
Budget 2019
K R GIRISH & ASSOCIATES

Union Budget 2019-20

Summary of the budget proposals

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1. Foreword

Finance Minister Ms Nirmala Sitharaman made her budget debut in the Parliament against a back drop of a very positive Economic Survey document. At the outset this was a mixed bag covering a vast sections of the society , infra , banking , rural economy ,middle class and start ups and one could say it read as a supplement to the interim budget !

Major tax proposals made in Part B for corporates includes widening reduced corporate tax rate of 25% for corporates with annual turnover up to INR 400 crores, it was a half-hearted move and the FM could have extended this to all corporates; incentive linked deduction plans for mega manufacturing plants; income tax deduction and indirect tax benefits for electric vehicles; addressing angel tax issues; benefits to start-ups like tweaking carry forward and set off of losses for start-ups; introduction of harassment free faceless e-Assessment; etc. All these are step in the right direction.

For the real estate sector under the affordable housing plan, tax holiday is proposed to be provided for profits earned by developers already existing.

As part of steps to avoid tax leverage on profit distribution by way of buy backs by listed companies, which hitherto was not covered, now brought under the relevant section.

For the individuals, although there is rebate up to INR 5 lakhs for small earners, the big earners have to bear the burden by way a high sur-charge . This practice is in fact a retrograde step as using sur-charge as a tool for revenue garnering does not augur well from a progressive Government. The same applies for levying additional cess on petroleum products to augment revenue. For ease of compliance, pre-filled returns would be made available from Government sourced database. Interchangeability of PAN and Aadhar is a welcome move for individuals. These are good initiatives.

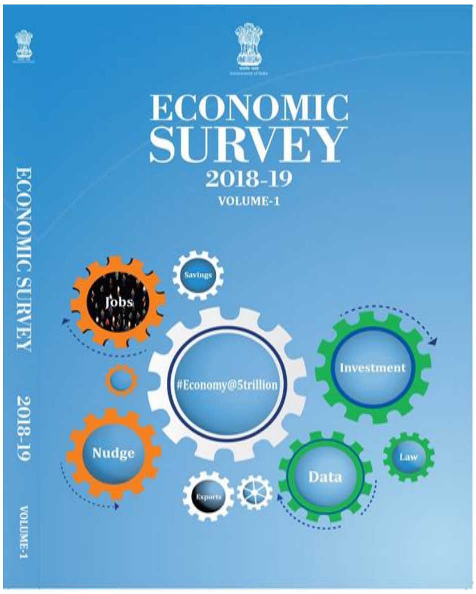
Further, the applicability of STT is now proposed to be restricted for the difference between strike and transaction price a right thing to do.

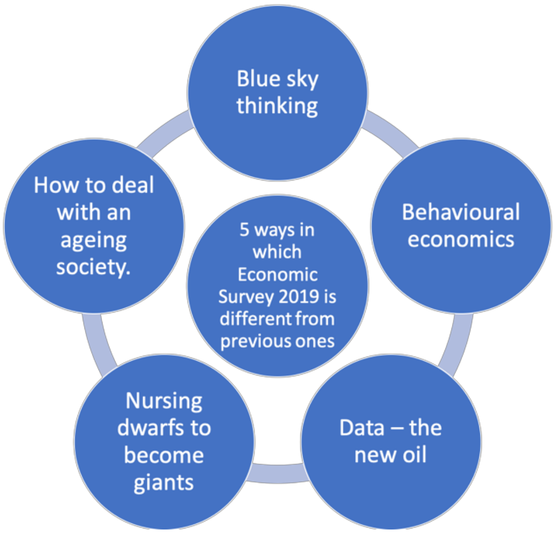
The FM has proposed strict measures and steps to discourage by way of a withholding levy on cash transactions over Rs one crore, a step in the right direction. Further prosecution proceedings are proposed to be made stronger with lower limits for trigger.

To conclude this budget did not have any bold measures how the economy is going to be transformed to become a $ 5 trillion one. Major concern is how the Government is confident of keeping the fiscal deficit target at 3.3 % and estimating a rather optimistic disinvestment target is another area of concern.

