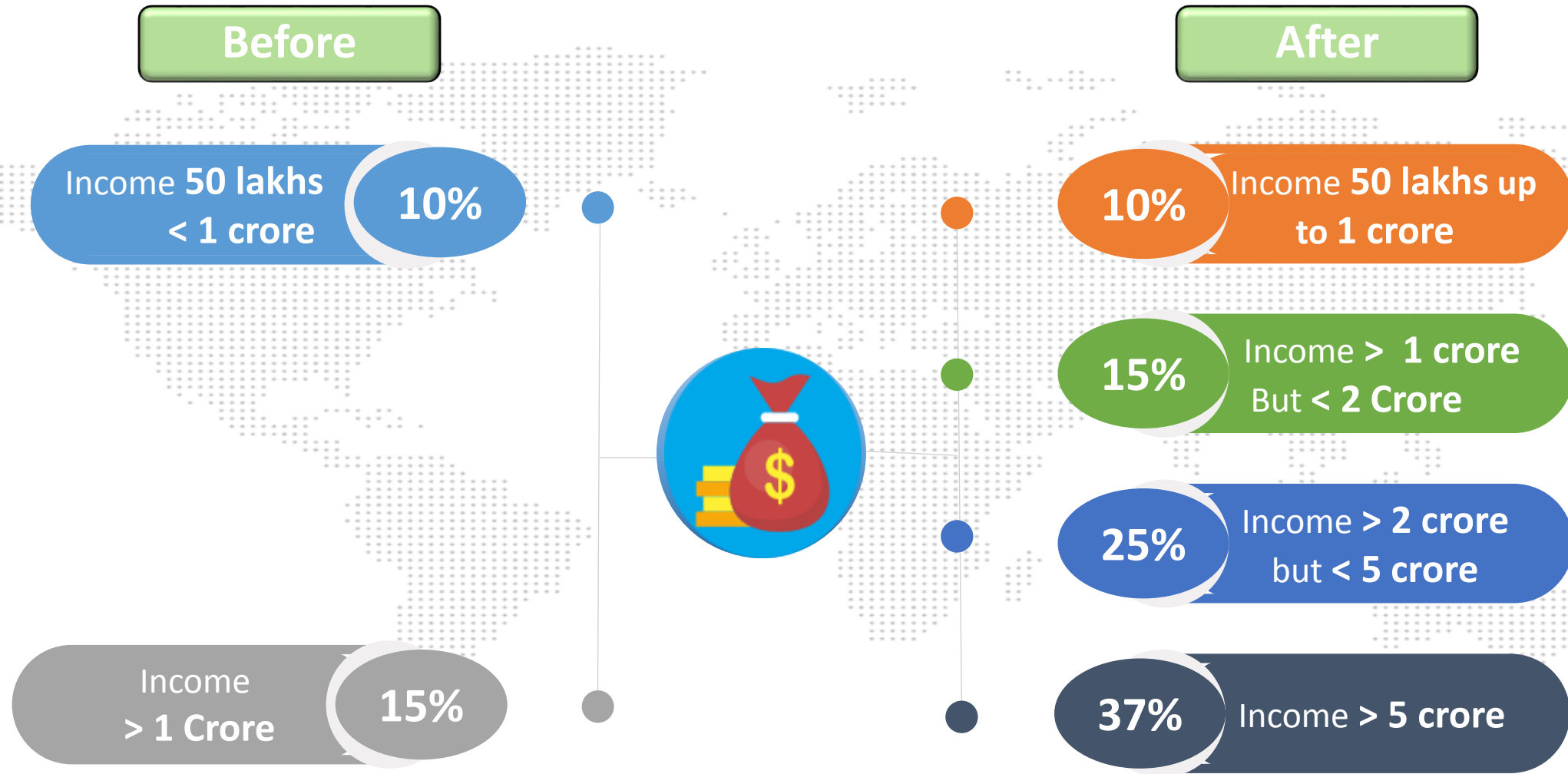


3rd Largest
Economy –
Purchasing Parity
Terms

INCOME

TAX

Surcharge for Individuals



The move to refrain the introduction of inheritance tax is a welcome step.

