

Highlights of the Union Budget for 2019-20

The Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman made her maiden Budget Speech today and presented the Union Budget 2019-20 before the Parliament. The key highlights of Union Budget 2019 are as follows:

A. GROWTH, INFLATION

- Well within capacity to reach \$5-trln economy in few years
- India to become \$3-trln economy in FY20
- India now 6th largest economy vs 11th five years ago

B. DIRECT TAX

- Direct tax mop up Rs. 11.37 lakh crore rupees FY19 vs 6.38 lakh crore FY14
- No change in Tax rates for Individuals, Partnership firm, LLP
- Increasing surcharge on income over Rs. 2crore
- Corporate tax now 25% for cos with 400 crore turnover (* Corporate tax cut to cover 99.3% of all cos)
- Propose 2% TDS on Rs. 1crore cash withdrawal from banks
- To make Aadhaar, PAN interchangeable to file tax returns
- Tax deduction of Rs. 150,000 on e-vehicle loan interest
- Extra Rs. 150,000 tax deduction on small home loans up to Rs. 45 lakh
- Launching automated, faceless assessment of tax
- To make pre-filled tax return forms available
- start up would not require scrutiny by IT department for share valuation
- No charges for customer on Digital modes of payment
- Tax rate reduced to 25% for companies with annual turnover up to Rs. 400 crore
- Surcharge increased on individuals having taxable income from Rs. 2 crore to Rs. 5 crore and Rs. 5 crore and above.
- India's Ease of Doing Business ranking under the category of "paying taxes" jumped from 172 in 2017 to 121 in the 2019.
- Direct tax revenue increased by over 78% in past 5 years to Rs. 11.37 lakh crore
- **Tax Simplification and Ease of living** – making compliance easier by leveraging technology
- **Interchangeability of PAN and Aadhaar**
 - Those who don't have PAN can file tax returns using Aadhaar.
 - Aadhaar can be used wherever PAN is required.
- **Pre-filling of Income-tax Returns** for faster, more accurate tax returns
 - Pre-filled tax returns with details of several incomes and deductions to be made

- Information to be collected from Banks, Stock exchanges, mutual funds etc.
- **Faceless e-assessment**
 - Faceless e-assessment with no human interface to be launched.
 - To be carried out initially in cases requiring verification of certain specified transactions or discrepancies.

Affordable housing

- Additional deduction up to Rs. 1.5 lakhs for interest paid on loans borrowed up to 31st March, 2020 for purchase of house valued up to Rs. 45 lakh.
 - Overall benefit of around Rs. 7 lakh over loan period of 15 years.

Boost to Electric Vehicles

- Additional income tax deduction of Rs. 1.5 lakh on interest paid on electric vehicle loans.
- Customs duty exempted on certain parts of electric vehicles.

Other Direct Tax measures

- Simplification of tax laws to reduce genuine hardships of taxpayers:
 - Higher tax threshold for launching prosecution for non-filing of returns
 - Appropriate class of persons exempted from the anti-abuse provisions of Section 50CA and Section 56 of the Income Tax Act.

Relief for Start-ups

- Capital gains exemptions from sale of residential house for investment in start-ups extended till FY21.
- 'Angel tax' issue resolved- start-ups and investors filing requisite declarations and providing information in their returns not to be subjected to any kind of scrutiny in respect of valuations of share premiums.
- Funds raised by start-ups to not require scrutiny from Income Tax Department
 - E-verification mechanism for establishing identity of the investor and source of funds.
- Special administrative arrangements for pending assessments and grievance redressal
 - No inquiry in such cases by the Assessing Officer without obtaining approval of the supervisory officer.
- No scrutiny of valuation of shares issued to Category-II Alternative Investment Funds.
- Relaxation of conditions for carry forward and set off of losses.

NBFCs

- Interest on certain bad or doubtful debts by deposit taking as well as systemically important non-deposit taking NBFCs to be taxed in the year in which interest is actually received.

