Tax News

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Union Budget for 2019-20

India

Discussion on budget highlights

Celebrating 31 YEARS

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Transmittal

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July 6, 2019

Dear Reader,

Of all the words of mice and men, the saddest are, "It might have been."

The Honourable Finance Minister, Ms. Nirmala Sitharaman presented the Union Budget for the financial year 2019 – 2020 ('Budget 2019') before the Lok Sabha on July 5, 2019. In the backdrop of the sluggish 5.8% growth in GDP experienced in the last quarter of FY 2018-19, which was incidentally the slowest in the last five years, coupled with a record unemployment rate, far reaching announcements were conspicuous by their absence in Budget 2019. While Budget 2019 laid down some of the ground work for achieving the Government's dream of a $5 trillion economy, it was by most standards a play-it-safe budget which was probably on account of the already strained coffers and fast dwindling reformist ammunition in its arsenal.

The Finance Minister eloquently spoke about cooperative federalism, but Budget 2019 slyly proposes to mobilise considerable revenues in the form of higher cess and special additional excise duty on petrol and diesel, which incidentally need not be shared with the States. Such levies are inherently regressive in nature and comes at a time when the year ahead looks increasingly difficult with a monsoon which looks to be below normal.

Budget 2019 is notable for the raising of turnover limits for lower taxation for companies and reasonable savings for the middle class home buyers. The super rich received a shock with the significant increase in their effective tax rates but found succour in the absence of the much speculated inheritance tax.

A new dispute resolution cum amnesty scheme is proposed to be introduced which will settle most outstanding disputes under the erstwhile indirect tax laws such as Central Excise and Service Tax with a deep haircut of as much as 70% of tax dues. But like most amnesty schemes, the scheme will demoralise the honest tax payer and give the tax evader a get-out-of-jail-free card.

As in the earlier years, it gives us great pleasure to present you with a quick snap-shot on Budget 2019. We believe that you will benefit from the early insights on Budget 2019 through this issue of 'Tax News', though more clarity is expected on many of the provisions which will unravel in the coming days. We hope you will also find the ready reckoner and the compliance calendar useful.

Should you require any further clarifications or details on the budget proposals or any assistance in the analysis of the impact of the proposals on your business, please do feel free to get in touch with us. As always, we look forward to your valuable suggestions.

Yours faithfully

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Key areas include :

- Tax slabs remain unchanged, but increase in the effective tax rate of the super rich to as much as 42.74% through increase in surcharges.
- Tax rate of 25% has been extended to companies with turnover up to Rs. 400 crores.
- TDS at 5% on payment on account of payment for contractual or professional work exceeding Rs. 50 lakhs in a financial year.
- Banks to deduct TDS of 2% on cash withdrawals exceeding Rs. 1 crore.
- Gifts given by residents to non residents will be subject to tax in India.
- The scope of mandatory filing of returns have been widened.
- Aadhaar and PAN have been made interchangeable

- ► Tax slabs for individuals remain unchanged.
- ► An additional deduction of Rs. 1.50 lakhs for interest on loans taken by first time home buyers for affordable housing of up to Rs. 45 lakhs has been introduced. Further, a deduction in respect of interest of up to Rs. 1.50 lakhs on loan taken for purchase of an electric vehicle has been proposed.
- ► Increase in the surcharge on individuals having taxable income above Rs. 2 crore and Rs. 5 crores. Due to this, the effective tax rates for these two categories will increase by around 3 % and 7 % respectively. Effective tax rate for individual having total income greater than Rs. 5 crores would increase to 42.74%.
- ► Tax rate of 25% has been extended to companies with turnover up to Rs. 400 crores from the earlier limit of Rs. 250 crores. Income tax on companies having turnover exceeding Rs. 400 crores will be taxed at 30%.
- ► Individuals who are paying more than Rs. 50 lakhs per financial year to any person on account of contractual or professional work have to now deduct and remit TDS of 5% with effect from September 1, 2019.
- ► TDS deduction of 1% on purchase of immovable property will now include ancillary payments such as club membership fee, car parking fee, electricity and water facility fee, maintenance fee, advance fee, etc.
- ► Banks are to deduct TDS of 2% on all cash withdrawals exceeding Rs. 1 crore from an account in aggregate in a financial year, with effect from September 1, 2019.
- ► Gifts given by residents to non residents will now be subject to tax in India.
- ► Persons who have entered into certain high value financial transactions will be required to furnish income tax returns, notwithstanding their income was below the basic exemption limit.
- ► A person who is required to quote his PAN, but has not been allotted a PAN, but possesses an Aadhaar, may quote his Aadhaar in lieu of PAN and such person will be allotted a PAN. Further, a person who has been allotted a PAN and has linked his Aadhaar with his PAN, may quote his Aadhaar in lieu of his PAN.
- ► All businesses with a turnover of more than Rs. 50 crores will have to provide a facility for electronic modes of payment. Any such person who does not offer the facility prescribed will be subject to a penalty of Rs. 5,000 for every day the default continues.

Direct taxation

Key areas include :

- Interest on loans from NBFCs can be claimed as an expense only if actually paid.
- Start-ups incentivized through relaxing carry forward loss criteria and liberalising the capital gains exemption scheme.
- Tax on buy-back of shares extended to listed shares.
- Charitable institutions are to ensure compliance with other material laws lest their registration under the IT Act be cancelled.

▶ Persons who have availed loans from deposit-taking NBFCs or systemically important non deposit-taking NBFCs will now be allowed to claim a deduction for interest on loan only if it has actually been paid to the said NBFCs on or before the due date of filing the income tax return.

▶ Provisions relating to carry forward of losses in case of 'Eligible start-ups' have been liberalised. Further the scheme for exemption from capital gains by investment in eligible start-ups has been extended and its requirements relaxed.

▶ The facility for a person making a payment to a non-resident to apply to the assessing officer to determine the appropriate amount of TDS to be deducted is proposed to be made electronic.

▶ Tax on buy back of unlisted shares extended to listed shares also. Tax is currently levied at 20% on the buy-back of unlisted shares by a company.

▶ The tax authorities are to satisfy themselves about the compliance by the charitable institutions with requirements of any other law which is material for achieving its objects, both at the time of registration as well as on an ongoing basis, failing which, the registration may be cancelled.