Corporate Tax – Domestic Companies

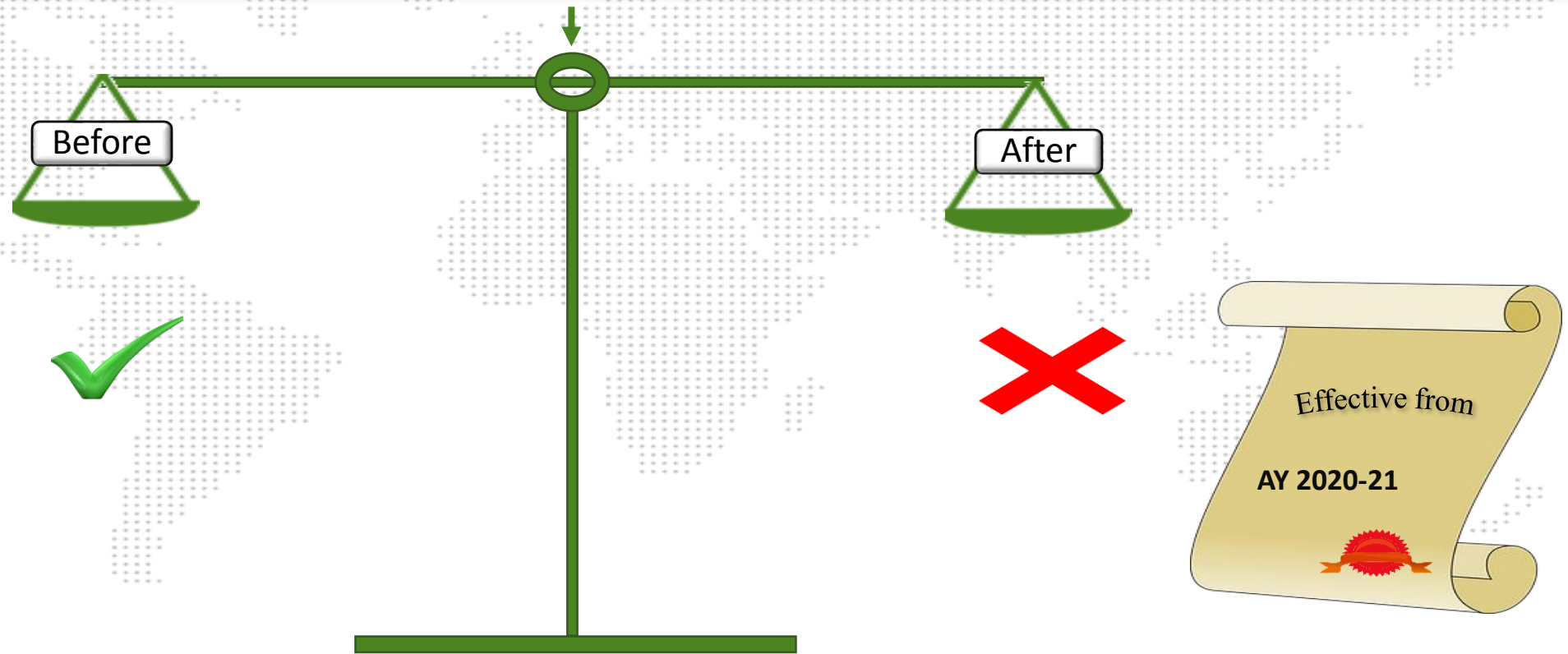
25% Tax rate is applicable, if the total Turnover or gross receipts exceeds the prescribed amount in **Previous year 2017-18**.



This will cover 99.73% of the companies. Step in the right direction, something to cheer for the corporates.

Relaxation in Conditions of Special Taxation Regime for Funds – Sec 9A(3):

- The corpus of the fund shall not be less than **100 Crore** 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 or
- 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 prescribed.



To simplify the process, for avoiding an allegation of business connection for eligible investment funds.

Transfer Pricing - Secondary Adjustment Clarifications

Effective from
1st
April, 2018

Primary adjustment threshold of INR 1 cr and adjustment up to AY 16-17 are to be considered as alternate conditions.



Interest to be calculate on excess money or part thereof



To apply to agreements signed on or after 1st April, 2017



No refund of taxes paid till date under pre-amended section

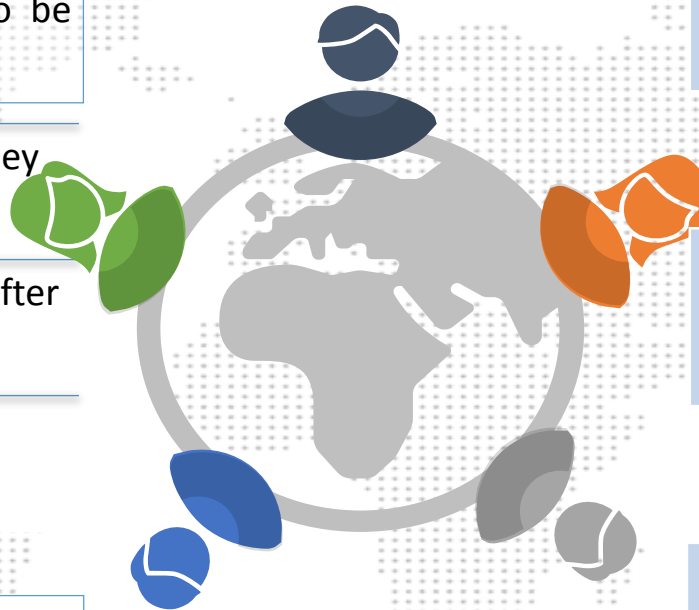
Proposed to allows excess money repatriation from any of the NR AEs

Effective from
1st
Sep, 2019

Option of additional tax of 18.5% + surcharge of 12% (over and above normal tax) on non-repatriation on time in addition to existing calculation of Interest.

