

# **BUDGET HIGHLIGHTS**

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## **INDIRECT TAX**

### **A. Customs**

#### **Customs Duty Increased/Imposed**

- Increase in custom duty on Gold and other precious metals - from 10% to 12.5%.
- Basic Customs Duty increased on –
  - ✓ Cashew kernels
  - ✓ PVC, tiles
  - ✓ Auto parts
  - ✓ marble slabs
  - ✓ Optical fibre cable
  - ✓ CCTV camera etc.
- 5% Basic Custom Duty -imposed on imported books.
- Special additional excise duty of Rs. 1 per litre will be imposed on petrol and diesel.

#### **Exemption from Customs Duty/Reduction in Customs Duty**

- Exemptions from Custom Duty on –
  - ✓ Electronic vehicles
  - ✓ Some other electronic products
- End use based exemptions on –
  - ✓ Palm stearin
  - ✓ Fatty oils withdrawn.
- Customs duty reduced on certain raw materials -
  - ✓ Inputs for artificial kidney and disposable sterilised dialyser and fuels for nuclear power plants etc.
  - ✓ Capital goods required for manufacture of specified electronic goods.
- Defense equipment not manufactured in India exempted from basic customs duty

### **B. Legacy Dispute Resolution Scheme**

For quick closure of pending litigations in Central Excise and Service tax (pre-GST regime) , Legacy Dispute Resolution Scheme has been introduced.

## **C. GST**

- Taxpayers having annual turnover of less than Rs. 5 crore can now file quarterly returns.
- Fully automated GST refund module shall be implemented.
- An electronic invoice system is proposed that will eventually eliminate the need for a separate e-way bill
- Further simplification of GST Processes

## **DIRECT TAX**

### **A. Income Tax**

- No change in Income Tax in case of income up to Rs 2 crores.
- Income Tax return can be filed using either Aadhar Number or PAN No.
- **Surcharge -**
  - ✓ *Taxable income from Rs 2 crore to Rs 5 crore- Surcharge has been increased from 15% to 25%*
  - ✓ *Taxable income from Rs 5 crore and above- Surcharge has been increased from 15% to 37%*
- **Deduction-**
  - ✓ Additional Income Tax Deduction of 1.5 lakh rupees has been provided on the interest paid on loans taken to purchase e-vehicles.
  - ✓ Additional deduction upto Rs. 1.5 lakh has been provided under section 80EE
    - Has been provided for interest paid on loans borrowed for self- occupied house property by 31/3/2020.
    - The cost of house must be within Rs. 45 lakh
- Faceless Income Tax Assessment in electronic mode is going to be launched in 2019 in a phased manner
  - ✓ with the aim to reduce taxpayer trouble.
- **Angel Tax**
  - ✓ Valuation of share issue will be beyond Income tax scrutiny in case of Start ups.
  - ✓ Pre approval is to be taken by A.O from Higher Authorities for assessment of Start ups.
- All companies having annual turnover of Rs 400 crores, will now be under the bracket of 25% tax.

- Proposal has been give to provide relief in levy of securities transaction tax.

✓ STT will be levied only on difference between Strike Price and Settlement Price.

- Prefilled Income Tax Returns for Salaries, Interest, Mutual Fund Income etc.
- 35AD exemption has been extended to Li-On battery, Semi-Conductor,Laptops, Fabrication & Photo Volic
- **Direct Tax Incentives for International Financial Services Centre (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.

According to budget, tax structure for F.Y 2019-20 are being given in nutshell

### 1. Personal Tax Rate

Slab of Income	Tax Rate for F.Y 2019-20
Upto 2,50,000	NIL
2,50,001-5,00,000	5%
5,00,001-10,00,000	20%
10,00,001 and above	30%

**Cess** - 4% on the amount of tax and surcharge

**Rebate under Section 87A**- Applicable for those whose income does not exceed Rs. 5,00,000.

*Amount of Rebate* - 100% of income tax calculated before cess 4% or Rs. 12,500 whichever is less.

### Rate of Surcharge

Slab of Income	Tax Rate for F.Y 2019-20
Upto 50 Lakhs	NIL
50 Lakhs -1 Crore	10%
1 Crore- 2 Crore	15%
2 Crore – 5 Crore	25%
Above 5 Crore	37%

### 2. Corporate Tax Rate

Slab of Income	Tax Rate for F.Y 2019-20
Domestic Company -total income less than Rs. 1 Crore	30%
Domestic Company - total income more than Rs. 1 Crore but less than Rs. 10 Crore	30%* plus surcharge of 7%
Domestic Company -total income	30%* plus surcharge of 12%

more than Rs. 10 Crore	
Other Company -total income less than Rs. 1 Crore	40%
Other Company - total income more than Rs. 1 Crore but less than Rs. 10 Crore	40% plus 2%
Other Company - total income more than Rs. 10 Crore	40% plus 5%

Cess - 4% on the amount of tax and surcharge

All companies having annual turnover of Rs 400 crores, will now be under the bracket of 25% tax.