International Financial Services Centre (IFSC)

- Direct tax incentives proposed for an IFSC:
 - 100 % profit-linked deduction in any ten-year block within a fifteen-year period.
 - Exemption from dividend distribution tax from current and accumulated income to companies and mutual funds.
 - Exemptions on capital gain to Category-III Alternative Investment Funds (AIFs).
 - Exemption to interest payment on loan taken from non-residents.

Securities Transaction Tax (STT)

- STT restricted only to the difference between settlement and strike price in case of exercise of options.

C. INDIRECT TAX

- PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES

Heading, sub-heading tariff item	Commodity	From	To
3904	Poly vinly chloride	7.5%	10%
3926 90 91, 3926 90 99	Article of plastics	10%	15%

- Basic Customs Duty increased on cashew kernels, PVC, tiles, auto parts, marble slabs, optical fibre cable, CCTV camera etc.
- Exemptions from Custom Duty on certain electronic items now manufactured in India
- End use based exemptions on palm stearin, fatty oils withdrawn.
- Exemptions to various kinds of papers withdrawn.
- 5% Basic Custom Duty imposed on imported books.
- Customs duty reduced on certain raw materials such as:
 - Inputs for artificial kidney and disposable sterilised dialyser and fuels for nuclear power plants etc.
 - Capital goods required for manufacture of specified electronic goods.

Defence

- Defence equipment not manufactured in India exempted from basic customs duty

Other Indirect Tax provisions

- Export duty rationalised on raw and semi-finished leather
- Increase in Special Additional Excise Duty and Road and Infrastructure Cess each by Rs. 1 per litre on petrol and diesel
- Custom duty on gold and other precious metals increased
- Legacy Dispute Resolution Scheme for quick closure of pending litigations in Central Excise and Service tax from pre-GST regime
- GST led to lower rates on almost all commodities

D. Other updates

10-point Vision for the decade

- Building Team India with *Jan Bhagidari*: Minimum Government Maximum Governance.
- Achieving *green Mother Earth* and *Blue Skies* through a pollution-free India.
- Making Digital India reach every sector of the economy.
- Launching *Gaganyaan*, *Chandrayan*, other Space and Satellite programmes.
- Building physical and social infrastructure.
- Water, water management, clean rivers.
- Blue Economy.
- Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables.
- Achieving a healthy society via **Ayushman Bharat**, well-nourished women & children, safety of citizens.
- Emphasis on MSMEs, Start-ups, defence manufacturing, automobiles, electronics, fabs and batteries, and medical devices under Make in India.

Towards a 5 Trillion Dollar Economy

- “People’s hearts filled with *Aasha* (Hope), *Vishwas* (Trust), *Aakansha* (Aspirations)”, says FM.
- Indian economy to become a 3 trillion dollar economy in the current year.
- Government aspires to make India a 5 trillion dollar economy.
- Need for investment in:
 - Infrastructure
 - Digital economy.
 - Job creation in small and medium firms.
- Initiatives to be proposed for kick-starting the virtuous cycle of investments.