K R Girish

2. Economic Survey – Key Highlights





- The economic survey is imbued by the spirit "**blue sky thinking**" in thinking about the appropriate economic model for India. This is reflected in the sky blue cover of the Survey.
- The cover design of "**inter-linked gears**" captures the idea of **investment, savings, exports, growth and jobs** being complementary and therefore forming components of a "Virtuous Cycle" with investment as the key driver.
- Theme of report is to enable shifting gears to accelerate and sustain a real **GDP growth rate of 8%** and thereby achieve the vision of making India a **$5 trillion economy by 2025**. (which is also the vision of PM).
- Need for a robust and resilient Infrastructure to Create a **$10 trillion economy by 2032.**
- Economic survey sees 2019 – 20 GDP growth at **7 percent**.
- Challenges on **fiscal front** due to slow growth, GST, farm schemes.
- **Rural wage** growth has started rising since mid 2018.
- **Political stability** in the country to help economic growth on a faster pace.
- Government policies expected to further lift restrictions on **FDI inflows**.
- **Oil prices** expected to decline in 2019-20, however, taxes on oil likely to be increased.
- General **fiscal deficit** seen at 5.8% in FY19 against 6.4% in FY18.
- **Bad-loans ratio** is likely to squeeze which in turn will help the **capital expenditure cycle.**

- Investment will be the “**Key driver**” of simultaneous growth in demand, jobs, exports & productivity – economic survey has termed this as **Investment Driven Virtuous cycle**.
- **2.9% growth** rate for the agriculture, forestry and fishing sector.
- Economic survey has given immense focus on **DATA**, says data should be “of the people, by the people, for the people.
- Governments need to **invest in DATA** the same way as they build roads for the welfare of people.
- **Forex reserves** projected at $412.9 billion for the fiscal 2018-19.
- Economic Survey pegs **services sector** to grow at 7.5% for 2018-19.
- **Rural Inflation** (CPI) **declined** during FY 2018-19; many states witnessed fall in CPI Inflation during FY 2018-19.
- Need to prepare for **aging of the population**; this necessitates more healthcare investment, **increasing retirement age** in a phased manner.
- **Low pay and wage** inequality remain serious obstacles towards achieving inclusive growth.
- Economic survey suggested **deregulation of labour laws** to create more jobs in the country.
- The Economic Survey shows that those states which were rigid in respect of their **labour laws have not only suffered** in all dimensions but have also been unable to create enough employment.
- **Firms that over time grow large** are significant contributors to employment. Hence more focus should be given on these rather than on firms which remain slow despite their age.
- India will enjoy the “**demographic dividend**” phase in the next two decades but some states will start transitioning to an ageing society by the 2030s. India has one of the youngest population in an aging world. By 2020, the median age in India will be just 28, compared to 37 in China and the US, 45 in Western Europe, and 49 in Japan.
- An effective **minimum wage policy** that targets the vulnerable bottom rung of wage earners can help in driving up aggregate demand and building and strengthening the middle class.
- **Filling existing judicial vacancies** and improving **productivity** improvements in courts can address key hurdle of delays in contract enforcement and dispute resolution. (This is also directly linked with **Ease of Doing Business**)
- India to develop as **EV manufacturing hub** like Detriot.

3. Key highlights/ announcements

Banking, Insurance and Finance Sector

- NPAs of commercial banks reduced by over Rs. 1 lakh crore over the last year.
- Record recovery of over Rs. 4 lakh crore effected over the last four years.
- Provision coverage ratio at its highest in seven years.
- Proposed further recapitalisation of PSBs Rs 70,000 crore.
- Government will provide one time six months' partial credit guarantee to Public Sector Banks for first loss of up to 10%.
- Domestic credit growth increased to 13.8%.
- 100% FDI will be permitted for insurance intermediaries.

Tax

- Increased direct tax collection by 78% from Rs 6.4 lakh Cr in 2013-14 to Rs 11.4 lakh Cr in 2018-19.
- Interchangeability of Pan and Aadhaar card.
- Effective tax rate for individuals having taxable income above Rs 2 crore has been increased.
- Enhanced interest deduction upto Rs 3.5 lakh for purchase of an affordable house.
- Deposit taking and systematically important non-deposit taking NBFCs can now pay tax in the year they receive interest for certain bad or doubtful debts.
- To promote cashless economy TDS of 2% has been introduced on cash withdrawal of amount exceeding Rs 1 crore in a year from a bank account.
- A scheme of faceless e-assessment involving no human interface to be launched this year.
- Taxpayers having annual turnover of less than Rs 5 crore can file quarterly returns under GST.
- Fully automated GST refund module shall be implemented.
- An electronic invoice system is proposed that will eventually eliminate e-way bill.
- Sabka Vishwas Legacy Dispute Resolution Scheme proposed for quick closure of service tax and excise related litigation.