### 3. Firms Tax Rate

*Tax Rate* – 30%

*Surcharge* - 12% of income tax if net income exceeds Rs 1 Cr.

*Cess* - 4%

### 4. Cooperative Societies

Slab of Income	Tax Rate for F.Y 2019-20
Total income upto Rs. 10,000	10%
Total income of more than Rs. 10,000 to Rs. 20,000	Rs. 1,000 plus 20% of total income in excess of Rs. 10,000
Total income of more than 20,000	Rs. 3,000 plus 30% of total income in excess of Rs. 20,000

*Surcharge* - 12% of income tax if net income exceeds Rs 1 Cr.

*Cess* - 4%

## B. TDS

- 2% TDS has been levied on cash withdrawal of more than Rs 1 crore from bank account in a year.
  - ✓ It will boost up digital transaction.

## MSME SECTOR

### A. Proposal for MSME Sector

*Pradhan Mantri Karam Yogi Maandhan*

*Pension benefit has been announced –*

- ✓ For around 3 crore retail traders and small shopkeepers with annual turnover less than Rs. 1.5 crore

- ✓ Requirement for enrolment under this Scheme –
  - (a) Aadhaar (b) bank account (c) self declaration
- ✓ 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** will be created to enable filing of bills and payment thereof, to eliminate delays in government payments.

## **START-UPS**

### **A. Proposal for Start-ups**

At present there are around 38000 start ups in India. In this budget few initiatives have been proposed for encouraging more start up in India.

- ✓ Capital gains exemptions has been proposed from sale of residential house for investment in start-ups extended till FY21.
- ✓ Angel tax- To resolve the issue of Angel Tax the startups and investors who file requisite declarations will not be subjected to any kind of scrutiny in respect of valuation of share premium. A mechanism of e-verification will be put in place and with this, the funds raised by startups will not require any tax scrutiny.
- ✓ Relaxation of conditions for carry forward and set off of losses.
- ✓ Government will start a new TV channel under DD bouquet for start-ups to help and encourage their initiatives.

## **BANK/NBFC**

### **A. Proposal for Bank/NBFC**

- ✓ In this budget it has been proposed that government will provide one time six months' partial credit guarantee to public sector banks (PSBs) for first loss of up to 10 percent for purchase of high-rated pooled assets of financially sound NBFCs, amounting to a total of Rs 1 lakh crore during the current financial year.
- ✓ Various Steps will be initiated to empower accountholders to have control over deposit of cash by others in their accounts.
- ✓ Proposal has been given to allow all NBFCs to directly participate on the TReDS platform.
- ✓ Steps will be taken to separate the NPS Trust from PFRDA.
- ✓ Requirement of creating a Debenture Redemption Reserve will be done away with to allow NBFCs to raise funds in public issues.
- ✓ Proposal has been given to facilitate on-shoring of international insurance transactions.

- ✓ BHIM, UPI, NEFT, RTGS will be further enhanced to promote less cash economy. Business establishments with annual turnover of Rs. 50 crore will be required to use such modes of payments with no charges or merchant discount rates will be imposed on customers or merchants. RBI and banks will absorb these costs.

## **SOCIAL STOCK EXCHANGE**

In the budget, there is a proposal of a social stock exchange for listing social enterprises and voluntary organizations(NGO) engaged in social welfare activities so that NGOs can raise capital through an electronic fundraising platform.

SEBI to consider raising the threshold for minimum public shareholding in the listed companies from 25% to 35%.

## **FDI AND FOREIGN PORTFOLIO INVESTMENTS**

- ✓ 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.
- ✓ Government will organize an annual Global Investors Meet in India, using National Infrastructure Investment Fund (NIIF) as an anchor to get all three sets of global players (pension, insurance and sovereign wealth funds).
- ✓ FPIs to be permitted to subscribe to listed debt securities issued by ReITs and InvITs.
- ✓ NRI-Portfolio Investment Scheme Route is proposed to be merged with the Foreign Portfolio Investment Route.
- ✓ Proposal to consider issuing Aadhaar Card for NRIs with Indian Passports on their arrival without waiting for 180 days.
- ✓ Cumulative resources garnered through new financial instruments like Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs) as well as models like Toll-Operate-Transfer (ToT) exceed Rs. 24,000 crore.
- ✓ Statutory limit for FPI investment in a company is proposed to be increased from 24% to sectoral foreign investment limit.

## **OTHER PROPOSALS**

### **Jal Jeevan Mission**

The main objective of Jal Jeevan Mission is to achieve Har Ghar Jal (piped water supply) to all rural households by 2024 with a focus on integrated demand and supply side management of water at the local level.

