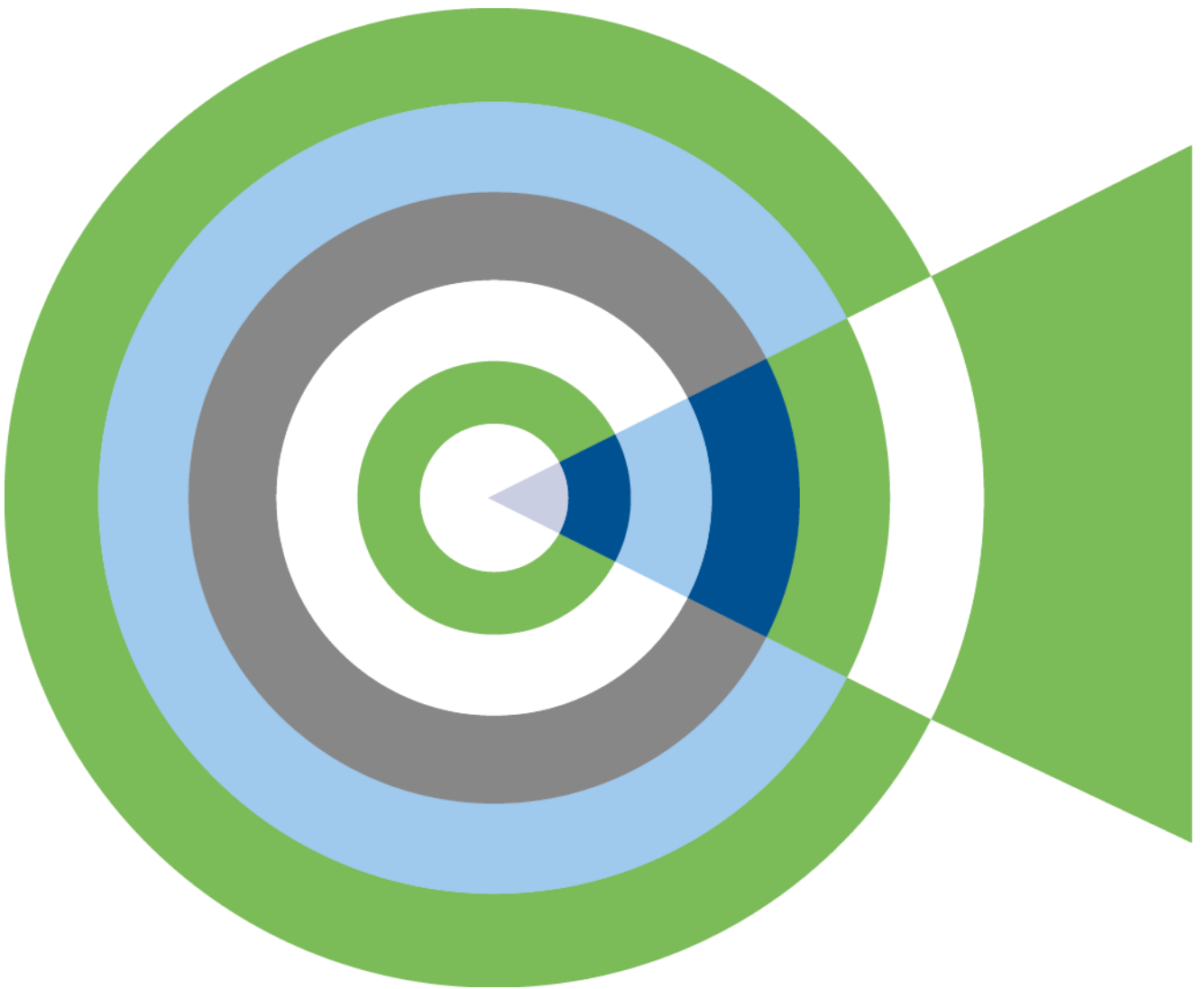


BUDGET HIGHLIGHTS  
2019



**DIRECT TAX PROPOSALS**

➤ **PERSONAL TAXATION**

- Surcharge enhanced on individuals having high taxable income exceeding INR 20 million, from existing 15%:

Income between INR 20 million to INR 50 million:	Surcharge is 25%
Income above INR 50 million:	Surcharge is 37%

Consequently, the effective tax rates for these two categories will increase by around 3 % and 7 % respectively.

- Prefilled tax returns containing the details of salary income, capital gains from securities, bank interests, and dividends etc. and tax deductions source.
- Additional deduction up to INR 150,000 for interest paid on loans borrowed up to March 31, 2020 for purchase of house valued up to INR 4.5 million.
- Deduction up to INR 150,000 for interest paid on loan taken for the purchase of electric vehicle on or before March 31, 2023.
- Exemption on withdrawal from National Pension System (NPS) increased from 40% to 60% of final payment. Further, a deduction under section 80C also allowed for contribution made to Tier II NPS account by central government employees.
- For the salaried, relief for taxes paid in respect of arrears or advance of salary etc. while calculating the amount of self-assessment tax.