Farmer Welfare

- SFURTI scheme to focus on bamboo, honey and khadi clusters. 100 new clusters to be set up to enable 50,000 artisans during 2019-20.
- 100 Business Incubators to be set up to enable 75,000 entrepreneurs under ASPIRE.
- Pradhan Mantri Matsya Sampada Yojana launched to address the critical gaps in strengthening value chain, including infrastructure, modernisation, production, productivity and quality control in fisheries management framework.

The target for the Indian economy is to become a $3 trillion economy in the current year itself. It is now the sixth largest in the world. 5 years ago it was at the 11th position.

4. Direct tax

4.1. Start-ups

End of 'Angel Tax' controversy

It is proposed to initiated no scrutiny is respect of valuation of shares of a start-up at a premium. Further, investors who file requisite declarations will not be subject to questions by tax authorities on valuation of shares of start-ups.

Special administrative arrangements for assessments & grievance redressal

- In the Budget Speech, the FM mentioned that, special administrative arrangements shall be made by Central Board of Direct Taxes ("CBDT") for clearing pending assessments of start-ups and effective redressal of their grievances.

- Further, no inquiry or verification shall be carried out by the Assessing Officer without obtaining approval of his supervisory officer.

Incentives for Category II Alternative Investment Fund ("AIF")

- At present, start-ups are not required to justify fair market value of their shares issued to certain investors including Category-I AIF. It is propose to extend this benefit to Category-II AIF as well. Thereby, taking them out of the scope of income tax scrutiny.

- This amendment shall be effective from April 1, 2020 and will, accordingly, apply from AY 2020-21.

Relaxation of conditions for carry forward and set off of losses

- To facilitate ease of doing business in the case of an eligible start-up (Section 80-IAC), it is proposed to amend section 79 so as to provide that, an eligible start-up, shall be allowed to be carried forward and set off the losses of the prior years against the income of the previous year on satisfaction of either of the two conditions stipulated currently at clause (a) or clause (b). This gives the Start-ups additional room for planning of share holding pattern.

- Earlier, the eligible start-up could carry forward and set off the losses only upon satisfying the condition under clause (b).

Extension of the period of exemption from capital gains

- Presently, section 54GB of the Act, provide for exemption in respect of LTCG, being a residential property owned by the eligible assessee on satisfaction of certain prescribed conditions.

- To incentivise investment in eligible start-ups, it is proposed to:
  i. extend the sun set date of transfer of residential property for investment in eligible start-ups from 31st March 2019 to 31st March 2021;

ii. relax the condition of minimum shareholding of fifty per cent of share capital or voting rights to twenty five per cent.

iii. relax the condition restricting transfer of new asset being computer or computer software from the current five years to three years.

- This amendment shall be effective April 1, 2020 and will, accordingly, apply from AY 2020-21.

4.2. Corporate Tax

The lower tax rate of 25% that was applicable for companies having annual turnover up to Rs. 250 crores is extended for all companies having annual turnover up to Rs. 400 crores in the previous year 2017-18.

Tax on income distributed to shareholder in case of listed companies

To discourage the practice of avoiding Dividend Distribution Tax ("DDT") through buy back of shares by listed companies, it is proposed to provide that listed companies shall also be liable to pay additional tax at 20% in case of buy back of share. Unlisted companies are already covered by this regulation. These changes will take effect from July 5, 2019.

Relaxion the definition of 'demerger'

It is proposed to relax the definition of 'demerger' to allow the resulting company to record the value of the property and liabilities at a value different from the book value in compliance with the Indian Accounting Standards. These changes will take effect from April 1, 2020.

Issue of shares at a price exceeding face value

It is proposed to provide for mechanism for taxation upon violation of conditions, subject to which exemption from applicability of the provisions of section 56(2)(viib) of the Act has been granted to notified persons.