▶ The provisions providing relaxation in case of non-deduction of TDS by allowing payment of interest where the payee had filed an income tax return disclosing the said payment and by obtaining a chartered accountant's certificate has been relaxed further, by extending the benefit to even payments to non-residents.

Indirect taxation

Key areas include :

- Interest for late payment of tax to be paid only on net tax liability.
- An amount available in the electronic cash ledger may now be transferred from one head to another.
- The government has introduced a dispute resolution cum amnesty scheme.

GST

▶ The law is proposed to be amended to clarify that interest for late payment of tax is to be paid only on net tax liability.

▶ Transfer of amount from one account head to another in electronic cash ledger will now be permitted.

Dispute resolution cum amnesty scheme

▶ The government has introduced a dispute resolution cum amnesty scheme called Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019, for resolution and settlement of legacy cases of Central Excise and Service Tax. The relief under the scheme varies from 40% to 70% of the tax dues for cases other than voluntary disclosure cases, depending on the amount of tax dues involved.

▶ If the amount of predeposit or deposit already paid by the declarant exceeds the amount payable by the declarant, the declarant shall not be entitled to any refund.

Direct taxation

Key highlights

- Standard deduction which was increased from Rs. 40,000 to Rs. 50,000 has been retained.
- Rebate under 87A which was increased from Rs. 2,500 to Rs. 12,500 for those with income[#] up to Rs. 5 lakhs has been retained.
- On account of the above rebate, individuals having total income[#] up to Rs. 5 lakhs will not be liable to pay any tax.

[#] Total income means income after claiming deductions under Chapter VIA such as 80C, 80D, 80TTA etc.

Budget amendments for individual tax payers

- In the interim budget presented in February 2019, the Finance Minister had proposed to increase the standard deduction from Rs. 40,000 to Rs. 50,000. Budget 2019 has retained this limit.
- Further the rebate under section 87A was also increased to Rs. 12,500 for resident individuals with total income not exceeding Rs. 5 lakhs. On account of this, individuals having total income below Rs. 5 lakhs will not be liable to pay any tax. Further, individuals having total income of around Rs. 7 to 7.5 lakhs and who utilize the full limits of deductions provided under Chapter VI A such as 80C, 80D, 80TTA, 80G etc. will also be eligible for this rebate as their total income will be brought below Rs. 5 lakhs and hence will not be liable to pay taxes.
- The following table illustrates the tax computation of an individual assessee having salary income of Rs. 5.5 lakhs under the old provisions and as per the revised provisions

Particulars		FY 2019-20	FY 2018-19
Income from salary	(a)	5,50,000	5,50,000
Less: Standard deduction u/s 16(ia)	(b)	(50,000)	(40,000)
Total Income	**(a-b)**	**5,00,000**	**5,10,000**
Income tax at slab rates		12,500	14,500
Less: Rebate u/s 87A		(12,500)	Nil
Add: Cess @ 4%		Nil	580
Total income tax		**Nil**	**15,080**

Key highlights

- In the illustration, it has been assumed that the parties covered under 80D are not senior citizens. In case of medical insurance / expenses of senior citizen the limit will be Rs. 50,000 each for self and parents instead of Rs. 25,000, thereby increasing the limit to Rs. 1,00,000

Budget amendments for individual tax payers| Continued...

- Through the below table, the tax liability of a salaried individual earning Rs. 13 lakhs by judicious utilization of the common deductions available is illustrated:

Particulars		FY 2019-20
Income from salary	(a)	13,00,000
Less: Standard deduction u/s 16(ia)	(b)	(50,000)
Less: Income from house property (interest on self occupied house property	(c)	(2,00,000)
Gross total income	**(a)-(b)-(c)=(d)**	**10,50,000**
Chapter VI A Deductions:	**(e)**	**(5,50,000)**
- 80C (investments in specified schemes/funds)	(1,50,000)	
- 80CCD (National Pension System)	(50,000)	
- 80D (medical insurance for self and parents)	(50,000)	
- 80EEA (interest on home loan)	(1,50,000)	
- 80EEB (interest on loan for electric vehicle)	(1,50,000)	
Total Income	**(d)-(e)**	**5,00,000**
Income tax at slab rates		12,500
Less: Rebate u/s 87A		12,500
Add: Cess @ 4%		Nil
Total income tax		**Nil**

Key highlights

- Tax slabs for individuals remain unchanged.

Taxation slabs unchanged

- The tax slabs remain unchanged. The tax slabs under each category have been listed below.

A. In case of senior citizens, i.e., individuals who are more than 60 years, but less than 80 years

Slab	Tax rate
Below Rs. 3.0 lakhs	Nil
Rs. 3.0 lakhs to Rs. 5.0 lakhs	5%
Rs. 5.0 lakhs to Rs. 10.0 lakhs	20.0%
Above Rs. 10.0 lakhs	30.0%

B. In case of very senior citizens, i.e., individuals who are more than 80 years

Slab	Tax rate
Below Rs. 5.0 lakhs	Nil
Rs. 5.0 lakhs to Rs. 10.0 lakhs	20.0%
Above Rs. 10.0 lakhs	30.0%

C. In the case of other individuals

Slab	Tax rate
Below Rs. 2.5 lakhs	Nil
Rs. 2.5 lakhs to Rs. 5.0 lakhs	5%
Rs. 5.0 lakhs to Rs. 10.0 lakhs	20.0%
Above Rs.10.0 lakhs	30.0%

Key highlights

- ► Surcharge increased for individuals/HUF/AOP/ BOI for income exceeding Rs. 2 crores
- ► Education and Health Cess retained at 4%
- ► Effective tax rate will increase to 42.74% for those having income above Rs. 5 crores.

► Considering the rising income levels, the finance minster has proposed to tax individuals in the highest income brackets. Such taxing is being proposed by way of increasing the surcharge on individuals having taxable income above Rs. 2 crores and Rs. 5 crores so that effective tax rates for these two categories will increase by around 3% and 7% respectively. The comparison of existing and proposed rates of surcharge are given below:

	Income > Rs. 50 lakhs	**Income > Rs. 1 crore**	**Income > Rs. 2 crores**	**Income > Rs. 5 crores**
Existing surcharge	10% of income tax	15% of Income Tax		
Proposed surcharge	10% of income tax	15% of income tax	25% of income tax	37% of income tax

 # income means taxable income

► Further, Education and Health Cess together total to 4% of the income tax liability including surcharge on such tax.