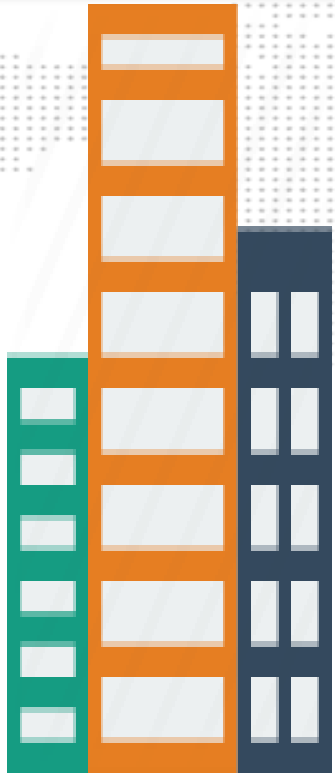
No Secondary adjustment or interest if the assessee pays the additional income – tax.

No deduction of amount on which such tax has been paid shall be allowed under any other provisions of this act.



Facilitating Resolution of Distressed Companies

Distressed Companies



Losses can be carried forward and set off even if there is change in shareholding or voting power.

Except where



NCLT has suspended the BOD of such company and has appointed new directors who are appointed by CG

Change in shareholding of such company, and its subsidiaries and the subsidiary of such subsidiary has taken place in a previous year pursuant to a resolution plan approved by NCLT

Effective from

1st April, 2020



Section 115JB:

Aggregate amount of unabsorbed depreciation and loss brought forward shall also be allowed to be reduced in cases of these companies

Exemption from Deeming of Fair Market Value of Shares for Certain Transactions



Receipt of money or specified property for no or inadequate consideration is chargeable to tax.

In case of receipt of shares, tax is computed based on FMV of such shares

Section 50CA provided for regulations for FMV to compute capital gains from the transfer of such shares.

To empower the Board to prescribe transactions undertaken by certain class of persons to which the provisions of section 56(2)(x) and 50CA shall not be applicable.



To remove undue hardships for Tax payers

Rationalizing Provisions

Additional compliance under **sec.92D** on constituent entity to maintain information and documents and make required filings even if there is no international transaction.

Introduction of penalty for non-compliance with conditions imposed under **sec.56(2)(viib)** of notified companies for consideration in excess of FMV

Threshold to tax payable under **sec.276CC** for prosecution proceedings for failure to furnish returns of income against a person shall not proceed against increased from Rs.3000 to Rs.10,000

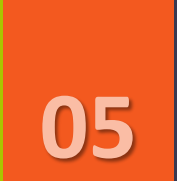
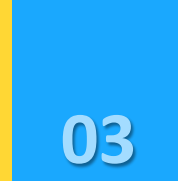
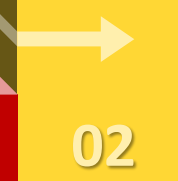
Recovery of tax in pursuance of agreements with foreign countries to extend to resident in foreign countries

Income by way of interest received on compensation or on enhanced compensation treated as "IFOS" under **sec.56**

Time limitation for attachment of property under **Sec. 68B** increased from 3 years to 7 years, which can be further extended up to 3 years on discretion of board

Effective from
1st
April, 2020

Effective from
1st
Sep, 2019



Incentives for Affordable Housing:

Sec 80EEA : Additional deduction in respect of interest up to **Rs.1.5 Lakh** on loan taken for residential purpose subject to:



Loan sanctioned during 1st April 2019 to 31st March 2020.



The stamp duty value does not exceeds **45 lakhs.**



No other Residential house property on the date of sanction.



For realizing the goal of housing for all for 2022

Incentives to International Financial Service Centre(IFSC)



Sec 47

Exemption from Capital gains in IFSC as applicable to Non residents(NRs) residents to be extended to Category III Alternative investment fund if all the unit holders are NRs.



Sec 115-A

80LA deduction shall now be applicable to foreign companies (eg. Branch or office) located in IFSC w.e.f 1.4.2020)

Sec 10

Interest received by Non residents from units located in IFSC to be exempt in respect of loans given to the said units on or after 1st sept 2019.



Sec 80LA

Profit linked deduction made more flexible as the units In IFSC can claim 100% deduction for any 10 consecutive years out of first 15 years (w.e.f 1.04.20)

Sec 115-R

Mutual fund or specified company in IFSC to not pay additional income tax in respect of income distributed to unit holders, all of whom are non residents.(w.e.f 1.9.2019)



Sec 115-O

Completion exemption from Distribution of dividend tax.

Incentive to get people onshore and carry out business in India

Widening and Deepening of Tax Base

Sec 194M

On payment for contractual work or professional fees paid by an individual or HUF, TDS shall be deducted at **5%** if the aggregate sum exceeds **50 lakhs** in an year.

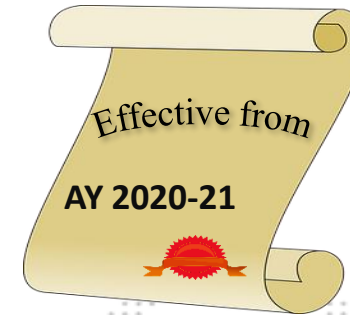
Sec 194-IA

TDS will be applicable at the rate of **1%** if any immovable property is transferred other than agricultural land.