Carry forward of losses on case of distressed companies

In case of resolution for companies whose board of directors have been suspended by National Company law Tribunal ("NCLT") and new Directors have been appointed. It is proposed that the conditions of continuity of shareholding for carry forward and set off of losses shall not apply to such companies. It is also proposed to provide that for the purposes of computation of Minimum Alternate Tax ("MAT") liability of such companies, the aggregate of brought forward losses and unabsorbed depreciation shall also be allowed as deduction.

4.3. Transfer Pricing

Power of Assessing officer in case of APAs

It is proposed to clarify that once an Advance Pricing Agreement ("APA") has been signed and modified return is filed by the assessee, the Assessing Officer needs to only modify the total income in accordance with the APA. This change will take effect from September 1, 2019.

Secondary adjustment

It is proposed to simplify the provisions of secondary adjustment by providing, that instead of interest payment every year, the assessee shall have option of a one-time payment of tax of specified amount. This change will take effect from September 1, 2019.

Definition of the "accounting year" for CbCR

It is clarified that the definition of "accounting year" for alternate reporting entity which is required to file Country-by-Country report, the parent entity of which is not resident in India, the reporting accounting year shall be the one applicable to such parent entity. This change will take effect retrospectively from April 1, 2017 and, accordingly, shall be applicable from AY 2017-18.

Master file to be filed even in case of no international transaction

It is clarified that master file needs to be filed even when there is no international transaction and that the Assessing Officer and Commissioner (Appeals) do not have power to call for master file from the assessee.

4.4. Fund taxation

Concessional rate of tax expended to short term capital gains

It is proposed to provide that concessional rate of short term capital gains tax shall also apply to fund of funds set up for disinvestment of Central Public Sector Enterprises ("CPSEs"), to which concessional rate of long term capital gains tax has already been extended. These changes will take effect from April 1, 2020.

Pass through of losses in case of AIFs

It is proposed to allow pass through of losses in cases of Category I and II AIF similar to pass through of income which is allowed at present. This change will take effect from April 1, 2020.

4.5. Individual

There is no change in the structure of the income tax rates for individuals. However, in the interim budget, the tax rebate under section 87A of the Act was increased from Rs 2,500 to Rs 12,500 thereby, providing the benefit of 'nil' tax to an individual earning taxable income up to Rs 5,00,000 as against Rs 3,50,000 provided earlier.

Further, for individuals earning higher income the revised surcharge rates applicable are provide below:

Income slab (in Rs.)	Applicable surcharge
50 lakhs – 1 crore	10%
1 crore – 2 crores	15%
2 crores – 5 crores	25%
5 crores and above	37%

Marginal relief will be provided to the above surcharge rates

Relief when salary paid in advance or arrears

It is proposed to provide the relief for taxes paid in respect of arrears or advance of salary etc. shall be taken into consideration while calculating the amount of self-assessment tax and for computing of interest payable by the assessee. This change will take effect retrospectively from April 1, 2007 and, accordingly, shall be applicable from AY 2007-08.

4.6. TDS/TCS provisions

Withholding tax on payment to contractor and professionals

Currently, there is no tax withholding liability on an individual or Hindu Undivided Family ('HUF') in the following scenarios:

- Payment made to resident contractor or professional when it is for personal use and
- When carrying on business or profession which is not subjected to audit, even if the payment is made for business or profession

To plug this loophole, section 194M is proposed to be introduced with effect from 1st September 2019 levying withholding tax of 5% if the aggregate of such payment exceeds Rs. 50 lakhs in a year. Leverage has been provided to the individuals and HUF to remit the amount withheld using their Permanent Account Number, thereby requirement to obtain Tax deduction Account Number is not mandatory.

Withholding tax on consideration paid for purchase of immovable property

Section 194-IA provides for levy of TDS at 1% on consideration paid or credited for transfer of immovable property other than agricultural land. With effect from 1st September 2019, Explanation to this section is proposed to be amended and provide that the term "consideration for immovable property" shall include all charges of the nature of club membership fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.

Relaxing provisions in case of non-deduction of tax while payment to non-residents

It is proposed to provide that, the deductor shall not be held as assessee in default, when there is a failure to deduct tax at source on payments made to a non-resident and such non-resident has filed its tax return, paid taxes on such income and has furnished a prescribed certificate from an accountant. It is also proposed to provide that in such cases, there would not be any corresponding disallowance of expenditure in the hand of deductor. These changes will take effect from April 1, 2020.