► On account of the above the effective tax rates of individual/HUF/AOP/BOI will be as below:

Particulars	**Income Tax**	**Surcharge on (a)**	**Education and Health Cess on (a+b)**	**Effective tax rate**
	(a)	(b)	(c)	
Below Rs. 5 lakhs	Nil	Nil	Nil	Nil
Rs. 5 to Rs. 49.99 lakhs	5% to 30%	Nil	4.00%	2.60% to 27.30%
Rs. 50 lakhs to Rs. 99 lakhs	5% to 30%	10.00%	4.00%	30.03% to 32.17%
Rs. 1 crore to Rs. 1.99 crores	5% to 30%	15.00%	4.00%	33.64% to 34.76%
Rs. 2 crores to Rs. 4.99 crores	5% to 30%	25.00%	4.00%	37.78% to 38.51%
> Rs. 5 crores	5% to 30%	37.00%	4.00%	42.21% to 42.74%

 # income tax rate is on the basis of slab rates applicable to the respective level of income i.e., 2.5 – 5 lakhs - 5%, 5 – 10 lakhs – 10% , above 10 lakh – 30%

Key highlights

- Tax rate of 25% has been extended to companies with turnover up to Rs. 400 crores from the earlier limit of Rs. 250 crores
- Tax rate for LLPs and firms continues at 30%
- Surcharge of 7% and 12% of income tax will be imposed on domestic companies with income exceeding Rs. 1.0 crore and Rs. 10.0 crores respectively.
- Foreign companies with income exceeding Rs. 1.0 crore and Rs. 10.0 crores will be subject to a surcharge of 2% and 5% of income tax respectively.

Tax rates for companies and firms

- Continuing the phased reduction in rates applicable to corporates the Finance minister has proposed to extend the reduced tax rate of 25% to companies with a turnover of up to Rs. 400 crores.
- Income tax on companies having turnover exceeding Rs. 400 crores will be taxed at 30%.
- The rates applicable to companies in the current financial year are given below:

Turnover	Income tax	Surcharge on (a)	Education and Health Cess on (a+b)	Effective tax rate
	(a)	(b)	(c)	
Domestic company - profit below Rs. 1 crore:				
Below Rs. 400 crores	25%	Nil	4.00%	26.00%
Above Rs. 400 crores	30%	Nil	4.00%	31.20%
Domestic company - profit between Rs. 1 crore to Rs. 10 crores:				
Below Rs. 400 crores	25%	7%	4.00%	27.82%
Above Rs. 400 crores	30%	7%	4.00%	33.38%
Domestic company - profit above Rs. 10 crores:				
Below Rs. 400 crores	25%	12%	4.00%	29.12%
Above Rs. 400 crores	30%	12%	4.00%	34.94%

- Income tax rates for firms / LLPs remain unchanged at 30%.
- Surcharge for domestic companies continues to be at 7% of income tax where the total income exceeds Rs. 1 crore, but does not exceed Rs. 10 crores and 12% where total income exceeds Rs. 10 crores
- Surcharge for foreign companies remains unchanged at 2% of income tax where the total income exceeds Rs. 1 crore, but does not exceed Rs. 10 crores. Foreign companies with total income exceeding Rs. 10 crores will be subject to a surcharge of 5%.

Key highlights

- Individuals paying any person more than Rs. 50.0 lakhs per financial year for contractual or professional work will be required to deduct and remit TDS of 5%.
- Incidental amounts such as club membership, car parking fee, etc. paid during the purchase of an immovable property will also be subject to TDS of 1%.
- Cash withdrawals exceeding Rs. 1 crore from a bank account will be subject to TDS of 2%.
- Gifts received by non-residents from residents will now be subject to tax in India.

TDS on payment by individuals to contractors and professionals

- Budget 2019 has inserted a new provision requiring individuals who are paying more than Rs. 50 lakhs per financial year to any person on account of contractual or professional work to deduct and remit TDS of 5%. However, to reduce the compliance burden, such individuals will be able to remit the TDS deducted using their Permanent Account Number ('PAN') and need not obtain a separate Tax deduction Account Number ('TAN').

- This new provision will now require persons who are constructing houses or decorating the interiors of their apartment in which payments to their contractor exceed Rs. 50 lakhs to now deduct and remit TDS of 5% on such payments. This amendment will take effect from September 1, 2019.

TDS at the time of purchase of immovable property

- Presently, buyers of immovable property are required to deduct TDS of 1% where the 'consideration for immovable property' exceeded Rs. 50 lakhs. This term was not defined and therefore resulted in TDS not being deducted on ancillary payments such as club membership fee, car parking fee, electricity and water facility fee, maintenance fee, advance fee, etc. Budget 2019 now proposes to clearly define 'consideration for immovable property' to include such amounts which are incidental to transfer of the immovable property.

TDS on cash withdrawal

- Budget 2019 proposes to require banks to deduct TDS of 2% on all cash withdrawals exceeding Rs. 1 crore from an account in aggregate in a financial year. Certain entities such as the Government, banks, post offices, banking correspondents and white label ATM operators who are involved in the handling of substantial amount of cash as part of their business operations have been exempted from these provisions. This amendment will take effect from September 1, 2019.

Taxation of gifts to non residents

- Under existing provisions, barring a few exceptional cases such as gifts to relatives, gifts of money or property were taxed in the hands of the donee. However, in the case of gifts to non residents were often claimed as exempt from tax on the grounds that the income 'did not accrue or arise in India'.

- To ensure that such gifts given by residents to non residents are subject to tax, Budget 2019 proposes to provide that such gifts given on or after July 5, 2019 will be 'deemed to accrue or rise in India' and taxable in the hands of the non-resident donee.

Key highlights

- Persons engaging in certain high value transactions will be required to file income tax returns even if their income is below the taxable limit.
- Persons seeking exemption from capital gains through further investment will mandatorily have to file income tax returns to be eligible for the exemption.
- Aadhaar can now be used in place of PAN. However, a PAN which has not been linked with Aadhaar will be made inoperative.
- Businesses with turnover of more than Rs. 50 crores will have to provide a facility for prescribed modes of electronic payments.
- To be eligible to claim interest on loan taken from an NBFC as a business expenditure, it must actually be paid on or before the due date of filing the income tax return.