Gift to person residing outside India

Income arising from any sum of money paid, or any property situated in india transferred, by a person residing in india to a person outside india shall be deemed to accrue or arise in india.

For ease of compliance, inter-changeability of PAN & AADHAAR



Mandatory furnishing of return of income by individuals if:

1. Has deposited aggregate amount exceeding **1 crore** through current account **or**
2. Has incurred expenditure of an amount or aggregate of amount exceeding **2 lakhs** for himself or any other person on foreign travel **or**
3. Has incurred expenditure of the amounts exceeding **1 lakh** rupees towards consumption of electricity **OR**
4. If the total income before claiming the rollover benefit of exemption from capital gain tax on investment in specified assets like house, bonds, etc. is more than the amount chargeable to tax

Improving Effectiveness of Tax Administration

- Prescribing the form and manner of application to the assessing officer and also for the manner of determination of appropriate portion of sum chargeable to tax by the assessing officer

- Enable online filing in prescribed form and manner where tax not been deducted on payment of interest to residents.



- Proposed to make a consequential amendment – threshold for TDS on payment of interest by a banking company/cooperative society/public company was raised to 40,000.

- Proposed to provide correction of such statements

Reform in Direct Taxes

Face less assessments:

Monitoring through a central cell, to curb tax evasion and certain undesirable practices on part of tax officials.



Pre filled Tax return:

A push towards electronic interface between the tax department and the taxpayer, using the vast amounts of data at it's disposal.



Interchangeability of PAN and Aadhaar.



Finalization of Direct Tax Code:

The draft would be put out soon for public consultation before the same is finalized.

Exemptions to Non Residents



- ❑ Sec 194-LC : No TDS to be made on interest paid to Non-residents in respect of monies borrowed by issue of rupee denominated bonds.
- ❑ Sec 10 : Amended to provide exemption for the same.



Ease of Compliance for Tax Payers

Facilitating demerger

For Ind AS Compliant Companies

Effective from
1st
April, 2020

Giving away
with the
requirement
of

recording
property and
liabilities at
book value

by the
resulting
company

Clarification:

Effective from
1st
Sep, 2019

To 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.

Power of Assessing Officer

**Section 201
and 40:**

Payments to non-residents

Deductor shall not be considered as assessee in default if the non-resident filed ROI and paid taxes.

Interest to be paid till filing of ROI by non-resident payee and accordingly no disallowance u/s 40

Effective from
1st
Sep, 2019

Section 111A:

Short-Term Capital Gains

Effective from
1st
April, 2020

Extended to

- Transfer of units of fund of funds set up for disinvestment of Central Public Sector Enterprises (CPSEs)

Ease of Compliance to Tax Payers (Continued..)



Exemptions and Incentives for AIFs:

Pass through of losses – AIF I & II



Exemption has been provided for venture capital undertaking from a venture capital company or a fund or by classes of company notified by Central government which is included in Category II AIF



Set off and carry forward of losses

Other than business losses

Business losses

If unit held for > 12 months

If unit held for < 12 months

Business Trust

Unit Holders

Lapse



Section 194DA:

TDS to be deducted at 5% of Net Income



1% TDS on any sum to a resident under a life insurance policy, which is not exempt under sub-section (10D)

Promoting Cashless Economy

Applicable
from 1st
Sept 2019

Certain provisions of the Act have been amended to include Other Electronic Modes as may be prescribed.

Sept 2019

business

Applicable
from 1st
Sept 2019

TDS @ 2% - Cash payments > 1 Crore in aggregate made during the year by a banking company or cooperative bank or post office to any person from account maintained by recipient.

account maintained by recipient



Applicable
from 1st Nov
2019

Companies with total sales turnover or gross receipts > 50 Crores during the immediately preceeding previous year – should provide facility for accepting through prescribed electronic mode

Applicable
from 1st Nov
2019

Penalty on non-compliance of above – Rs. 5,000 per day of failure.
No bank or system provider shall impose any charge upon anyone for using these modes.



Indirect Taxes

Excise

Custom Duty

GST



Threshold for Supply of Goods



Section 22 :

Threshold for suppliers engaged in exclusive supply of goods has been Rs. 20 lakhs to such amount not exceeding Rs. 40 lakhs.

Aadhaar Authentication



Section 25 :

Aadhaar authentication mandatory for specified class of new taxpayers.

Electronic Payment method



Section 31A :

Specified suppliers shall have to mandatorily give the option of specified modes of electronic payment to their recipients.

Returns



- Proposal for certain class of registered persons to furnish returns every quarter and pay taxes monthly.
- Proposal to submit return every FY and pay taxes quarterly for composition tax payers

Cash Ledger



Section 49 :

Registered Person can transfer an amount from one head to another head in the electronic cash ledger.

Goods and Service Tax (Continued..)