TDS on life insurance payouts

It is proposed to provide that tax shall be withheld on taxable payout of life insurance companies, which are not exempt, on net basis at 5%, instead of 1% on gross as at present. This change will take effect from September 1, 2019.

4.7. Measures of promoting less cash economy

Electronic mode of payment

Currently, electronic mode of payment is provided under various provisions of the Act such as section 13A, 35AD, 40A, 43(1), 43CA, 50C, 56, 44AD, 80JJAA, etc. In order to encourage other electronic modes of payment, it is proposed to amend these sections from AY 2020-2021 so as to include such other electronic mode as may be prescribed, in addition to the already existing permissible modes of payment (i.e. in the form of an account payee cheque or an account payee bank draft or the electronic clearing system through a bank account).

Similarly, section 269SS, 269ST and 269T is also proposed to be amended to include other electronic modes.

TDS on cash withdrawals

To discourage cash transactions, section 194N is proposed to be introduced that levies TDS at the rate of 2% from 1st September 2019 on aggregate cash payments in excess of one crore made in a year to a person maintaining account in a banking company or cooperative bank or post office with certain exemptions for those who are involved in handling of substantial amounts of cash as a part of their business operation.

Mandating acceptance of payments through electronic modes

Section 269SU is proposed to be introduced to provide that every person, carrying on business, shall, provide facility for accepting payment through the prescribed electronic modes if his total sales, turnover or gross receipts in business exceeds fifty crore rupees during the immediately preceding previous year.

Further, penal provisions under section 271DB is also proposed to be introduced to levy Rs. 5,000 on failure to provide electronic modes of payment.

4.8. Tax incentives

International Financial Service Centre ('IFSC')

- Tax-neutral transfer of certain securities by Category III Alternative Investment Fund (AIF) in IFSC - it is proposed to amend section 47 so that any transfer of a capital asset, specified in the said clause by such AIF, of which all the unit holders are non-resident, are not regarded as transfer subject to fulfilment of specified conditions.

  It is also 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.

- It is proposed to amend the section 10 of the Act so as to provide that any income by way of interest payable to a non-resident by a unit located in IFSC in respect of monies borrowed by it on or after 1st day of September, 2019, shall be exempt.

- It is proposed to amend section 115O to provide that any dividend paid out of accumulated income derived from operations in IFSC, after 1st April 2017 shall not be liable for tax on distributed profits.

- It is proposed to amend section 115R so as to provide that no additional income-tax shall be chargeable in respect of any amount of income distributed, on or after the 1st day of September, 2019, by a Mutual Fund of which all the unit holders are non-residents and which fulfils certain other specified conditions.

- It is proposed to amend section 80LA so as to provide that the deduction shall be increased to one hundred per cent 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.

Non-Banking Finance Companies ('NBFC')

The existing provisions of section 43D of the Act, *inter-alia* provides that interest income in relation to certain categories of bad or doubtful debts shall be chargeable to tax in the previous year in which it is credited to its profit and loss account actually received, whichever is earlier. This provision which is an exception to the accrual system of accounting 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.

Now, it is proposed to include deposit-taking NBFCs and systemically important non deposit-taking NBFCs within the scope of this section

Relaxation in conditions of special taxation regime for offshore funds

To give an impetus to fund management activities in India, certain constraints are proposed to be removed by amending section 9A of the Act, so as to provide that,-

i. 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
ii. the remuneration paid by the fund to an eligible fund manager is not less than the amount calculated in such manner as may be prescribed.

Electric vehicles

It is proposed to insert a new section 80EEB in the Act to provide for deduction in respect of interest on loan taken for purchase of an electric vehicle up to one lakh fifty thousand rupees subject to satisfaction of certain conditions like – the should be sanctioned by financial institution during the period beginning 1st April 2019 to 31st March 2023, and the assessee should not own any other electric vehicle during the period of sanction.

Interest income of a non-resident arising from borrowings by way of issue of Rupee Denominated Bonds

The press release dated 17th September, 2018, announced that interest payable by an Indian company or a business trust to a non-resident, including a foreign company, in respect of rupee denominated bond issued outside India during the period from September 17, 2018 to March 31, 2019 shall be exempt from tax. The exemption announced through the said press release is proposed to be incorporated in the law by amending section 10 of the Act to provide exemption to income payable by way of interest to a non-resident by the specified company in respect of monies borrowed from a source outside India by way of issue of rupee denominated bond, as referred to in section 194LC, during the period beginning from the 17th day of September, 2018 and ending on the 31st day of March, 2019.