Mandatory furnishing of returns

- The following categories of persons will be required to furnish income tax returns, notwithstanding their income was below the basic exemption limit:
  - Persons who have deposited more than Rs. 1 crore in one or more current accounts;
  - Persons who have incurred expenditure of more than Rs. 2 lakhs for foreign travel;
  - Persons who have incurred expenditure of more than Rs. 1 lakh towards electricity consumption.
- Further, a person who is claiming exemption from capital gains tax by claiming rollover benefits through investment in specified assets such as a house, bonds, etc., will necessarily be required to file a tax return.

Inter-changeability of PAN & Aadhaar

- Budget 2019 proposes to provide for inter-changeability of PAN with Aadhaar. A person who is required to quote his PAN, but has not been allotted a PAN, but possesses an Aadhaar, may quote his Aadhaar in lieu of PAN and such person will be allotted a PAN. Further, a person who has been allotted a PAN and has linked his Aadhaar with his PAN, may quote his Aadhaar in lieu of his PAN.
- PAN allotted to a person will be made inoperative if not linked with his Aadhaar.

Mandating acceptance of payments through prescribed electronic modes

- To promote a digital economy and to reduce the generation and circulation of black money, Budget 2019 has proposed to mandate that all businesses with a turnover of more than Rs. 50 crores will have to provide a facility for electronic modes of payment which will be prescribed. Further, any such person who does not offer the facility prescribed will be subject to a penalty of Rs. 5,000 for every day the default continues.

Claiming deduction for interest on loans taken from NBFCs

- Persons who have availed loans from deposit-taking NBFCs or systemically important non deposit-taking NBFCs will now be allowed to claim a deduction for interest on loan only if it has actually been paid to the said NBFCs on or before the due date of filing the income tax return.

Key highlights

- **Deduction under 80EEA**
  - does not own any residential house property
  - acquire residential house property
  - stamp value of the house is less than Rs. 45.0 lakhs
- **Deduction under 80EEB**
  - Purchases new electric vehicle before March 2023 by availing loan
  - Interest on loan upto Rs. 1.5 lakhs allowed as deduction
- Provisions relating to the carry forward of losses has been liberalized for start-ups.
- Investment in start-ups have been further incentivized by extending the scheme for exemption from capital gains and relaxing its conditions.

Tax incentive for affordable housing

- First time home buyers purchasing a residential house property with a stamp duty valuation of up to Rs. 45 lakhs and availing a housing loan will be eligible for an additional deduction of up to Rs. 1.50 lakhs on account of interest on the housing loan.

Tax incentive for electric vehicles

- To encourage electric vehicles, a deduction in respect of interest on loan taken for purchase of an electric vehicle from any financial institution up to Rs. 150,000 has been proposed.

Incentives for start-ups

- Eligible start-ups need to satisfy only either of the following two conditions in order to be allowed to carry forward their losses:
  - Persons holding at least 51% of the voting power in the year when the losses occurred continue to hold their shares, or
  - All the persons who held shares in the year when the losses occurred continue to hold the shares.

- Till March 31, 2019, a scheme for exemption from capital gains on transfer of a residential property was available whereby an assessee could invest in equity shares of an eligible start-up. However, after the investment, the assessee was required to have more than 50% of the share capital or voting rights. Further, there were restrictions on the eligible start-up for transfer of assets acquired by the company for five years from the date of acquisition. Budget 2019 proposes the following additional incentives:
  - Extend the scheme to March 31, 2021
  - Relax the condition of minimum shareholding from 50% to 25%
  - Relax the restriction on asset transfer from five years to three years

What is an eligible start-up?

An eligible start-up is one which satisfies all the following conditions:

- An eligible start-up is a company or a limited liability partnership incorporated on or after April 1, 2016 but before April 1, 2021.
- It is carrying out an 'eligible business', i.e., a business engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation.
- The turnover does not exceed Rs. 25 crores.
- It holds a certificate of eligible business from the Inter-Ministerial Board of Certification.

Key highlights

- In a boost to minimize tax litigation on the applicability of TDS on payments to non-residents, the already existing facility of applying to the assessing officer for determination has been made online.
- Additional tax of 20% on buy-back of unlisted shares has been extended to listed shares to curb tax avoidance by resorting to buy-backs instead of declaring dividends.
- Charitable institutions need to ensure compliance with other laws which are material to achieving their objects to obtain and retain their registrations for exemption.
- Cases of non-deduction of TDS on payment to non-residents can be resolved by remitting interest and furnishing a certificate from a chartered accountant, provided the non-resident had filed a tax return declaring the income so paid.

Application seeking determining TDS to be deducted from non residents

- The Income-tax Act, 1961 ('IT Act') provides a facility for a person making a payment to a non-resident to apply to the assessing officer to determine the appropriate amount of TDS to be deducted from the payment. The process is currently manual. This process is proposed to be made electronic by prescribing the form and manner of application to the assessing officer and also for the manner of determination of appropriate amount of TDS to be deducted.

Tax on buy-back of shares of listed companies

- Tax is currently levied at 20% on the buy-back of unlisted shares by a company. Consequently, the income received by a shareholder is exempted from income tax in his hands. This anti-abuse provision was introduced to curb the practice of avoiding tax by way of buy-back of shares instead of payment of dividends. Budget 2019 proposes to extend the levy to even listed shares.

Cancellation of registration of charitable institutions

- The IT Act provides for registration of charitable institutions for the purpose of availing tax exemption. The tax authorities are also empowered to cancel the registration if they are satisfied that the activities of the entity are not genuine or if it is noticed that the activities of the entity are being carried out in a manner that its income would cease to be exempt.

- Budget 2019 seeks to strengthen this by requiring the tax authorities to satisfy themselves about the compliance of the entity with requirements of any other law which is material for achieving its objects, both at the time of registration as well as on an ongoing basis, failing which, the registration may be cancelled.