### **New National Education Policy**

New National Education Policy (NEP) will be brought for bringing major changes in school and higher education, better governance system and greater focus on research and innovation.

### **National Research Foundation (NRF)**

National Research Foundation (NRF) will be set up to strengthen, coordinate and promote research work in eco-systematic manner in the country

### **New Space India Limited (NSIL)**

New Space India Limited (NSIL) will be incorporated as a new commercial arm of Department of Space for the purpose of commercialization of products like launch vehicles, transfer to technologies and marketing of space products of ISRO

### **National Sports Education Board (NSEB)**

National Sports Education Board will be set up for development of sports-persons under the scheme Khelo India.

### **Credit Guarantee Enhancement Corporation**

- ✓ Credit Guarantee Enhancement Corporation will be set up in 2019-2020 to enhance the sources of capital for infrastructure financing.
- ✓ Action plan will be taken 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 IDF-NBFCs) to any domestic investor within the specified lock-in period.
- ✓ Stock exchanges will be enabled to allow AA rated bonds as collaterals.
- ✓ User-friendliness of trading platforms for corporate bonds will be reviewed.



### **Pradhan Mantri Matsya Sampada Yojana (PMMSY)**

Under this , a robust fisheries management framework will be established to address critical gaps in value chain including infrastructure, traceability, modernization, production, productivity, quality control and post-harvest management

### **Pradhan Mantri Laghu Vyapaari Mann-Dhan Yojana (PMLVMY)**

Pension benefits to around 3 crore retail traders and small shopkeepers with annual turnover less than Rs. 1.5 crore

### **Pradhan Mantri Shram Yogi Maan Dhan (PM-SYM)**

About 30 lakh workers have joined the scheme. Rationalising of labour laws into 4 labour codes proposed.

### **Pradhan Mantri Gram Sadak Yojana (PMGSY)**

- ✓ More than Rs. 80,000 crore has been allocated for upgradation of 1.25 lakh km of rural roads under the phase-III of this scheme.
- ✓ A target has been set to construct 7000 km road under this scheme during 2019-20
- ✓ Out of this 7000 km, 3,000-km roads will be built under the green technology with use of cold mixture, terazyme, iron slag, envirotac, cement stabilization, waste plastic, panel concrete, cell-filled concrete, nano technology and roller compacted concrete.

### **Women Empowerment**

- ✓ A scheme of special loan has been proposed under MUDRA scheme for women to support and encourage women entrepreneurship through various other such schemes such as Stand up India and the Self Help Group (SHG) movement. One woman in every SHG will be eligible for a loan up to 1 lakh under the MUDRA scheme
- ✓ Every women being a member of SHG having a Jan Dhan Bank Account, will be eligible for an overdraft of Rs 5,000

### **Pradhan Mantri Gramin Digital Saksharta Abhiyan**

- ✓ Internet connectivity will be set up in local bodies in every Panchayat under Bharat-Net to bridge rural-urban divide.
- ✓ Universal Obligation Fund under a PPP arrangement will be utilized for speeding up Bharat-Net.

### **Pradhan Mantri Awas Yojana Urban (PMAY-Urban)**

- ✓ Nearly 1.95 crore houses are proposed to be provided to eligible beneficiaries under the Pradhan Mantri Awas Yojana
- ✓ Electricity and clean cooking facility will be provided to all willing rural families by 2022.
- ✓ This Yojana aims to achieve "Housing for All" by 2022:
- ✓

### **Ease of Living**

- ✓ Pradhan Mantri Shram Yogi Maandhan Scheme - Rs. 3,000 per month as pension is being paid to workers above the age of 60 working in unorganized and informal sectors.
- ✓ Solar stoves and battery chargers will be promoted using the approach of LED bulbs mission.
- ✓

### **Employment**

- ✓ Govt will streamline multiple labour laws into a set of four labour codes
- ✓ Government will increase efforts to improve the skills of our youth in newer areas such as Artificial Intelligence, Big Data, Robotics, etc valued highly within and outside the country to ensure they can secure high paying jobs both in India and abroad.

### **BUDGET AT A GLANCE**

<b>Became more costly</b>	<b>Became cheaper</b>
Gold, Silver , Imported Platinum	Imported Naptha
Split AC , Metal Fittings , Cashew	Mobile Charger
Video Recorder, Digital Camera , CCTV	Set top box , Camera Module
Marbel , Ceramic Tiles, Vinyl Flooring	Tanned Skin
Petrol, Diesel , Ceramic Products	Parts of E-vehicles
Newsprint , Imported Books	Imported Defence Equipment
Soap , Ciggrates, Chewing Tobacco, Pan Masala	Imported Wool Fiber