Additional Deduction of Interest for Affordable Housing

A new Section 80EEA is proposed to be inserted from AY 2020-21 to provide for deduction of up to Rs. 1.50 lakhs for interest on loan taken from any financial institution for acquisition of a residential house property whose stamp duty value does not exceed Rs. 45 lakhs. Therefore, a person purchasing an affordable house will now get an enhanced interest deduction up to Rs. 3.5 lakh.
For realisation of the goal of 'Housing for All' and affordable housing, a tax holiday has already been provided on the profits earned by developers of affordable housing. Also, interest paid on housing loans is allowed as a deduction to the extent of Rs. 2 lakh in respect of self-occupied property.

Incentives to National Pension System ("NPS") subscribers

It is proposed to allow a taxpayer to withdraw 60% of total amount from NPS as a tax free withdrawal as against the existing provisions that allow only up to 40% of the total corpus amount. Deduction of up to 10% of salary allowed under Section 80CCD in respect of contribution made by an employer to NPS is proposed to be increased to 14% of salary in case of Central Government's employees. These amendments will take effect from 1st April, 2020 and will, accordingly, apply in relation to assessment year 2020-21 and subsequent assessment years.

4.9. Tax administration

Improving effectiveness of tax administration

In order to reduce the time for processing of applications by the Assessing Officer under section 195(2) of the Act, to determine the appropriate proportion of sum chargeable to tax, and effective monitoring of such payments, it is proposed to make the filing of such application online. These changes will take effect from November 1, 2019.

Electronic filing of statement in case of non-deduction

Presently, statement in respect of payment of certain income by way of interest to residents where no tax has been deducted at source, are filed on a floppy, diskette, magnetic tape, CD-ROM. It is proposed to make such filing online. These changes will take effect from September 1, 2019.

Faceless e-assessment with no human interface to be launched

To eliminate high level of personal interaction between the taxpayer and the Department, a scheme of faceless assessment in electronic mode involving no human interface is proposed to be launched this year in a phased manner.

Person entering into high value transaction other than company or a firm

A person other than a company or a firm, entering into following high value transactions shall furnish tax return, even if his total income does not exceed the maximum amount not chargeable to tax:

- Deposits an amount or aggregate of the amounts exceeding one crore rupees in one or more current account maintained with a banking company or a co-operative bank; or
- Incurs expenditure of an amount or aggregate of the amounts exceeding two lakh rupees for himself or any other person for travel to a foreign country; or
- Incurs expenditure of an amount or aggregate of the amounts exceeding one lakh rupees towards consumption of electricity; or
- Fulfils such other prescribed conditions, as may be prescribed.

Person claiming investment benefit

Section 139 is proposed to be amended to provide that a person who is claiming rollover benefits on investment in a house or a bond or other assets, under sections 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB of the Act, shall necessarily be required to furnish a return, if before claim of the rollover benefits, his total income is more than the maximum amount not chargeable to tax

Interchangeability of PAN and Aadhar

To ensure ease of compliance, section 139A (Permanent Account Number) and section 139AA (Quoting of Aadhar number) is proposed to be amended to provide for inter-changeability of PAN with the Aadhaar number. Consequential penalty provision contained in section 272B is proposed to be amended suitably.

Consequence of not linking PAN with Aadhar

As per section 139AA, PAN allotted to a person shall be invalid if he fails to intimate the Aadhar number on or before the notified date. To protect the validity of transactions entered into through such PAN previously, the PAN allotted shall be made inoperative in a prescribed manner.

Widening the scope of Statement of Financial Transaction (‘SFT’)

Section 285BA provides for reporting certain transactions in SFT. In order to enable pre-filling of tax return, it is proposed to widen the scope of SFT with effect from 1st September 2019, by expanding the scope of persons required to furnish it. Further, the current minimum threshold of fifty thousand on aggregate value of transactions during a financial year is also proposed to be removed.

Consequential penalty provisions contained in section 271FAA is also proposed to be amended

4.10. Penalty Provisions

Penalty provision relating to under-reported income

It is proposed to provide for determination and computation of under-reported income for penalty purposes in a case where return is furnished for the first time under section 148 of the Act. This change will take effect retrospectively from April 1, 2017 and, accordingly, shall be applicable from AY 2017-18.