Relaxing provisions relating to non-deduction of TDS from non-residents

- In the case of non-deduction of TDS from payments, the IT Act has very harsh provisions relating to penalties as well as the disallowance of such payments while computing the payer's tax liabilities. These provisions were relaxed to a certain extent by allowing payment of interest where the payee had filed an income tax return disclosing the said payment and by obtaining a chartered accountant's certificate to this effect. However, this relaxation was limited to only payments to residents. Budget 2019 proposes to relax these provisions further, by extending the benefit to even payments to non-residents.

Key highlights

- Persons opting out of the National Pension Scheme will get 60% of the payment tax free as opposed to the existing 40%.
- Provisions of relief under Sec. 89 has been extended to the computation of interest.
- TDS on taxable life insurance payouts has been increased from 1% to 5%, but will now be computed only on the net income, instead of the gross payout.

Exemption on withdrawal from National Pension Scheme ('NPS')

- Exemption on any payment from the NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme, has been increased to 60% of total amount withdrawn from NPS from the current limit of 40%.

Relief under Sec. 89 to apply to other sections

- Relief under Section 89 shall be considered while computing the tax liability under Section 140A (Self Assessment Tax), section 143 (Tax on Regular Assessment), section 234A (interest for late filing of return), section 234B (interest on late payment of taxes), and section 234C (interest on non/short payment of advance tax) to avoid genuine hardships to the taxpayers who are claiming such relief.

TDS on life-insurance payout

- Presently, taxable life insurance payouts were subject to TDS deduction of 1% on the entire receipt. This provision has been amended to subject the income component of the life insurance payout, i.e., the difference between the payout and the premium invested, to TDS of 5%.

Indirect taxation

Key highlights

- Interest for late payment of tax to be paid only on net tax liability
- New form has been inserted with effect from a date to be notified for 'Transfer of amount from one account head to another in electronic cash ledger'
- Turnover under composition scheme not to include value of exempt supply by way of extending deposits, loans or advances
- Composition registered dealers are required to pay tax quarterly and file return on annual basis
- The scheme provides relief from payment of interest and penalty.
- For voluntary disclosures, the relief is regarding waiver of interest and penalty on payment of full tax dues disclosed

Key amendments in GST

- Interest for late payment of tax shall be levied only on that portion of tax which has been paid by debiting the electronic cash ledger. Earlier there was a confusion on this issue whether such interest would be charged on gross tax liability or only on net tax liability. However, when returns are filed subsequent to initiation of any proceedings under GST law, the interest shall be levied on the gross tax liability with out considering the input tax credit.

- Now a registered person can transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger to the electronic cash ledger for Integrated Tax, Central Tax, State Tax, Union Territory Tax or Cess through a new form PMT-09 subject to the conditions and restrictions prescribed. Such transfer shall be deemed to be a refund from the electronic cash ledger.

- The value of exempt supply of services provided by way of extending deposits, loans or advances (where consideration is received in form of interest or discount) shall not be considered for determining turnover under Composition Scheme.

- Simplified return forms to be implemented soon. Composition registered dealers are required to pay tax quarterly and file return on annual basis.

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

- The government has introduced a dispute resolution cum amnesty scheme called Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019, for resolution and settlement of legacy cases of Central Excise and Service Tax. The key features of the scheme are:

A. Eligibility:

- All persons shall be eligible for this scheme except :

i. Who have filed an appeal which has been heard finally on or before June 30, 2019.

ii. Who have been convicted of any offence under indirect act enactment.

iii. Who have been issued a show cause notice and final hearing has been taken place on or before June 30, 2019

iv. Who have been subjected to an enquiry or investigation or audit and the amount of duty involved in the such enquiry or investigation has not been quantified on or before June 30, 2019.

v. A person making a voluntary disclosure after being subjected to any enquiry or investigation or audit; or having filed a return under the indirect tax enactment, wherein he has indicated an amount of duty as payable, but has not paid it. *(More clarity is awaited on this point whether a person who has filed the return disclosing the tax payable and not paid, is eligible for this scheme)*

vi. Who have filed an application in the Settlement Commission for settlement of a case

Key highlights

- The relief under the scheme varies from 40% to 70% of the tax dues for cases other than voluntary disclosure cases, depending on the amount of tax dues involved.
- If the amount of pre-deposit or deposit already paid by the declarant exceeds the amount payable by the declarant, the declarant shall not be entitled to any refund.

B. Relief under the scheme

- The relief prescribed under the scheme ranges from 40% to 70% depending on the quantum and nature of dues. The relief under the scheme is summarised below:

Particulars	Amount of tax dues	Relief
Where the tax dues are relatable to a show cause notice or one or more appeals arising out of such notice which is pending as on 30th day of June, 2019	Rs. 50 lakhs or less	70% of the tax dues
	More than Rs. 50 lakhs	50% of the tax dues
Where the tax dues are relatable to an amount in arrears	Rs. 50 lakhs or less	60% of the tax in arrears
	More than Rs. 50 lakhs	40% of the tax in arrears
Where the tax dues are relatable to a show cause notice for late fee or penalty only, and the amount of duty in the said notice has been paid or is nil	With out any limit	The entire amount of late fee or penalty
Where the tax dues are linked to an enquiry, investigation or audit against the declarant and the amount quantified on or before the 30th day of June, 2019	Rs. 50 lakhs or less	70% of the tax dues
	More than Rs. 50 lakhs	50% of the tax dues
Where the tax dues are payable on account of a voluntary disclosure by the declarant	Any amount	No relief shall be available with respect to tax dues

C. Other points

- The declaration under this Scheme shall be made in electronic form.
- The relief calculated under this Scheme shall be subject to the condition that any amount paid as pre-deposit at any stage of proceedings, shall be deducted when issuing the statement indicating the amount payable by the declarant.
- However that if the amount of pre-deposit or deposit already paid by the declarant exceeds the amount payable by the declarant, the declarant shall not be entitled to any refund.

Key highlights

- Kerala Flood Cess of 1% to be levied from August 1, 2019 for a period 2 years on all B2C intra-state supplies within Kerala.
- The cess is to be remitted monthly along with Form GSTR 3B and a separate return filed in Form KFC-A.

