



INTERIM BUDGET 2019-20

Financial Scenario and Direct Tax

By

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Financial Scenario

- Overview
- General
- Economy
- Benefits for SME



Overview

- Today, India is 6th Largest Economy of World
- Average Inflation reduced to 4.6% for 2014-18 from 10.10% 2009-14
- Fiscal Deficit reduced to 3.4% for 2018-19 from 6% seven years ago
- Current Account Deficit of GDP is 2.5%
- Rural Sanitation has reached 98%
- 10% Reservation to Poor People for Education and Govt.
- Jobs, Further 2 Lakhs seats will be extra accommodated

Overview

- Rs. 60,000 Crore allocated in MGNREGA for 2019-20
- 1.7 Lakh Crore allocated for Food Grains for Poor
- 1 Crore 53 Lakh houses constructed for Poor Family in last 4-5 years
- 143 crore LED Bulb provided to save Rs. 50000 Crore in 5 years
- 22nd AIMS going to inaugurate in Haryana
- Minimum Selling Price (MSP) of All 22 Crops maintained minimum 50% extra from Cost

Overview

- 15 Crore Mudra Loans Provided of Rs. 7 Lakh 23K Crore
- 70% Beneficiaries are Women under Mudra Yojana
- Job Seeker became Job Creator
- Over 1 Crore Yuwa Trained under Kaushal Yojana
- One Rank One Pension issues resolved and disbursed Rs. 35000 crore

Agriculture sector

- Small Farmers (Upto 2 Hectare)- Rs. 6000/- Per Year Cash Help immediately (12 Crore Farmers will be benefitted) – (Rs. 75k Crore)
- Gokul Mission allocation increased to Rs. 750 Crore from current year
- 2% Interest subvention for Farmers doing business of Animal and Fishery Husbandary
- 2% Interest subvention overall on Kishan Credit Card (KCC) and 3% extra if pay on time

SME

- GST-registered SME get 2% interest rebate on incremental loan of 1 Crore.
- sourcing from SMEs by Government enterprises increased to 25%.
- Gratuity Limit Increased to Rs. 30 L from Rs. 10L
- Min. Pension limit for workers / labourers increased to Rs. 1000/-
- Ceiling of ESI's Eligibility increased to Rs. 21,000/-
- Death of worker at spot - EPFO will provide Rs. 6 L
- MSMEs have an opportunity to sell their products through Government e-Marketplace (GeM)

Direct Tax

- Individual Taxation
- Corporate Tax
- Procedural

Overview

- 99.54% ITRs processed without Scrutiny
- Scrutiny to be fully online in Next 2 Years
- ITRs Process (Refund , Processed) will be in 24 Hours.

Individual taxation-Tax rates

Status of individual	Slabs (INR)			
	Nil	5%	20%	30%
General category	250,000	250,001 – 500,000	500,001 – 1,000,000	1,000,001 & above
Resident – Senior Citizen (60 to 79 years)	300,000	300,001 - 500,000	500,001 – 1,000,000	1,000,001 & above
Resident – Very Senior Citizen (80 years and above)	500,000	-	500,001 – 1,000,000	1,000,001 & above

- Surcharge @ 10% of total tax if the total income exceeds INR 50 Lakh but up to INR 1 crore.
- Surcharge @ 15% of total tax if the total income exceeds INR 1 crore.
- Health and Education Cess payable at the rate of 4% of total tax including surcharge.



Tax Rebate

- Earlier, the rebate under section 87A of the ITA was INR 2,500 for resident individuals whose total income did not exceed INR 350,000 per annum. It is proposed to increase the rebate to INR 12,500 for resident individuals whose total income does not exceed INR 500,000 per annum. Accordingly, in case of resident individuals having total income upto INR 500,000, no tax will be payable.

Standard Deduction

- It is proposed to increase the standard deduction for salaried individuals from INR 40,000 to INR 50,000 per annum.

Individual taxation-Tax rates

Gross total Salary	Rs. 10,00,000
Less: Standard Deduction	Rs. 50,000
Less: Home loan deduction	Rs. 2,00,000
Less: 80C (LIC, PPF etc.) deduction	Rs. 1,50,000
Less: 80D Mediclaim (Self, family+Parents)	Rs. 50,000
Less: National Pension Scheme	Rs. 50,000
Net Taxable Income	Rs. 5,00,000
Tax payable	NIL

Relief on second self occupied property

- Earlier, an individual owning more than one self occupied property was required to offer to tax the notional rent in respect of such additional property/properties. It is now proposed to exempt the notional rent on a second self-occupied / vacant property.
- The limit to claim house property loss in respect of interest on loan taken for both the properties in aggregate will continue to be INR 200,000. Hence, maximum INR 200,000 loss can be claimed in respect of such properties in one financial year.