Prosecution provision for non-filing of return of income

It is proposed to amend the prosecution provision for non-filing of return of income so as to provide reference of self-assessment tax paid before the expiry of the assessment year, and tax collected at source, in the said provision and to increase the threshold of tax payable from Rs 3,000 to Rs 10,000, for proceeding against a person.

4.11. Miscellaneous

Check on functioning of trust or institution

- In order to ensure that a trust or institution complies with local laws that are material for the purposes of achieving its objects, it is proposed to provide for cancellation of registration of the trust or institution under the Act for violation of such provision of the Act or of any other law.
- Further, it is proposed to provide that at the time of registration it shall also be examined whether there has been any such violation by the trust or institution seeking registration.
- These changes will take effect from September 1, 2019.

Deemed accrual of gift to a non-resident: Gift of money or property made by a resident to a non-resident shall be deemed to accrue or arise in India for a non-resident. To give effect to the above, section 2(24)(xviia) is proposed to be amended to include payment or transfer on or after 5th July 2019.

Consequential amendment to section 56 :It is proposed to amend section 56(2)(viii) of the Act consequent to the substitution of section 145A vide Finance Act, 2018 and to give effect to the said section. This change will take effect retrospectively from April 1, 2017 and, accordingly, shall be applicable from AY 2017-18.

Recovery of taxes under tax treaties: As part of the obligations under the Tax Treaty law for providing assistance in collection of taxes, it is proposed to provide for recovery of tax in cases where details of property of a specified person is not available but the said person is a resident in India. Correspondingly, India will also sought similar assistance from other countries.

Claim of refund: Every claim for refund under Chapter XIX of the Act shall be made by furnishing return in accordance with the provisions of section 139 of the Act.

Enhancing time limitation for sale of attached property: Rule 68B of the Second Schedule to the Income Tax Act, 1961 relating to time limit for sale of attached immovable property is proposed to be amended to safeguard the interest of the revenue and extend the period of limitation from three years to seven years. It can further be extended for a period of three years in appropriate cases.

Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015: The definition of term 'assessee', 're-assess', 'reassessment' has been expanded.

Income Declaration Scheme, 2016: Section 187 and 191 of the Finance Act, 2016 are proposed to be amended to enable payment of unpaid dues with interest and refund of excess amount paid under the Income Declaration Scheme, 2016.

Provisions relating to STT: It is proposed to be amend the provisions to provide that value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be the difference between the settlement price and the strike price.

5. Indirect tax

5.1. Customs

The Customs Act, 1962

- A new chapter XIIB titled "Verification of Identity and Compliance" is being inserted in Customs Act, 1962. And new section 99B introduced under this chapter empowers proper officer ("PO") of Customs to carry out verification of a person for ascertaining compliance with the provision of the Customs Act for protecting the interests of revenue.

- The PO is empowered under amended section 103 of the Customs Act, 1962 to scan or screen, with the prior approval of DC or AC of Customs who has any goods liable to confiscation secreted inside his body. Through this amendment, the PO can directly furnish the report of the said screening or scanning to the nearest magistrate.

- Section 104 of the Customs Act, 1962 is amended to empower an officer of customs to arrest a person who has committed an offence outside India or Indian Customs water.

- A new sub section to section 110 of the Customs Act, 1962 is inserted to empower the PO to provisionally attach any bank account for safeguarding the government revenue and prevention of smuggling, for a period not exceeding six months.

- A new section 114AB is being inserted in Customs Act, 1962 to provide that any person who has obtained any instrument by fraud, collusion, wilful misstatement or suppression of facts and such instrument has been utilized by such person or any other person for discharging duty, such person to whom the instrument was issued shall be liable for penalty not exceeding the face value of such instrument.

- Section 117 of the Customs Act, 1962 is amended to increase the penalty from one lakh rupees to four lakh rupees for cases where penalties for contravention, etc., not expressly mentioned under Customs Act, 1962.

- Obtaining of an instrument from any authority by fraud, collusion, wilful misstatement or suppression of facts, where such instrument has been utilized by any person is treated as a punishable offence under newly inserted clause (e) of Sub-section (1) of section 135 of the Customs Act, 1962.