Kerala Flood Cess

- The Government of Kerala, to provide the reconstruction, rehabilitation and compensation has levied a cess called the Kerala Flood Cess for a period of two years, which would now be effective / levied from August 1, 2019. Key features of the cess are as follows:
  - The rate of cess is 1%
  - It is applicable on all the intra-state supplies of goods and services or both made by the taxable person to an unregistered person i.e., B2C supplies.
  - The cess shall not apply to goods or services or both supplied under the composition scheme.
  - Every taxable person who is liable to pay the 'Kerala Flood Cess' is required to file an additional monthly return in Form KFC-A.
  - The taxable value for calculation of CGST and SGST shall not include the value of Kerala Flood Cess.
  - The cess needs to be reflected separately in the invoice.
  - The cess is to be remitted along with the filing of return in Form GSTR-3B

Key highlights

- Customs duties for many items have been increased, especially to promote creation of more jobs in the country and also to incentivise domestic value addition.
- Export duty on leather products slashed to promote the domestic industry

Changes in BCD

- The following are the important items for which Budget 2019 has changed Basic Customs Duty.

Item	Existing	Proposed
Construction materials such as floor covering plastics, ceramic paving tiles, flooring tiles, wall tiles, metal fittings etc.	10%	15%
Construction materials – Marble slabs	20%	40%
Precious metals – Silver, gold platinum including waste/scrap of such metals	10%	12.5%
Automobile parts such as discs, washers, pads, materials for brakes, clutches, glass mirrors, locks, horns etc.	10%	15%
Chassis fitted with engines, Bodies for vehicle	10%	15%
Air conditioners	10%	20%
Digital Video Recorder (DVR) and Network Video Recorder (NVR), CCTV camera and IP camera	15%	20%
Petroleum Crude	Nil	Re. 1 per Tonne
Articles of plastics	10%	15%
Chlorobutyl rubber or bromobutyl rubber	5%	10%
Newsprint, paper used for printing of newspapers and magazines	Nil	10%
Printed books, manuals	Nil	5%
Textile products such as wool fibers, wool tops	10%	20%
Defense equipment and their parts	Applicable rates	Nil
Raw materials for manufacturing medical devices such as artificial kidneys, dialyzer etc.	Applicable rates	Nil

Indirect taxation: Customs duty

Key highlights

- Increase in duties of jewellery prices, imported books, newsprint, floor tiles, marble slabs
- Decrease in duties of defense equipment's, electric vehicle components, raw materials for manufacturing certain medical devices

Change in rates of export duty

Item	Existing	Proposed
EI tanned Leather	15%	Nil
Hides, skins and leathers, tanned and untanned, all sorts	60%	40%

The impact of Budget 2019 on key sectors are as follows:

Proposed changes in customs duty is mainly to promote creation of more jobs in the country and also to incentivise domestic value addition in sectors such as food processing, electronics, auto components, footwear and furniture. The major industries affected by the rate change are:

Jewelry

- Gold, silver and platinum are made costlier as customs duty levied on them has increased from 10% to 12.5%. This will in turn lead to the increase in prices of jewellery and allied goods.

Defence

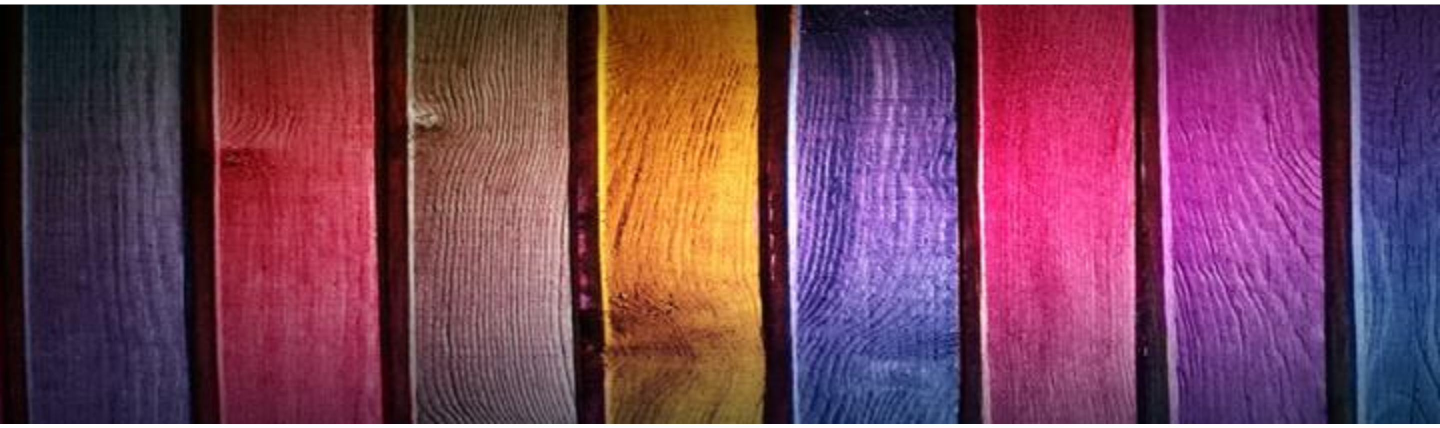
- Considering the national priority the imports of defence equipment that are not being manufactured in India have been exempted from the basic customs duty.

Newsprint and books

- To encourage domestic paper, publishing and printing industry custom duty has been proposed to be levied on printed books, newsprint etc. There was no import duty on newsprint so far. This will lead to increase in prices of imported textbooks which may have an adverse impact on education sector.

Construction industry

- PVC, vinyl flooring, tiles, metal fittings, mountings for furniture and marble slabs have been increased. This will have an adverse impact on the constriction industry which is already under pressure.



Ready Reckoner

- Key TDS rates
- Reverse charge mechanism under GST
- Quoting of PAN
- Reporting financial transaction
- Compliance calendar

Key TDS Rates

- In the following table, we have provided the key rates applicable for tax withholding.