- Common man's life changed through **MUDRA** loans for ease of doing business.
- **Measures related to MSMEs:**
 - **Pradhan Mantri Karam Yogi Maandhan Scheme**
 - Pension benefits to about three crore retail traders & small shopkeepers with annual turnover less than Rs. 1.5 crore.
 - Enrolment to be kept simple, requiring only Aadhaar, bank account and a self-
 - Rs. 350 crore allocated for FY 2019-20 for 2% interest subvention (on fresh or incremental loans) to all GST-registered MSMEs, under the **Interest Subvention Scheme for MSMEs**.
 - **Payment platform for MSMEs** to be created to enable filing of bills and payment thereof, to eliminate delays in government payments.
- India's first indigenously developed payment ecosystem for transport, based on **National Common Mobility Card (NCMC)** standards, launched in March 2019.
- Inter-operable transport card runs on RuPay card and would allow the holders to pay for bus travel, toll taxes, parking charges, retail shopping.
- Massive push given to all forms of physical connectivity through:
 - *Pradhan Mantri Gram Sadak Yojana*.
 - Industrial Corridors, Dedicated Freight Corridors.
 - *Bhartamala* and *Sagarmala* projects, *Jal Marg Vikas* and *UDAN*
- State road networks to be developed in second phase of **Bharatmala**
- Navigational capacity of Ganga to be enhanced via multi modal terminals at *Sahibganj* and *Haldia* and a navigational lock at *Farakka* by 2019-20, under **Jal Marg Vikas Project**.
- Four times increase in next four years estimated in the cargo volume on Ganga, leading to cheaper freight and passenger movement and reducing the import bill.
- Rs. 50 lakh crore investment needed in **Railway Infrastructure** during 2018-2030.
- Public-Private-Partnership proposed for development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services.
- 657 kilometers of Metro Rail network has become operational across the country.
- Policy interventions to be made for the development of **Maintenance, Repair and Overhaul (MRO)**, to achieve self- reliance in aviation segment.
- Regulatory roadmap for making India a hub for aircraft financing and leasing activities from Indian shores, to be laid by the Government.
- Outlay of Rs. 10,000 crore for 3 years approved for Phase-II of **FAME**
- Upfront incentive proposed on purchase and charging infrastructure, to encourage faster adoption of Electric Vehicles.

- Only advanced-battery-operated and registered e-vehicles to be incentivized under FAME Scheme.
- **National Highway Programme** to be restructured to ensure a *National Highway Grid*, using a financeable model.
- Power at affordable rates to states ensured under “**One Nation, One Grid**”.
- Blueprints to be made available for gas grids, water grids, i-ways, and regional airports.
- High Level Empowered Committee (HLEC) recommendations to be implemented:
 - Retirement of old & inefficient plants.
 - Addressing low utilization of gas plant capacity due to paucity of Natural Gas.
- Cross subsidy surcharges, undesirable duties on open access sales or captive generation for industrial and other bulk power consumers to be removed under **Ujjwal DISCOM Assurance Yojana (UDAY)**.
- Package of power sector tariff and structural reforms to be announced soon.
- Reform measures to be taken up to promote **rental housing**.
- **Model Tenancy Law** to be finalized and circulated to the states.
- *Joint development* and *concession* mechanisms to be used for public infrastructure and affordable housing on land parcels held by the Central Government and CPSEs.
- **Measures to enhance the sources of capital for infrastructure financing:**
 - **Credit Guarantee Enhancement Corporation** to be set up in 2019-2020.
 - Action plan to be put in place to deepen the market for long term bonds with focus on infrastructure.
 - Proposed transfer/sale of investments by FIIs/FPIs (in debt securities issued by IDNBFCs) to any domestic investor within the specified lock-in period.
- **Measures to deepen bond markets:**
 - Stock exchanges to be enabled to allow AA rated bonds as collaterals.
 - User-friendliness of trading platforms for corporate bonds to be reviewed.
- **Social stock exchange:**
 - Electronic fund raising platform under the regulatory ambit of SEBI.
 - Listing social enterprises and voluntary organizations.
 - To raise capital as equity, debt or as units like a mutual fund.
- SEBI to consider raising the threshold for minimum public shareholding in the listed companies from 25% to 35%.
- Know Your Customer (KYC) norms for Foreign Portfolio Investors to be made more investor friendly.

- Government to supplement efforts by RBI to get retail investors to invest in government treasury bills and securities, with further institutional development using stock exchanges.
- **Measures to make India a more attractive FDI destination:**
 - FDI in sectors like aviation, media (animation, AVGC) and insurance sectors can be opened further after multi-stakeholder examination.
 - Insurance Intermediaries to get 100% FDI.
 - Local sourcing norms to be eased for FDI in Single Brand Retail sector.