Sabka Vishwas LDRS



This scheme has a far reaching effect in ending protracted litigations in the legacy laws and help in settlement of cases providing relief to the taxpayers as well as boosting the short term revenue collection of the government."

National Appellate Authority



Constitution of this for Advance Ruling should take care of the conflicting rulings of the Advance ruling authorities of two different states.

Interest on delayed payment of tax



Section 50 :

Provides for charging interest only on the net cash tax liability, except in those cases where tax is paid subsequent to initiation of any proceedings u/s 73 and 74 of the Act.

National Anti- Profiteering Authority



Section 171 :

- Empowering the National Anti-Profiteering authority to impose penalty equivalent to **10%** of the profiteered amount.

Customs and Excise

Customs Duty



Defense Equipment and Electric Vehicle

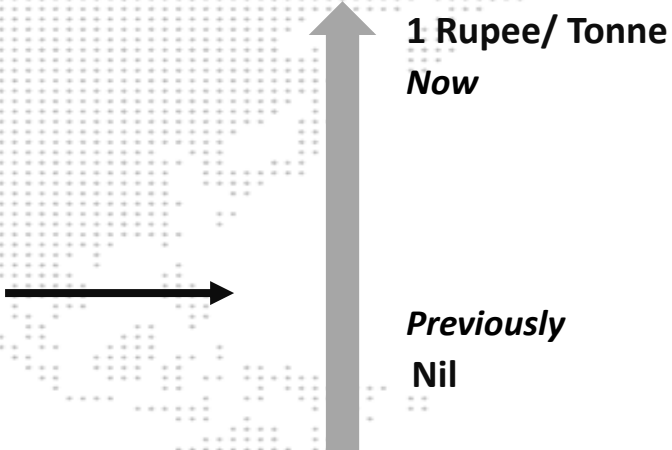
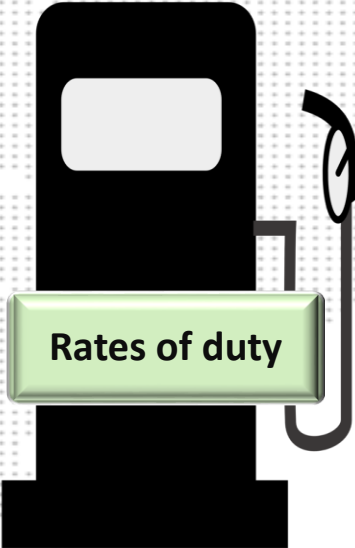
Exempt from



Basic Customs Duty

Excise Duty

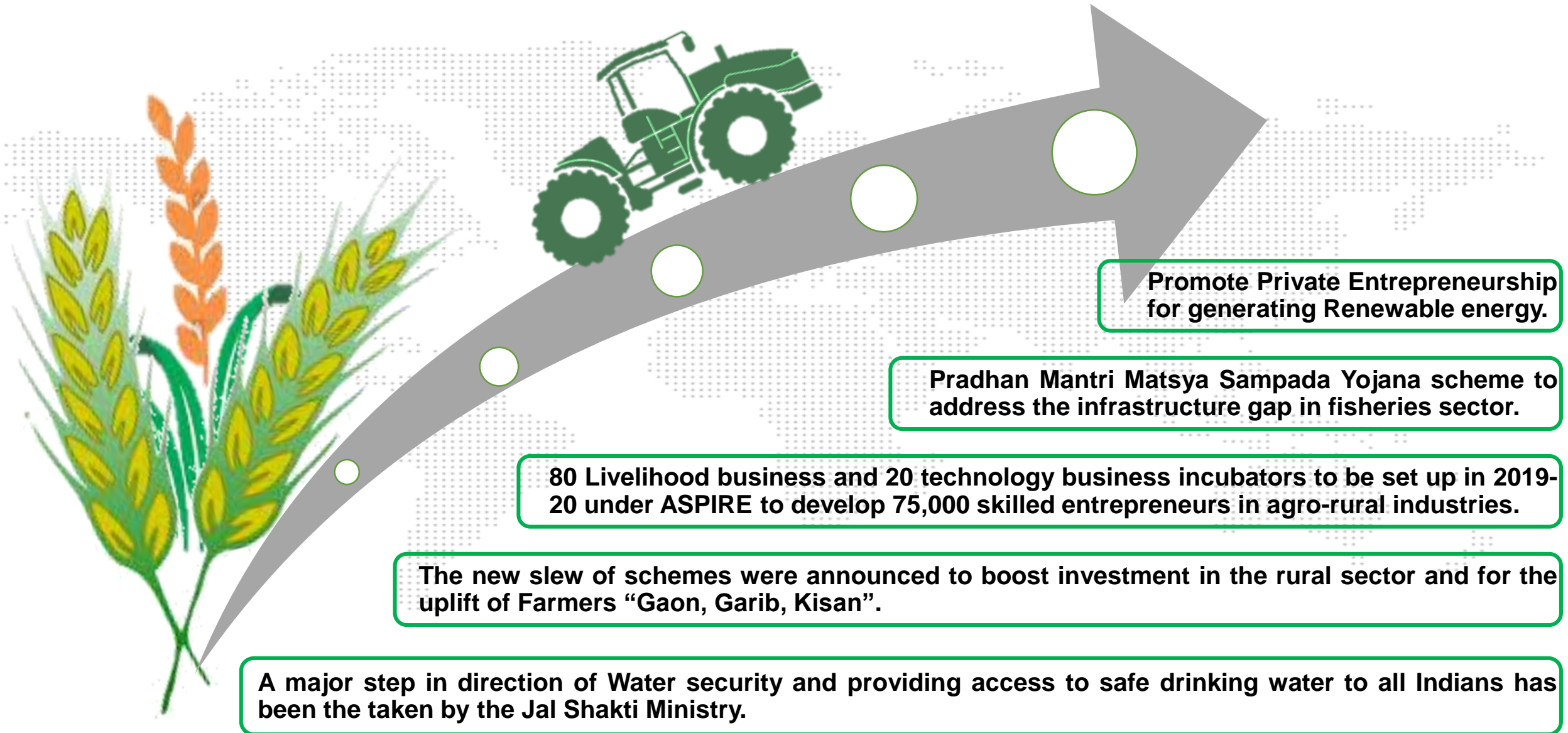
Petroleum:



Sectoral Reforms



Food and Agriculture- Annadata to Urjadata



MSMEs and Startups- Stand Up India



'Stand up India' Scheme
to continue till 2025.

Allocation of 7000 crore budget.

GST registered SME will get concession of 2% in interest for loans up to 1 crore.

Pension benefits to around 3 crore retail traders and small shopkeepers with annual turnover less than 1.5 crores

Creation of payment platform to enable filing of bills and payments

No MDR Charges to be imposed on Customers or Merchants.

Extension in period of exemption of capital gains from the sale of residential house for investment in startups up to March, 2021.

Funds raised by startups will not require any scrutiny by IT Department.

To resolve Angel Tax Issues, Startups who provide details in returns will not be subject to any scrutiny in respect of valuation.

TV Channel to be launched for promoting startups and help matchmaking for funds and a payment platform will also be set up.

Not required to justify fair market value of shares issues to investors in Category II.

Relaxation of the condition of minimum shareholding of 50% of share capital or voting rights to 25%.

Relaxation on the condition of restricting transfer of new asset being computer or computer software from current 5 years to 3 years.

Railways and Metro- One Nation , One Grid

As the expenditure is INR 1.4-1.6 lakh crores per annum, it is, therefore, necessary to privatize and encourage PPP.

Estimated requirement for railway infrastructure investment between 2018 and 2030 of INR 50 lakhs Crores.



Encourages investments in suburban networks through Special Purpose Vehicle

Govt to launch massive Railways modernization programme this year

Almost 657 km of metro rail network has so far become operational across the country.

Housing Reforms- Housing for All

PMAY-Urban :

- Large scale adoption of modern technology for construction of houses.
- An amount of INR 4.83 lakh crores has been sanctioned to provide houses to the intended beneficiaries.

Pradhan Mantri Awas Yojana:

- 1.54 crore rural homes have been completed in the last 5 years.
- Second phase of PMAY-G aims at providing 1.95 crore houses to eligible beneficiaries between 2019-20 and 2021-22.

Intention to **modernize the tenancy laws.**



Aviation and air connectivity-Bridging the Rural- Urban Divide



A Public sector enterprise- New Space India Limited (NSIL) incorporated to tap benefits of ISRO

To enter into aircraft financing and leasing activities.

01

02

03

04

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Recognizes the need to harness India's ability

Will create congenial atmosphere for development of MRO services

UDAN Scheme to provide air connectivity to smaller cities to help in bridging the rural-urban divide



Roads and Highways- The Bharatmala Project

A large, 3D-rendered orange traffic cone with two white reflective bands, positioned on the left side of the slide.

Pradhan Mantri Gram Sadak Yojana:

- 125,000 km of road to be upgraded over next 5 years at a cost of 802.5 billion rupees
- Reportedly, 30,000 km of PMGSY roads have been built using green technology.

National Highways Programme

- Proposal for restructuring of National Highways Programme to ensure the creation of the National Highways Grid of desirable capacity.





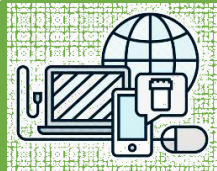
₹1.05 lakh crore divestment target for FY20



Public sector banks to be provided **70,000 crore** rupees to boost capital and improve credit



Considering to go below **51%** to an appropriate level of ownership stake in non-financial public sector undertakings on case by case basis



Public sector banks will use technology, enabling customer of one PSB to access service across all PSBs as well.

To bring greater commercial and market orientation.



To make capital markets closer to the masses, deepen bond markets, get retail investors to invest in treasury bills.

Foreign Direct Investment (FDI)

Existing KYC norms for FPIs to be rationalized and simplified to make it more investor friendly.

CGEC to set up long term bonds with specific focus on infra sector.

