



Budget 2019 - Highlights

Income Tax

- There will be no change in basic rate of tax. However, rebate under section 87A is proposed to increase from Rs. 2,500/- to Rs. 12,500/- for the assesses whose total income does not exceed Rs. 5,00,000/-. This would mean that any assessee with a total income of up to Rs. 500,000/- will not be required to pay any tax. This is a good relief to the smaller tax payers.
- The rate of surcharge has been substantially increased for assessee in the higher tax bracket exceeding Rs. 2 crores.

Effective Tax Rates including surcharge & education cess

- Individuals and HUF:

Income levels	Individual/ HUF/ AOP/BOI	Senior Citizens (Age 60 – 80 years)	Very Senior Citizens (Age 80 years and above)
Up to 250,000	Nil	Nil	Nil
250,001 – 300,000	5.20%	Nil	Nil
300,001 – 500,000	5.20%	5.20%	Nil
500,001 – 10,00,000	20.80%	20.80%	20.80%
10,00,001 – 50,00,000	31.20%	31.20%	31.20%
50,00,001 – 1 crore	34.32%	34.32%	34.32%
1 crore – 2 crores	35.88%	35.88%	35.88%
2 crores – 5 crores	39.00%	39.00%	39.00%
5 crores & above	42.74%	42.74%	42.74%

- Corporate Assessee

Income levels	P. firm	Domestic Company with turnover in FY 2017-18 up to 400 crores	Domestic Company with turnover in FY 2017-18 exceeding 400 crores	Foreign Company
Up to 1 crore	31.20%	26.00%	31.20%	41.60%
From 1 crore – 10 crores	34.94%	27.82%	33.38%	42.43%
Above 10 crores	34.94%	29.12%	34.94%	43.68%

- PERSONAL TAX

- ✚ **Standard deduction** u/s. 16(ia) on salary income shall be increased to Rs. 50,000/- from the existing Rs. 40,000/-. This will give some benefit to the employees.
- ✚ Currently, the assessee can claim only one residential house as “**Self-occupied property**” and is required to pay tax on notional rent so calculated on additional properties even if the additional property is not let-out. It is proposed to amend section 23(4) whereby two residential houses, instead of one, are allowed to be considered as self-occupied properties and will now be exempt from tax.
- ✚ However, there is corresponding amendment in section 24(b) that the claim of deduction of **interest payable** on borrowed fund for both the properties will be subject to the existing overall limit of Rs. 200,000/- per year.
- ✚ Currently, if the tax payer has Long Term capital gain on sale of residential house, he is allowed tax exemption if he utilises that amount for purchase or construction of another ONE residential house. Under the amendment in section 54(1)(ii), relief is sought to be provided to the taxpayer having Long Term capital gain up to two crore rupees, arising from transfer of a residential house, by affording the assessee a once in a lifetime opportunity, at his option, to utilise the said amount for the purchase or construction of **two residential houses in India** instead of one residential house as currently provided.
- ✚ On **interest receivable from bank deposits** and Post Office, the limit of Tax deduction at source (TDS) under section 194A is proposed to increase from the existing Rs. 10,000/- to Rs. 40,000/-.

- ✚ Inserted New Sec 80EEA – A deduction up to Rs. 150,000/- is sought to be granted for payment of **interest on loan** taken during the period 1st April, 2019 to 31st March, 2020 for purchase of residential house up to Rs. 45 lakhs, if the assessee does not have any other residential house as on date of sanction of loan.
- ✚ Inserted New Sec 80EEB – A deduction up to Rs. 150,000/- is sought to be granted for payment of interest on loan taken during the period 1st April, 2019 to 31st March, 2023 for purchase of **electric vehicles** if the assessee does not have any other electric vehicle as on the date of sanction of loan.
- ✚ Changes in Sec 139(1)- a person shall be mandatorily required to file his return of income, if during the previous year, he-
 - (i) has **deposited in current bank account** an aggregate amount exceeding one crore rupees or
 - (ii) has incurred expenditure of an aggregate amounts exceeding two lakh rupees for himself or any other person for **travel to a foreign country**; or
 - (iii) has incurred expenditure of an aggregate amounts exceeding one lakh rupees towards **consumption of electricity**; or
 - (iv) fulfils such other prescribed conditions, as may be prescribed.
 - (v) claiming rollover **benefit of exemption** under sections 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB of the Act from capital gains tax on investment.
- ✚ Changes in Sec 139A- PAN and Aadhar can now be used **interchangeably** to file tax return.
- ✚ Amendment to Sec 139AA- If PAN card is not **linked with Aadhar** on or before 1st September 2019, the same will be made inoperative.
- ✚ Amendment to Section 194IA – The section provided for levy of TDS @ 1% on the amount of consideration paid or credited for transfer of immovable property. The term '**consideration for immovable property**' shall now include all the charges of the nature of club membership, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of immovable property.
- ✚ Insertion of section 194M effective from 1st September, 2019 – Any payment by **Individual/HUF** to a resident contractor/professional on account of contractual work or professional fees, which is not covered for TDS under section 194C or 194J, are required to deduct tax at source @ 5% if such payment exceeds Rs. 50 lacs.
- ✚ Currently, gifts made by a person resident in India to persons resident outside India are claimed to be exempt from tax in India as the income does not accrue or arise in India. To ensure that such gifts are subject to tax, it proposed that any income arisen from any sum of money paid, or any property/asset situated in India transferred by a person resident in India **to a person outside India** shall be deemed to accrue or arise in India. However, the provisions related to exempt gift shall continue to apply.

