



ECONOMICS - PART 6

BUDGET 2019-2020

PART B TAX PROPOSALS

Direct Tax

Direct Tax

- The direct tax revenue has significantly increased over the past couple of years.
- It has increased by over 78% from ₹ 6.38 lakh crore in Financial Year 2013-14 to around ₹ 11.37 lakh crore in Financial Year 2018-19.
- It is now growing at double digit rate every year
- Only when the annual taxable income exceeds ₹ 5 lakh, the income tax is payable.

Direct Tax

- Individual or HUF to deduct tax at source at the rate of 5%, if the annual payment made to contractor or professional exceeds ₹ 50 Lakhs
- Tax deduction at source from payment made for acquisition of immovable property, consideration shall include other charges in the nature of club membership fee, carparking fee, electricity and water facility fee, maintenance fee, advance fee or any other charges of similar nature are incidental to the purchase of immovable property.

Direct Tax

- Gifts made to non-residents:

Gift of any sum of money, or property situated in India, by a person resident in India to a person outside India on or after 5th day of July 2019, shall be deemed to accrue or arise in India.

- Compulsory filing of return:

Return filing compulsory for persons, who have deposited more than ₹ 1 crore in a current account in a year or who have expended more than ₹ 2 lakh on foreign travel or more than ₹ 1 lakh on electricity consumption in a year

Direct Tax

- Person whose income becomes lower than maximum amount not chargeable to tax due to claim of rollover benefit of capital gains shall also be required to furnish the return
- Interchangeability of PAN and Aadhaar
- Quoting of PAN/AADHAAR shall be mandatory for certain prescribed transactions

Statement of Financial Transaction

- The scope of SFT is being widened
- Current threshold of Rs. 50,000 is removed
- This is being done to obtain more information to enable pre-filling of returns of income
- The scope is extended to those who are currently not furnishing this information.
- **PAYMENT BY OTHER ELECTRONIC MODES:** There are various provisions in the Act which prohibit cash transactions and allow or encourage payment or receipt only through account payee cheque etc.

TDS on Cash Withdrawal from Banks

- In order to discourage large amount of cash withdrawal from bank accounts, it is proposed to provide for tax deduction at source at the rate of 2% on cash withdrawal by a person in excess of Rs. 1 crore in a year from his bank account.
- Some business models, where large cash withdrawal is a necessity, are proposed to be exempted.
- Business enterprise whose annual turnover exceeds Rs.50 Crore shall provide facility for prescribed low cost electronic modes of payment.

Corporate Tax

- Currently, the lower rate of 25% is only applicable to companies having annual turnover up to ₹ 250 Crore.
- Now the threshold of turn over is increased to ₹ 400 Crore.
- Now only 0.7% of companies will remain outside this threshold.

IFSC (International Financial Services centre)

- To promote the IFSC in GIFT City, several direct tax incentives like 100% profit-linked deduction under section 80-LA in any ten-year block within a 15 year period, exemption from dividend distribution tax from current and accumulated income to companies and mutual funds, exemptions on capital gain to category-III AIF and interest payment on loan taken from non-residents

Securities Transaction Tax (STT)

- Relief given
- STT will be levied only to the difference between settlement and strike price in case of exercise of options.

Simplification and Ease of Living

- India's Ease of Doing Business ranking under the category of 'paying taxes' showed a significant jump from 172 in 2017 to 121 in the year 2019

Further measures :

- Now more than 120 Crore Indians have Aadhaar. Therefore for ease of convenience of tax payers PAN and Aadhaar now will be Interchangeable
- Pre-filled tax returns will be made available to tax payers which will contain details of salary income, capital gains from securities, bank interests and dividends etc and tax deductions

Faceless e-assessment

- A scheme of faceless assessment in electronic mode involving no human interface is being launched this year in a phased manner.
- To start with, such e-assessments shall be carried out in cases requiring verification of certain specified transactions or discrepancies.
- Cases selected for scrutiny shall be allocated to assessment units in a random manner and notices shall be issued electronically by a Central Cell, without disclosing the name, designation or location of the Assessing Officer.

Digital Payments / Less cash economy

- To discourage the practice of making business payments in cash: Levy of 2% on cash withdrawal exceeding ₹ 1 crore in a year from bank account.
- Business establishments with annual turnover more than 50 crore shall offer 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. RBI and Banks will absorb these costs from the savings that will accrue to them on account of handling less cash as people move to these digital modes of payments.
- Low cost digital modes of payments such as BHIM UPI, UPI-QR Code, Aadhaar Pay, NEFT, RTGS etc

Revenue Mobilization

- Surcharge enhanced on individuals having taxable income from ₹ 2 crore to ₹ 5 crore and 5 crore & above so that effective tax rates for these two categories will increase by around 3% and 7% respectively
- Special Additional Excise duty and Road and Infrastructure Cess each by one rupee a liter on Petrol and Diesel.
- Basic excise duty on Tobacco products and crude besides the present National Calamity and Contingent duty levied on them.