To merge NRI portfolio route with FPI route.

To allow FPIs to subscribe to listed debt papers of REITs.



100% FDI to be permitted for Insurance Intermediaries

Statutory limit for FPI investment in a company increased to sectoral limit.

To allow FII's and FPI's investment in debt securities

Local sourcing norms will be relaxed for the single branded retail sector

For a harmonized and hassle free investment experience.

Education

- New ***national education policy*** to propose changes in school, higher education
- '***Study in India***' programme to attract foreign students in higher education

Tourism

- To build **17** iconic sites to encourage arrival of tourists in India



Embassy

- Approved opening of **18** new embassies in Africa; to open **4** new embassies in 2019

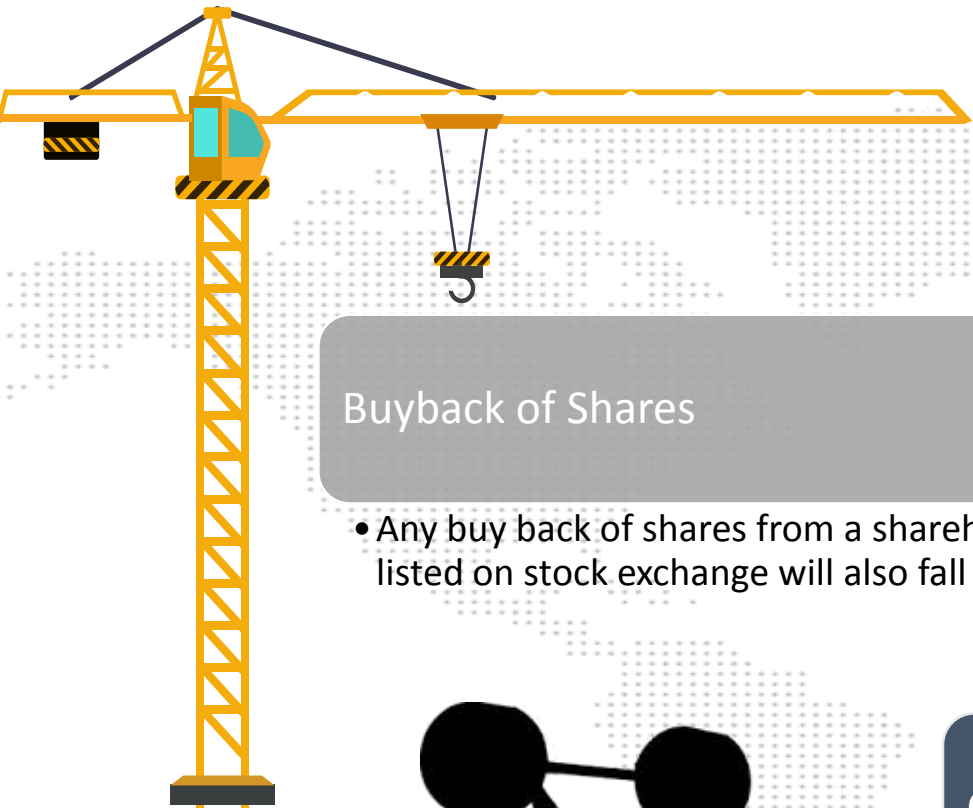
Sports

- To promote sports at all India level, ***National Sports Education Board*** for development of sportspersons to be set up under the existing Khelo India

Other Key Measures



Strengthening Anti-Abuse measures



Buyback of Shares

- Any buy back of shares from a shareholder by a company listed on stock exchange will also fall under section 115Q.



Cancellation of registration of Trust/Institution:

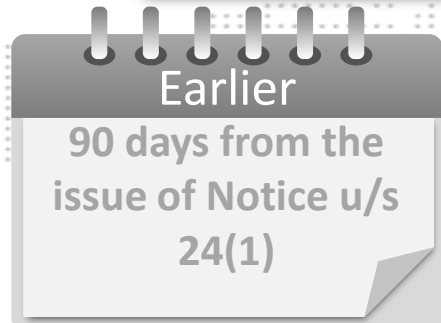
- At the time of granting registration – the Principal Commissioner/Commissioner shall also satisfy himself about the compliance of trust or institution
- Principal Commissioner/Commissioner may now, by an order in writing, cancel the registration on violation of any other laws which is material