Exemption under section 54 extended to investment in two house properties

- Currently, exemption under section 54 of the ITA in respect of long-term capital gains arising on sale of residential property is available where the individual invests such capital gains to purchase/construct one residential property in India (subject to other conditions).
- It is proposed that the said exemption will be available even if such capital gain is invested to purchase/construct two residential properties provided the capital gains do not exceed INR 20,000,000.
- This exemption can be claimed by the individual taxpayer once in a lifetime.

Corporate Tax–Tax rates

Type of companies	Income up to INR 1 crore		Above INR 1 crore up to INR 10 crore		Above INR 10 crore	
	Surcharge rate	Effective tax rate	Surcharge rate	Effective tax rate	Surcharge rate	Effective tax rate
Domestic with turnover not exceeding INR 250 crore in the FY 2017-18	Nil	26%	7%	27.82%	12%	29.12%
Other domestic	Nil	31.20%	7%	33.38%	12%	34.94%
Foreign Companies	Nil	41.60%	2%	42.43%	5%	43.68%

The corporate tax rates have been kept the same as last year with no changes.

Health and education cess of 4% has been considered for determining the tax rates above.



Corporate Tax–Minimum Alternate Tax rates

Type of companies	Income up to INR 1 crore		Above INR 1 crore up to INR 10 crore		Above INR 10 crore	
	Surcharge rate	Effective tax rate	Surcharge rate	Effective tax rate	Surcharge rate	Effective tax rate
Domestic	Nil	19.24%	7%	20.59%	12%	21.55%
Foreign	Nil	19.24%	2%	19.62%	5%	20.2%

The Minimum Alternate Tax rates have been kept the same as last year with no changes.

Note:

Health and education cess of 4% has been considered for determining the tax rates.



Corporate Tax–LLP Tax rates

Income up to INR 1 crore		Above INR 1 crore	
Surcharge rate	Effective tax rate	Surcharge	Effective tax rate
Nil	31.20%	12%	34.94%

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Location of LLP	Income up to INR 1 crore		Above INR 1 crore	
	Surcharge rate	Effective tax rate	Surcharge rate	Effective tax rate
Other than in IFSC	Nil	19.24%	12%	21.55%
In International financial service Center (IFSC)	Nil	9.36%	12%	10.48%

The LLP tax rates have been kept the same as last year with no changes.



Health and education cess of 4% has been considered for determining the tax rates above.

Property held as stock-in-trade

- The period of exemption from tax on notional rent on unsold inventory of land and building is proposed to be extended from one year to two years from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority. This amendment will provide relief to real estate developers.

Extension of sunset clause for affordable housing projects

- The sunset clause for 100% profit linked deduction available to developers for qualified affordable housing projects under Section 80-IBA of the ITA is proposed to be extended by one year upto March 31, 2020. This will allow developers more headroom to complete ongoing projects which are otherwise qualified.



Tax Deduction at Source (TDS)

Increase in the threshold limit for TDS on rent

- Under section 194I of the ITA, the existing threshold limit for TDS from rental income is proposed to be increased from INR 180,000 per year to INR 240,000 per year.

Tax Deduction at Source (TDS)

Increase in the threshold limit for TDS on interest

- Under section 194A of the ITA, the existing threshold limit of INR 10,000 per year for application of TDS on interest earned from banks, post office and other qualified institutions is proposed to be increased to INR 40,000 per year.
- The amendment will ease the TDS compliance burden of banks, co-operative society, post office as there would be significant decrease in such transaction volumes.
- The amendment will also benefit small depositors who do not have taxable income but were subjected to withholding tax on such income and had to file return of income to claim tax refund.

State level policy

- Gujarat Plastic Policy



Gujarat Plastic Policy – SGST and Interest reimbursement

Capital investment (Land, Building, Plant & Mach etc.)	Rs. 50 crores
eligible fixed capital investment – 75%	50 * 75% = Rs. 37.5 crore
Eligible maximum refund per year of SGST (7 years)	Rs. 5.35 crore

SGST Reimbursement	(in crore)
(A) SGST collected	Rs. 10.40
(B) SGST/IGST paid on purchase	Rs. 3.00
(C) SGST Paid (A-B)	Rs. 7.40
SGST eligible @ 80% of C	Rs. 5.92
Maximum refund available	Rs. 5.35

Interest refund	(in crore)
Loan amount	Rs. 30 crore
Interest rate 7% p.a.	Rs. 2.1 crore
Maximum Interest refund	Rs. 1 crore p.a.

So Total refund = 6.35 crore p.a.





For any query:

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