- **CORPORATE TAX**

- ✚ Relief in notional rent u/s. 23(5) in respect of **unsold inventory** shall not be charged to tax up to two years, instead of existing one year, from the end of the financial year in which the certificate of completion is obtained from the competent authority. This will certainly give a lot of relief to builders/developers since they have huge unsold inventory.
- ✚ Conditions amended for deduction provided to **affordable housing projects** under section 80-IBA – A deduction of 100% of the profits and gains derived from such business was available subject to certain conditions. With effect from 1st September 2019, certain conditions are amended to align the same with the GST Act. The amended conditions have increased carpet area of the residential units. Another condition introduced that the stamp duty value of such residential unit in the housing project shall not exceed Rs. 45 Lakhs. Further, cut-off date for approval of housing project is extended from 31st March 2019 to 31st March 2020.
- ✚ Carry forward of loss for 'Start-ups' – Currently, **eligible start-ups** are allowed to carry forward their loss incurred within a period of 7 years from the date of incorporation if all the shareholders who held shares carrying voting power on the last day of the year in which losses were incurred continue to be shareholders of the company in the year in which set off is claimed. It is now proposed to relax condition of continuity of shareholder if any one of the following two conditions are satisfied:
 - 1) all the shareholders who held shares carrying voting power on the last day of the year in which losses were incurred continue to be shareholders of the company in the year in which set off is claimed or
 - 2) Continuity of shareholders having at least 51% of the voting power on the last day of the previous year or years in which the loss was incurred and the year in which set off is claimed.
- ✚ Cancellation of **registration of Trust** – In order to ensure that the trust do not deviate from their objects, it is proposed to amend Section 12AA to provide that –
 - i. At the time of granting the registration to the trust, the Principal Commissioner or Commissioner shall also satisfy himself about the compliance of the trust to the requirements of the other law which is material for the purpose of achieving its objects;
 - ii. Where a trust is granted certificate under section 12AA and subsequently it is noticed that the trust has violated requirements of any other law which was material for the purpose of achieving its objects, the Principal Commissioner or Commissioner may cancel the registration of the trust after affording a reasonable opportunity of being heard.

- ✚ Secondary adjustment under Transfer Pricing regulations under Section 92CE – Currently, provision of **secondary adjustment** is applicable if the amount of primary adjustment is more than Rs. 1 crore and it is made for Assessment Year 2016–17 or after. It is now proposed that the secondary adjustment shall be made by the assessee if any one of the above conditions are satisfied.
- ✚ Further, the excess money on account of primary adjustment has to be repatriated to India within 90 days failing which it will attract interest as specified. It is now proposed that the excess money may be repatriated from any of the associated enterprises of the assessee which is not resident in India. Further, instead of making adjustment of interest every year, the assessee has an option of one-time payment of income tax on such excess amount **at 18%** plus applicable surcharge.
- ✚ Amendment in section 194-I is proposed to rationalise the existing threshold limit from Rs. 180,000/- to Rs. 240,000/-, for deduction of tax at source on **payment of rent**.
- ✚ All the tax returns will be processed within 24 hours and the refunds will be issued simultaneously.
- ✚ Within the next 2 years, almost all the verification and assessment of returns selected for scrutiny **assessment will be done electronically** without any human intervention and without any personal interface between the tax payer and the tax officers.
- ✚ Several tax benefits are given to businesses set up in International Financial Services Centre (**IFSC**) under different sections.
- ✚ Amendment in section 40(a) – Where an assessee has failed to deduct TDS but the payee has paid the required tax on such income and furnished declaration as specified and therefore the assessee is not in default u/s. 201, the **disallowance of expense** under section 40(a) will not be made.
- ✚ Amendment in section 115QA to extend tax applicability @ 20% on **shares buy back** by listed companies as well w.e.f 5th July 2019 and corresponding exemption under section 10(34A) to the shareholders of the **listed company** on account of buy back of shares on which additional income tax has been paid by the company.
- ✚ Changes in Sec 194DA – TDS @ 1% was applicable on the amount of money withdrawn from the **life insurance policy**. With effect from 1st September 2019, the TDS is increased to 5% but only on the income component of the sum paid.
- ✚ Insertion of section 194N effective from 1st September, 2019 – A levy of TDS @ 2% is proposed in case of **Cash withdrawal in excess of 1 crore** in aggregate during the year from bank account or post office account.

- ✚ Amendment in section 140A, section 143, section 234A, section 234B and section 234C so as to provide that computation of tax liability shall be made after allowing relief under section 89 will take retrospective effect from 1st April, 2007 i.e. from the assessment year 2007-08.
- ✚ A new section 269SSU has been inserted to provide that every person carrying on business, shall provide for **accepting payment through the prescribed electronic modes** if his total sales, turnover or gross receipts exceed Rs. 50 crores in the immediately preceding financial year.
- ✚ Tax Assessments in two years will be completed by unknown officer *and processing in 24 hours*

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