Section	Nature of payment	Cut-off amount (INR)	Rate % (Individual)	Rate % (Others)
194	Deemed dividend	-	10%	10%
194A	Interest other than interest on security (by bank)	40,000	10%	10%
194A	Interest other than interest on securities (by others)	5,000	10%	10%
194C	Contracts	30,000	1%	2%
194H	Commission or brokerage	15,000	5%	5%
194I	Rent (Land / building / furniture)	240,000	10%	10%
194I	Rent (plant & machinery / equipment)	240,000	2%	2%
194IB	Rent paid by individual / HUF not covered above	50,000 per month	5%	5%
194J	Professional / Technical charges / Royalty / Non-compete fee	30,000	10%	10%
194J(1)(ba)	Any remuneration or commission paid to director of the company (other than those covered under Sec. 192)	-	10%	10%
195	Non Residents	TDS is to be deducted on a case to case basis, at rates to be determined based on DTAA or Income Tax Act, whichever is beneficial and also subject to certain conditions		

Notes

- 194C - Also where the aggregate of the amounts paid/credited or likely to be paid/credited to Contactor exceeds INR 100,000 during the financial year, TDS has to be deducted.
- No PAN for the payee – Tax has to be deducted @ 20% if deductee does not furnish PAN.
- No TDS on goods transport - No deduction shall be made from any sum credited or paid to the account of a contractor during the course of business of plying, hiring or leasing goods carriages if he furnishes declaration that he owns not more than 10 goods carriage vehicles and also furnishes his PAN, to the person paying or crediting such sum.

Reverse charge mechanism under GST

- Under the normal taxation regime, supplier collects the tax from the buyer and deposits the same after adjusting the output tax liability with the input tax credit available. But under the reverse charge mechanism, liability to pay tax shifts from the supplier to the recipient.
- Unlike Service Tax, there is no concept of partial reverse charge. The recipient has to pay 100% tax on the supply.
- The liability for remittance of GST under the reverse charge mechanism by the recipient arises in the following scenarios:

Description of service
Legal services provided by an advocate or a firm of advocates
Services provided by a goods transport agency in respect of transportation of goods by road
Services supplied by an arbitral tribunal to a business entity
Services provided by way of sponsorship to any body corporate or partnership firm
Services supplied by an insurance agent to any person carrying on insurance business
Support services provided by Government / local authority in relation to (1) renting of immovable property (2) other specified services (postal service, transportation of goods or passengers, services in relation to aircrafts or vessels)
Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company
Supply of security services by non-corporate to a registered person [with effect from January 1, 2019]
Supply of specified categories of goods and services to notified classes of registered persons [such categories of goods and services and classes of registered persons are yet to be notified]
Services supplied through an E-commerce operator
Services supplied by a directors of a company or a body corporate

Ready Reckoner: Quoting of PAN

Transactions in relation to which permanent account number is to be quoted in documents

As per the amendment effected to the income tax rules every person should quote their PAN in all documents pertaining to transactions prescribed. List of such transactions are as below:

► These provisions came into effect from January 1, 2016.

Nature of transaction	Value of transaction
Sale / purchase of motor vehicle	All transactions
Application for opening bank account	All transactions
Application for credit / debit cards	All transactions
Opening DEMAT account with depositor	All transactions
Payment to a hotel or restaurant against a bill or bills at any one time	Cash payments exceeding Rs. 50,000
Payments in connection for travelling to a foreign country including purchase of foreign currency	Cash payments exceeding Rs. 50,000
Purchase of mutual fund units	All payments exceeding Rs. 50,000
Purchase of debentures and bonds in a company or an institution	All payments exceeding Rs. 50,000
Payment to the Reserve Bank of India, for acquiring bonds issued by it.	All payments exceeding Rs. 50,000
Deposit with a banking company or a co-operative bank	Cash payments exceeding Rs. 50,000
Purchase of bank drafts or pay orders or bankers' cheques	Cash payments exceeding Rs. 50,000
Fixed deposits with banks, post office, NBFC's and Nidhi Companies	Payments exceeding Rs. 50,000 or aggregating to more than Rs. 5,00,000 during a financial year
Payment for one or more pre-paid payment instruments, to a banking company or a co-operative bank	Amounts aggregating to more than Rs. 50,000 during a financial year
Life insurance premium paid	Amounts aggregating to more than Rs. 50,000 during a financial year
Sale or purchase, by any person, of shares of an unlisted company	Payments exceeding Rs. 1,00,000 per transaction
Sale or purchase of securities other than shares	Payments exceeding Rs. 1,00,000 per transaction
Sale or purchase of immovable property	Payments / value as per stamp valuation exceeding Rs. 10,00,000
Any other sale or purchase, by any person, of goods or services	Amount exceeding Rs. 2,00,000 per transaction

Form 60

Any person entering into any transaction referred in the above table and raising bills should ensure that the PAN has been correctly furnished and the same has been mentioned in the document. In case the PAN is not available then a declaration to that extend should be obtained in Form 60.

Details of declarations received in Form 60 needs to be filed with the Income Tax Department on half yearly basis by 31st October and by 30th April each year in Form 61.

Furnishing of statement of financial transactions

With effect from April 1, 2016 prescribed class of persons will have to furnish details of certain financial transaction entered by them during the year with the Income Tax Department.

The list of such transactions which has to be reported by persons/entities are given below:

Class of persons	Nature of transactions	Value of transaction
Any entity/person who is liable for audit under IT Act	Receipt of cash against sale of goods or services	Cash payments exceeding Rs. 2,00,000/- in a year
Banks	Purchase of pre-paid instruments issued by Reserve Bank of India.	Aggregating to Rs. 10,00,000/- or more in a year
Banks	Cash deposits or cash withdrawals (including through bearer's cheque) from one or more current account of a person.	Aggregating to Rs. 50,00,000/- or more in a year
Banks and post offices	Cash deposits in one or more accounts (other than a current account and time deposit) of a person.	Aggregating to Rs. 10,00,000/- or more in a year
Banks	Payment made in cash for purchase of bank drafts or pay orders or banker's cheque	Aggregating to Rs. 10,00,000/- or more in a year
Banks	Payments made in cash against credit card bill settlement	Aggregating to Rs. 1,00,000/- or more in a year
Banks	Payments made by any mode other than cash against credit card bills settlement	Aggregating to Rs. 10,00,000/- or more in a year
Banks/post office/nidhis/NBFCs	One or more fixed deposits in a year	Aggregating to Rs. 10,00,000/- or more in a year
Company or institution issuing bonds or debentures	Receipt from any person for acquiring bonds or debentures issued by the company or institution	Aggregating to Rs. 10,00,000/- or more in a year
Company	Receipt from any person for acquiring shares issued by the company	Aggregating to Rs. 10,00,000/- or more in a year

Furnishing of statement of financial transactions – Continued …

Class of persons	Nature of transactions	Value of transactions
Company listed in a stock exchange	Buy back of shares from any person (other than the shares bought in the open market)	Aggregating to Rs. 10,00,000/- or more in a year
Mutual fund	Receipt from any person for acquiring units of one or more schemes of a mutual fund	Aggregating to Rs. 10,00,000/- or more in a year
Authorized dealer in foreign exchange	Receipt from any person for sale of foreign currency including credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument	Aggregating to Rs. 10,00,000/- or more in a year
Registrar or sub-registrar	Sale or purchase of any immovable property	Payments/value as per stamp valuation exceeding Rs. 30,00,000/-

Annual reporting of transactions in Form 61A

With effect from April 1, 2016 all transactions covered under the various provisions mentioned in the above table will have to be reported to the Income Tax Department. The reporting will be done electronically in Form 61A. Form 61A will have to be furnished on or before 31st May each year. Non filing will lead to a penalty of Rs. 500 per day.