Tax Incentives

Tax Incentives

- International Financial Services Centre (IFSC): Aim is to promote the development of world class financial infrastructure in India.
- Currently a unit in the IFSC is allowed deduction of 100% of profits for first five consecutive years and 50% for next five consecutive years from the year of commencement. It is proposed to provide for 100% deduction for 10 consecutive years. Further it can be for any 10 consecutive years out of 15 years from the year of commencement.
- Benefit of capital gains tax is also extended to some categories of IFSC

Tax Incentives

- It is proposed not to levy DDT (dividend distribution tax) to units who want to distribute out of accumulated profit which has been accumulated by the unit after 1st April 2017 from operations in IFSC.
- Setting up of mutual funds in the IFSC would be encouraged
- It is proposed to allow deduction under section 80LA to a non-resident for the purpose of computing tax liability in respect of income of the nature of interest, dividend etc.

Tax Incentives

- Non deposit-taking NBFC shall be charged to tax on receipt basis.
- Incentives for start-ups: The condition for carry forward and set off of losses in case of eligible start-ups is proposed to be relaxed enabling them to carry forward their losses on satisfaction of any of the two conditions; Continuity of 51% share holding or continuity of 100% of original shareholders.

Tax Incentives

- Incentives for resolution of distressed companies: In order to encourage resolution for companies whose board of directors have been suspended by National Company Law Tribunal (NCLT) and new directors have been appointed by NCLT the conditions of continuity of shareholding for carry forward and set off of losses shall not apply to such companies.
- Incentive to purchase electric vehicle: deduction for interest paid upto 1.5 lakh on loan for the purchase of vehicle.
- Incentive to NPS subscribers: Increase in exemption limit from 40% to 60% of payment on final withdrawal from NPS

Preventing Tax Abuse

- Listed companies resort to buy back of shares to avoid Dividend Distribution Tax (DDT) . Now they have to pay additional tax at 20% in case of buy back of shares

Quotes used in Budget

Quotes used in the Budget Speech

- Chanakya Niti Sutra

“Karya purusha karena lakshyam sampadyate” Meaning “with determined human efforts, the task will surely be completed”

- Mazboot desh ke liye mazboot nagrik

- Urdu couplet: Yakin ho to koi raasta nikalta hai, hava ki Ot Le kar charag jalta hai

Quotes used in the Budget Speech

- A line from Pura Nanooru, a Tamil Sangam Era work by Pisirandaiyaar.

The verse, ‘ Yannai pugundha nilam’ was sung as an advice to the king Pandian Arivudai Nambi:

- Meaning, a few mounds of rice from paddy that is harvested from a small piece of land would suffice for an elephant. But if the elephant itself enters the field and starts eating? What it eats would be far lesser than what it would trample over!
- This was quoted while she thanked tax payers. Because of their contribution Government is able to work for inclusive growth and all round development.

Quotes in Budget Speech

- The government recognizes and follows the the teachings of Lord Basveshwara, in particular the principles of Kayaka and Dasoha. Implementing 'Kayakave Kailasa' the Government enables about 10million youth to take up industry-relevant skill training through the Pradhan Mantri Kaushal Vikas Yojana.
- Drawing again on Lord Basveshwara, his principle of Dasoha underlines most things this Government. 'Give it Up' for giving up LPG subsidy and the principle of sharing through distribution, for the wellness of the society.

What PM said:

- The Budget for a New India has a roadmap to transform the agriculture sector of the country, this budget is one of hope
- The middle class will progress with this budget, development work will expedite even more. Tax structure will be simplified and infrastructure will be modernized
- Ye desh ko samridh aur jan jan ko Samarth banana wala budget hai. Is budget se gareeb ko bal milega. Yuva ko behtar kal milega
- I congratulate the Finance Minister for giving us a citizen-friendly, development-friendly and future-oriented Budget

Who said what?

- *Defence Minister Rajnath Singh:*
By bringing in socio-economic transformation, it is a futuristic budget. It will be successful in taking India to \$5 trillion economy. It has taken care of all the sections of society, be it poor, backward or rich people.
- *Union Minister for Road Transport & Highways Nitin Gadkari:*
In the making of New India, Finance Minister has given utmost priority to infrastructure. The budget of our dept in 2018-19 was ₹ 78,626 crore, now it is over ₹ 83,000 crore.

What Opposition Said:

- *Adhir Ranjan Chowdhury, Leader of Congress in Lok Sabha:* Nothing new, repetition of old promises. They are talking about new India but the budget is old wine in a new bottle. Nothing new, no plan for employment generation, no new initiatives
- *P Chidambaram:* The Budget has been prepared without listening to the voices of either ordinary citizens or knowledgeable economists
- *Sitaram Yechury CPI(M):* On the massive job crisis that India faces, there is nothing in the Budget. The agrarian distress is also not addressed. No debt-relief and nothing on investment in the sector.
- *M K Stalin (DMK):* It is replete with ornate pronouncements but does not advance the spirit of cooperative federalism. It is a treat for the ears but does not provide any food for thought.

- Thank You