

# INTERIM BUDGET 2019



*K R Girish & Associates*

# Interim Budget 2019-20

## Analysis of the budget proposal

Information in this publication 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 R Girish & Associates accepts no responsibility for loss arising from any action taken or not taken by anyone using this publication.

## **Table of content**

1. Foreword.....	2
2. Key highlights/ announcements .....	3
3. Direct tax.....	5
3.1. Individuals .....	5
3.2. Real estate sector.....	5
3.3. TDS/TCS provisions.....	6
3.4. Miscellaneous.....	6
3.5. Misses.....	6

## 1. Foreword

This was indeed a first precedent created by Mr. Piyush Goyal, a Chartered Accountant by qualification and one must admit that he did a great job in articulating the vision of his Government.

As expected this interim budget just four months before the Lok Sabha polls has its share of “Poll” itics.

There were quite a few surprises but one cannot find fault with the Finance Minister as he has done quite a tight rope walking keeping fiscal prudence in mind at the same time dolling out subsidies addressing specifically, the poor farmers, unorganised workers and the middle class.

In short, this should be a shot in the arm for Prime Minister Modi to start his campaign. In his own words, this interim budget is only a trailer and the full picture would be revealed once his Government is back in the saddle.

**K R Girish**

## 2. Key highlights/ announcements

### **State of the Economy**

- The Foreign Direct Investment of \$239 billion during the last 5 years.
- The average inflation has been reduced to 4.6%. The inflation in December 2018 was down to 2.19%, an achievement by itself.
- Seven years ago fiscal deficit was at 6% and now it has been brought down to 3.4% in 2018-19, but still above the FRBM rate of 3.3%.
- The current account deficit, against a high of 5.6% six years ago, has been brought down to 2.5% of GDP this year.

### **Tax**

- the tax collections increased significantly from Rs 6.38 Lakh crore in 2013-14 to almost Rs 12 lakh crore this year
- The number of returns filed have also increased from 3.79 crore to 6.85 crore showing 80% growth in tax base.
- Within next 2 years, all assessment of returns to be done electronically through anonymised back office, manned by tax experts and officials, without any personal interface between taxpayers and tax officers.
- Anti-black money measures have brought Rs 1.30 lakh crore under tax scan.

### **Addressing farmer's distress and Increase in disposable Income of middle class**

- Farmers owning land up to 2 hectare to get Rs 6,000 per annum under PM Kissan Yojna, with an outlay of 75,000 crore per annum the scheme will benefit 12 crore household.
- Increased allocation for Rashtriya Gokul Mission to 750 crore in current year
- Government is proposing to setup 'Rashtriya Kamdhenu Aayog' to upscale sustainable genetic up-gradation of cow resources and to enhance production and productivity of cows.
- Creation of a separate 'Department of Fisheries' to provide sustained and focused attention towards development of fish producing sector
- Farmers severely affected by natural calamities will get 2% interest subvention and additional 3% interest subvention upon timely repayment of loan.

### **Labourers and Workers**

- Persons working in unorganised sector and having income upto Rs 15000 per month will get pension of Rs 3000 per month under Pradhan Mantri Shram Yogi Maandhan Yojana upon contribution of prescribed amount till the age of 60 years.
- Government will set up a welfare development board to help implement development programmes for nomadic and semi-nomadic communities.

**Other sectors**

- In order to take the benefits of Artificial Intelligence and related technologies, National Centre on Artificial Intelligence is proposed to be set up.
- Single window clearance for ease of shooting films will be available to Indian filmmakers.
- Monthly consumption of mobile data increased by over 50 times in the last five years.
- Government to focus on building physical & social infra for ease of living.
- Government projects now have to source 25% of their requirements from SMEs, Of this, the material to the extent of at least 3% will be sourced from women owned SMEs.

### 3. Direct tax

#### 3.1. Individuals

##### Personal Income tax

- No change in the structure of the income tax rates for individuals.

The tax rebate under section 87A of the Act is proposed to be increased to Rs 12,500 from the existing rebate of Rs 2,500 so as to extend the benefit of nil tax to an individual having a taxable income of upto Rs 5,00,000 as against upto Rs 3,50,000 provided earlier.

##### Standard deduction on salary income

- It is proposed to increase the standard deduction to Rs 50,000, from the existing deduction of Rs 40,000, from salary income to employees.

#### 3.2. Real estate sector

##### Notional rent

- The provisions of section 23(4) of the Act are proposed to be amended to tax the notional rent only in case where there is more than two self-occupied houses as against only one self-occupied house. This will take effect from April 1, 2020.
- The provisions of section 23(5) of the Act are proposed to be amended to extend the period of exemption from levy of tax on notional rent on unsold inventories, i.e. building or land appurtenant thereto, held as stock-in-trade, from one year to two years, from the end of the year in which the project is completed.

##### Capital gains benefit

- The benefit of capital gains under section 54 of the Act is proposed to be extended, from investment in one residential house, to two residential houses. This benefit is only for an individual or HUF having capital gains of upto 2 crore. Further, this benefit can be availed once in a life time. This will take effect from April 1, 2020.

##### Engaged in the business of providing affordable housing

- The benefits under Section 80-IBA of the Act, which deals with deduction in respect of profits and gains from business of affordable housing, are proposed to be extended by one more year, i.e. to the housing projects approved till 31st March, 2020.

### **3.3. TDS/TCS provisions**

#### **TDS in case of payment of Interest**

- It is proposed to amend section 194A so as to raise the threshold for deduction of tax at source on interest earned on bank/post office deposits from Rs 10,000 to Rs 40,000.

#### **TDS in case of payment of Rent**

- It is proposed to amend section 194I so as to raise the threshold for deduction of tax at source on rent paid from existing Rs 1,80,000 to Rs 2,40,000.

### **3.4. Miscellaneous**

#### **levy and administration of stamp duty on securities market instruments – Stamp Act**

- It is proposed to amend the provisions of the Indian Stamp Act, 1899 for levy and administration of stamp duty on securities market instruments by the States at one place through one agency, viz., through Stock Exchanges or its Clearing Corporation or Depositories on one instrument, and for appropriately sharing the same with respective State Governments based on State of domicile of the ultimate buying client.

#### **Extension of time limit of attachment of assets – Prevention of Money Laundering Act**

- It is proposed to amend Section 8(3) of the Prevention of Money-laundering Act, 2002 so as to extend the time limit for which the attachment shall remain valid during the period of investigation from the existing 90 days to 365 days. Further, the period during which the investigation is stayed by any court shall be excluded for calculating the period of 365 days.

### **3.5. Misses**

- No change in corporate tax rate.
- No incentives for capital augmentation.