- The penalty for violation of any provision of rules or regulations under Customs Act, 1962 has been increased from fifty thousand rupees to two lakh rupees amending sub-section (2) of section 158 of the Customs Act, 1962.

The Customs Tariff Act, 1975

- A new subsection (1A) has been inserted to section 9 of the Customs Tariff Act, 1975 to provide for anti-circumvention measure in respect of countervailing duty.

- The appeal against an order of determination or review regarding the existence, degree and effect of increased volume of imports of any article requiring imposition of safeguard duty, shall lie with Customs Excise and Service Tax Appellate Tribunal such provision has bought by amending Section 9C of the Customs Tariff Act, 1975.

Other Relevant Changes Custom Duties

a. Special Additional Excise Duty and Road and Infrastructure Cess each increased by Rs1 per litre on petrol and diesel.
b. Custom duty on gold and other precious metals hiked from 10% to 12.5%.
c. Defence equipment not manufactured in India is exempted from basic customs duty.
d. Basic Customs Duty increased on cashew kernels, PVC, tiles, auto parts, marble slabs, optical fibre cable, CCTV camera etc.
e. Exemptions from Custom Duty on certain electronic items now manufactured in India are withdrawn.
f. End use based exemptions on palm stearin, fatty oils is withdrawn.
g. 5% Basic Custom Duty imposed on imported books.
h. The Budget proposed for rationalization of export duty on raw and semi-finished leather to provide relief to the sector.
i. Customs duty reduced on certain raw materials such as:
    i. Inputs for artificial kidney and disposable sterilised dialyser and fuels for nuclear power plants etc.
    ii. Capital goods required for manufacture of specified electronic goods.
j. Export duty rationalised on raw and semi-finished leather.
k. nominal basic excise duty on tobacco products and crude introduced
l. Reduction in Customs duty on inputs and raw materials to reduce costs in chemical commodities, textile Industry commodities including capital goods.
m. In order to provide level playing field to domestic industries, the custom duty related to food processing, chemicals, plastics, rubber, paper, ceramic products, electronic goods & machine, automobiles & automobiles parts and steel and base metal commodities have been increased.
n. In order to promote electrical mobility custom duty related to parts used for exclusive use electric vehicles are reduced.
o. To promote renewable energy the custom duty has been reduced on certain commodities like Uranium ores and concentrates for generation of nuclear power, goods required for setting up of Nuclear power and others commodities.
p. Legacy Dispute Resolution Scheme for quick closure of pending litigations in Central Excise and Service tax from pre GST regime.

5.2. Service tax

- Following retrospective exemption from service tax have been proposed for service provided or agreed to be provided by the:

    - State Government by way of grant of liquor licence against consideration during the period commencing from 1 April, 2016 and ending with the 30 June, 2017.
    - Indian Institute of Management to their student by way of the specified educational programmes during the period starting from 1 July, 2013 and ending with the 31 March, 2016.

5.3. GST

- Amended section 10 of CGST Act extends benefit of composition scheme to supplier of services or mixed suppliers having an annual turnover in preceding financial year upto Rs 50 lakhs on fulfilling of certain conditions.

- Every registered person has to undergo authentication of Aadhaar number or has to furnish proof of possession of Aadhaar number. If a person fails to do so registration of such person shall be deemed to be invalid.

- New section 31A has been inserted in CGST Act so that specified suppliers shall mandatorily give option of prescribed modes of electronic payment to their recipients.

- Amended section 39 of CGST Act proposes new return system under which composition taxpayer can be allowed to furnish annual return along with quarterly payment of taxes and for other specified taxpayers may be given the option for quarterly or monthly furnishing of return.

- Section 49 of CGST Act amended to facilitate registered person to transfer an amount from one (minor of major) head to another (minor of major) head in electronic cash ledger. Consequential amendment has been made in IGST also.

- As per amended section 50 of CGST Act, now interest in chargeable on the net cash tax liability except in certain cases.

- Necessary amendment has been made to respective section so as to empowers the commissioner to extend the due date for furnishing annual return, reconciliation statement and in case of person collecting tax at source due date for furnishing monthly and annual statement.

- Under section 101A, 101B and 101C of CGST Act, Government shall constitute an Authority for National Appellate Authority for Advance Ruling. Which shall pass order within 90 days.

- Uranium Ore Concentrate has been exempted from levy of GST.