2019 June

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7 TDS PAYMENT, EQUALISATION LEVY	8
9	10 GSTR-1 GSTR-7 GSTR-8	11	12	13 GSTR-6	14	15 PF ESIC Advance Tax A.Y 19-20
16	17	18	19	20 GSTR-3B	21	22
23	24	25	26	27	28	29
30						

2019 July

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7 TDS PAYMENT, EQUALISATION LEVY	8	9	10 GSTR-1 GSTR-7 GSTR-8	11	12	13 GSTR-6
14	15 PF ESIC	16	17	18 GSTR-4 (APRIL-JUN)	19	20 GSTR-3B
21	22	23	24	25	26	27
28	29	30	31 TDS RETURN (APR-JUN), INCOME TAX RETURN FOR A.Y(19-20), Form NFRA-1			

Compliance Calendar

2019 August

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5	6	7 **TDS PAYMENT, EQUALISATION LEVY**	8	9	10 **GSTR-1 GSTR-7 GSTR-8**
11	12	13 **GSTR-6**	14	15 **PF ESIC**	16	17
18	19	20 **GSTR-3B**	21	22	23	24
25	26	27	28	29	30	31 **PT(HALF YEARLY) GSTR-Annual Returns F.Y 2017-18**

2019 September

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6 **TDS PAYMENT, EQUALISATION LEVY**	7
8	9	10 **GSTR-1 GSTR-7 GSTR-8**	11	12	13 **GSTR-6**	14
15 **PF ESIC Advance Tax A.Y 19-20**	16	17	18	19	20 **GSTR-3B**	21
22	23	24	25	26	27	28
29	30 **INCOME TAX RETURN FOR A.Y(19-20)**					

2019 October

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
6	7 TDS PAYMENT, EQUALISATION LEVY	8	9	10 GSTR-1 GSTR-7 GSTR-8	11	12
13 GSTR-6	14 PF ESIC	15	16	17	18 GSTR-4 (JULY-SEPT)	19
20 GSTR-3B	21	22	23	24	25	26
27	28	29	30 LLP-Form 8 Last date for AOC 4	31 TDS RETURN (JULY-SEP)		

2019 November

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7 TDS PAYMENT, EQUALISATION LEVY	8	9
10 GSTR-1 (S) GST ANX-1 (L) GSTR-7 GSTR-8	11	12	13 GSTR-6	14	15 PF ESIC	16
17	18	19	20 GSTR-3B GST PMT-08 (S)	21	22	23
24	25	26	27	28	29 Last date for filing MGT 7	30 INCOME TAX RETURN FOR A.Y(19-20) - Transfer pricing cases

2019 December

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7 TDS PAYMENT, EQUALISATION LEVY
8	9	10 GSTR-1 (S) GST ANX-1 (L) GSTR-7 GSTR-8	11	12	13 GSTR-6	14
15 PF ESIC Advance Tax A.Y 19-20	16	17	18	19	20 GSTR-3B GST PMT-08 (S)	21
22	23	24	25	26	27	28
29	30	31 GSTR- 9 (ANNUALLY) GSTR-9A (MONTHLY)				

2020 January

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
5	6	7 TDS PAYMENT, EQUALISATION LEVY	8	9	10 GST ANX-1 GSTR-7 GSTR-8	11
12	13 GSTR-6	14	15 PF ESIC	16	17	18 GSTR-4 (OCT-DEC)
19	20 GST RET-01	21	22	23	24	25
26	27	28	29	30	31 TDS RETURN (OCT-DEC)	

2020 February

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7 **TDS PAYMENT, EQUALISATION LEVY**	8
9	10 **GST ANX-1 GSTR-7 GSTR-8**	11	12	13 **GSTR-6**	14	15 **PF ESIC**
16	17	18	19	20 **GST RET-01 GST PMT-08(S)**	21	22
23	24	25	26	27	28	29

2020 March

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7 **TDS PAYMENT, EQUALISATION LEVY**
8	9	10 **GST ANX-1 GSTR-7 GSTR-8**	11	12	13 **GSTR-6**	14
15 **PF ESIC Advance Tax A.Y 19-20**	16	17	18	19	20 **GST RET-01 GST PMT-08(S)**	21
22	23	24	25	26	27	28
29	30	31 **PT(HALF YEARLY)**				

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We have used the following sources while preparing this document

1. The Finance (No. 2) Bill, 2019
2. The Finance Minister's Budget speech, July 5, 2019
3. Various notifications issued by the Central Board of Indirect Taxes & Customs

Glossary

AOP	: Association of Persons
B2C	: Business to Consumers
BCD	: Basic Customs Duty
BOI	: Body of Individuals
Budget 2019	: Union Budget for 2019 - 20
CGST	: Central Goods & Services Tax
Crores	: Ten millions
FY	: Financial Year
GJA	: G. Joseph & Associates
GST	: Goods & Service Tax
HUF	: Hindu Undivided Family
INR /Rs.	: Indian Rupee
IT Act	: Income-tax Act, 1961
Lakhs	: Hundred thousands
LLP	: Limited Liability Partnership
NBFC	: Non-Banking Financial Company
NPS	: National Pension Scheme
PAN	: Permanent Account Number
RCM	: Reverse charge mechanism
SGST	: State Goods & Services Tax
TAN	: Tax deduction Account Number
TDS	: Tax Deducted at Source

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