Prohibition of Benami Property Transactions Act, 1988

Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act

Amendment in limit for passing order



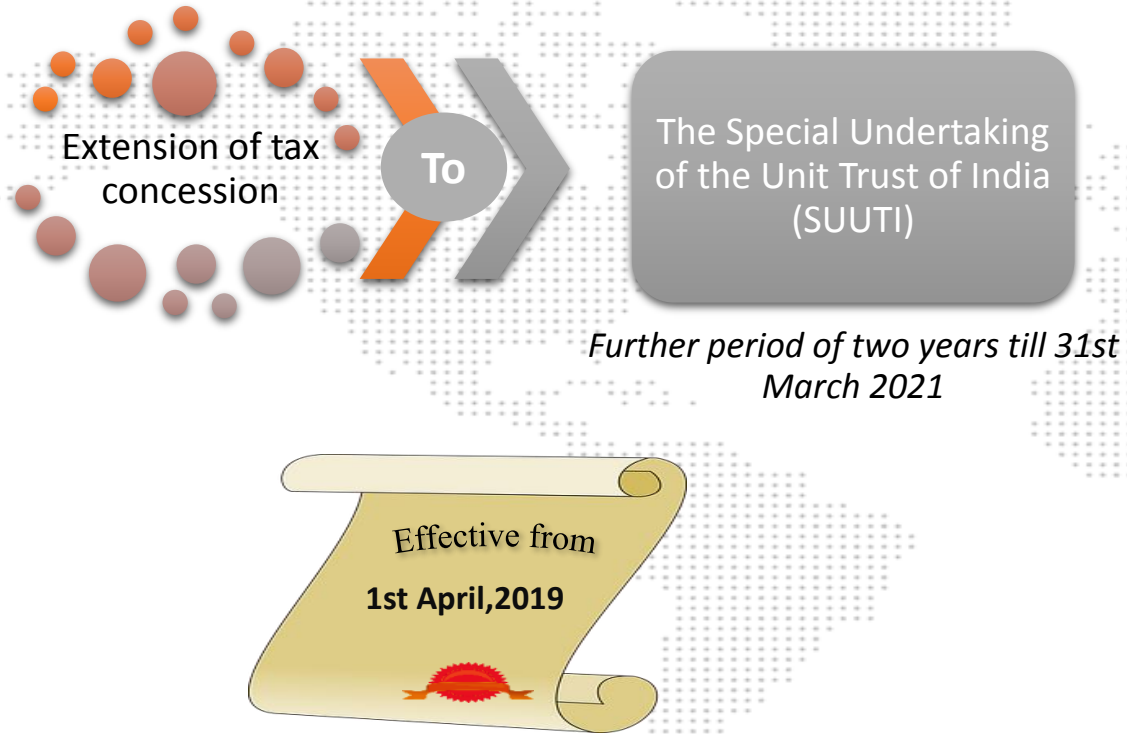
Amendment in the definition of Assessee



PENALTY!

Penalty of Rs. 25,000 for failure to comply with the summons issued or to furnish information under the act.

Other Key Pointers



Value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be

Previously

Now

Settlement Price

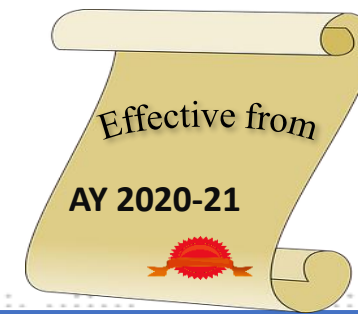
Difference between the strike price and the settlement price

Effective from 1st Sep, 2019

Schemes



National Pension Scheme



Any payment from NPS trust to an Assessee on closure of his account or on his opting out of the pension scheme which is exempt from tax, has been increased to **60%**.

gg61428668 www.gograph.com



Any contribution by the central government or any other employer to the account of the employee, the Assessee shall be allowed a deduction in the computation of his total income up to **14%**.



Even **Tier-II** account of the pension scheme shall be eligible for deduction u/s **80C**.



To incentivize NPS.

Encouraging Electric Vehicles

Deduction in respect of Interest on loan taken on purchase of an electric vehicle up to **Rs. 1,50,000** subject to:

The loan has been sanctioned during **1st April 2019 – 31st March 2023**

The Assessee should not own any other electric vehicle on the date of sanction.



The GST rate on electric vehicle has been reduced from 12% to **5%**

Effective from
1st April 2019

To encourage affordable and environment friendly transportation.

Income from NPAs

Relief on taxation of interest income from bad or doubtful debts as granted to public FIs to be extended to certain NBFCs.

Deduction on payment basis:

It is proposed to include interest payment on certain category of NBFCs under the existing provision.



Other Highlights



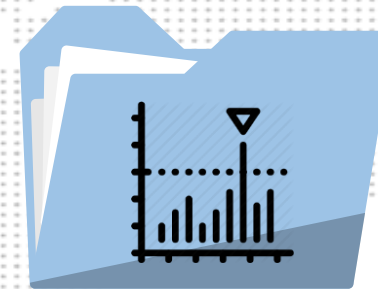
Bharatmala, Sagarmala are bridging rural urban divide and improving our transport infrastructure.



100 new clusters will be set up in 2019-20 under SFURTI to enable 50,000 artisans to join economic value chain.



Promotion of Swachh Bharat Mission to undertake sustainable solid waste management.



Promotion of innovative zero budget farming and invest widely in agriculture infrastructure and support private entrepreneurship in driving value addition to farmers produce.



Every single rural family, except those unwilling, to have electricity by 2022. UJALA Scheme leading to Annual cost savings of **Rs.18.341 Crores**



Streamlining of labor laws into set of **4 labour codes**.

Let's Talk...

For a deeper discussion on how this issue might effect your business, please contact

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