➤ **CORPORATE TAXATION**

- Turnover threshold for corporate tax rate of 25% increased from INR 2,500 million to INR 4,000 million. Effective tax rates including surcharge and cess:

Tax/Taxpayer	Taxable Income		
	< INR 10 million	INR 10 million – INR 100 million	> INR 100 million
Indian company (with turnover exceeding INR 4,000 million)	31.20%	33.38%	34.944%
Indian company (with turnover not exceeding INR 4,000 million)	26%	27.82%	29.12%
Foreign company	41.6%	42.02%	43.68%

Tax/Taxpayer	Taxable Income		
	< INR 10 million	INR 10 million – INR 100 million	> INR 100 million
Minimum Alternate Tax			
- Domestic Companies	19.24%	20.59%	21.54%
- Foreign Companies	19.24%	19.62%	20.2%
Dividend Distribution Tax	20.56%		

- Benefits to encourage start-ups and enhance their continuous growth:
  - i. Capital gains exemptions from sale of residential house for investment I start-ups extended till March 31, 2021.
  - ii. 'Angel tax' – 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 valuation of share premium.
  - iii. Funds raised not subject to scrutiny by the tax department.
  - iv. Special administrative arrangements for pending assessments and grievances redressal.
  - v. No scrutiny of valuation of shares issued to Category-II Alternative Investment Funds.
  - vi. Relaxation of conditions for carry forward and set off of losses.
- In case of taxable payout of life insurance companies, tax to be withheld on net basis at 5%, instead of 1% on gross as at present.
- Direct tax incentives proposed for an International Financial Services Centre (IFSC):
  - i. 100% profit-linked deduction in any ten-year block within fifteen-year period.
  - ii. Exemption from dividend distribution tax from current and accumulated income to companies and mutual funds.
  - iii. Exemptions on capital gain to Category-III Alternative Investment Funds (AIFs).
  - iv. Exemptions to interest payment on loan taken from non-residents.
- Securities Transaction Tax (STT) restricted only to the difference between settlement and strike price in case of exercise of options.

#### ➤ OTHER TAX PROPOSALS

- Permanent Account Number ("PAN") and AADHAR are now made interchangeable. Taxpayers not having a PAN can quote AADHAR to file income tax returns and use it wherever they are required to quote PAN.
- Persons fulfilling following conditions required to file a tax return:
  - i. Deposit more than INR 10 million in one or more current account in a year;
  - ii. Expend more than INR 2,00,000 on foreign travel;
  - iii. Expend more than INR 1,00,000 on electricity consumption in a year;
  - iv. If income is lower than the maximum amount not chargeable to tax due to claim of rollover benefit of capital gains
- Tax to be deducted at source by individuals or HUFs (other than those subject to tax audit) on payments to a contractor or professional, at the rate of 5% if the annual payment exceeds INR 5 million in a year.

- Gift of any sum of money, or property situated in India, by a person resident in India to a person outside India (not being a gift otherwise exempt), on or after July 5, 2019, shall be deemed to accrue or arise in India.
- Exemption shall be provided to appropriate class of persons from the anti-abuse provisions of section 50CA and section 56 of the Income Tax Act.
- Tax deducted at source at the rate of 2% on cash withdrawals exceeding INR 10 million in a year from a bank account.
- Business establishments with annual turnover more than INR 500 million to offer such low-cost digital modes of payment to their customers and no charges or merchant discount rate shall be imposed on customers as well as merchants.
- 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.
- Interest income of non-resident from Rupee Denominated Bonds issued by a company or a business trust, outside India, during the period 17<sup>th</sup> September 2018 to 31st March 2019 shall be exempted and no tax is required to withhold which was earlier 5%.
- In respect of provisions of secondary adjustment in case of transfer pricing, the assessee shall have an option of a one-time payment of tax of specified amount instead of interest payment every year.

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## **FOREIGN DIRECT INVESTMENT**

- Measures to make India a more attractive Foreign Direct Investment (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.
- Government to 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).
- Statutory limit for Foreign Portfolio Investors (FPI) investment in a company is proposed to be increased from 24% to sectoral foreign investment limit. Option to be given to the concerned corporate to limit it to a lower threshold.
- FPIs to be permitted to subscribe to listed debt securities issued by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trust (InvITs).
- NRI-Portfolio Investment Scheme Route is proposed to be merged with the Foreign Portfolio Investment Route.

## INDIRECT TAX PROPOSALS

### ➤ *MAKE IN INDIA*

- 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 withdrawn.
- 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.

### ➤ *GOODS AND SERVICE TAX*

- Government has moved to GST council to lower the GST rate on electric vehicles from 12% to 5%.
- Taxpayers with annual turnover less than INR 50 million need to file only 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.

### ➤ *EXCISE DUTY*

- Increase in special additional excise duty and 'Road and Infrastructure' cess each by INR 1 per liter on petrol and diesel.
- Sabka Vishwas Legacy Dispute Resolution Scheme proposed for quick closure of service tax and excise related litigations.

### ➤ *CUSTOMS*

- Customs duty on certain parts of electric vehicles being exempted to promote e-mobility.
- Basic customs duty on certain items to be increased to promote goal of Make in India.
- Imports of defence equipment not manufactured in India are being exempted from basic customs duty.
- 5% customs duty being imposed on imported books, to promote domestic publishing and printing industry.
- Custom duty on gold, precious metals increased to 12.50% from 10%.

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