

Interim Budget
2019
Highlights and Analysis
February 2019

Interim Budget 2019

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The provisions contained in the Finance Bill, 2019 ('The Bill') are proposals and are likely to undergo amendments while passing through Houses of Parliament before being enacted.

Table of contents

	Page
A. Table of content	3
B. Foreword	4
C. Sectoral highlights	5
I. Agriculture, animal husbandry and fisheries	5
II. Medium & Small Enterprises (MSMEs)	6
III. Social Security & Welfare	6
IV. Real estate and construction	7
V. Infrastructure and Industry	8
a) Entertainment	8
b) Infrastructure	8
c) Make In India	9
d) Export / import	9
D. Key tax proposals	10
I. Personal Income tax	10
II. Corporate tax	11
III. Real estate	11
IV. Indirect tax GST	12
V. Stamp duty	12
E. Achhe Din – Vision 2030	13
F. About us	15

Foreword

On the 1 February 2019, Mr. Piyush Goyal the Union Minister for Finance, Corporate Affairs, Railways & Coal, presented the last Budget of the Current BJP-Narinder Modi Government, before heading towards the General Elections.

With the upcoming elections in sight, the Interim Budget is what we can term as a '*Populist Budget*' having major Scheme(s) for the farmers, tax sops for the Salaried and Lower Income groups and setting the vision for India over the next 10 years with emphasis on '*Sab Ka Sath Sab Ka Vikas*'.

Though as per convention, the main tax proposals are presented in the regular budget, which is presented by the then elected new government, certain tax proposals have been presented for small taxpayers, salary earners, pensioners, and senior citizens who need certainty at the beginning of the financial year .

The Interim Budget in spite of being Populist has managed to Contain the Fiscal Deficit at 3.4% of GDP with a glide path towards the target of 3% fiscal deficit to be achieved by 2020-21 , maintaining a balance wherein everyone gets a little, with the promise of '*Achhe Din*' in the near future.

As always, we at Vedyā would be happy to hear your comments and look forward to your queries and questions.

Best Regards,

Tarun Mehta | Partner

Vedyā Partners | Vedyā Partners & Advisors

Sectoral highlights

Agriculture, animal husbandry and fisheries

- New Scheme – namely *Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)* to extend direct income support to farmer families, having cultivable land up to 2 hectares at the rate of INR 6,000 per year in three equal instalment. The scheme will be effective from 1 December 2018.
- Interest subvention of 2% was proposed for farmers affected by natural calamities. An additional 3% relaxation will be given for timely repayment of loans. This scheme has also been extended to farmers engaged in animal husbandry and fishery-related activities, and availing loans through Kisan Credit Cards.
- *Rashtriya Kamdhenu Aayog* to upscale sustainable genetic up-gradation of cow resources and to enhance production and productivity of cows. The Aayog will also look after effective implementation of laws and welfare schemes for cows.
- India is the second largest fish producing nation in the world accounting for 6.3% of global production, registering an average annual growth of more than 7% in recent years. The sector provides livelihood to about 1.45 crore people at the primary level. To provide sustained and focused attention towards development of this sector, our Government has decided to create a separate **Department of Fisheries**:

Vedya comment

Supplemental income to marginal farmers, would help meet their emergent needs especially before the harvest season and will address to some extent issues faced in the farm sector. Interest subvention schemes will promote farm credit and promote intensive farming practices. The establishment of Department of Fisheries will help provide sustained and focused attention towards development of the Sector and help promote sustainable fishing.

Sectoral highlights

Medium & Small Enterprises (MSMEs)

- 2% interest rebate for MSMEs registered under GST for loans up to INR 1 crore.
- Requirement of sourcing by government enterprises from SMEs increased up to 25%, of which, at least 3% to be sourced from women-led SMEs.
- Government e-procurement Marketplace (GeM) platform extended to Central Public Sector Enterprises.

Vedya comment

Easy access to credit and rebate in rate of interest will help promote MSMEs to move to the formal sector and register under GST, which in turn would lead to expansion of tax base. Easy access to credit and reduced borrowing cost would help make them more competitive. The GEM Marketplace will help provide access to a larger market base.

Social Security & Welfare

- 'Pradhan Mantri Shram-Yogi Maandhan' pension yojana launched to provide an assured monthly pension of INR 3,000 from the age of 60 years for the unorganised sector workers with monthly income up to INR 15,000, on a monthly contribution of a small affordable amount during their working years with a the Government depositing an equal matching contribution.
- 25% extra seats (approximately 2 lakh) to be established to avoid shortfall of presently available / reserved seats for any class on account of recently announced 10% reservation for the financially weak in educational institutions and Government services.
- Limit of tax free gratuity increased from INR 10 lakh to INR 30 lakh.
- 22nd AIIMS to be established in Haryana.

Sectoral highlights

- A new committee under NITI Ayog to identify all the remaining de-notified nomadic and semi-nomadic tribes.
- New Welfare Development Board under Ministry of Social Justice and Empowerment for Development and Welfare of De-notified Nomadic and Semi-nomadic Tribes.

Vedya comment

Social welfare schemes and assured medical provide the elderly social security and would encourage unorganised sector workers to enrol, in such schemes which would further lead to formalisation of the economy.

Governments commitment to reach the de-notified, nomadic and semi-nomadic communities merits special mention, these communities are frequently left out as they move from place to place in search of a livelihood. Welfare and development programmes for de-notified, nomadic and semi-nomadic communities shall ensure social inclusion.

Real estate and construction

- 100% of profits derived from development of Affordable Housing Projects to be exempt under Section 80-IBA of the Income-tax Act available to the housing projects approved till 31 March 2020.
- Income tax on notional rent exempt for two houses, declared as self-occupied, instead of one such house as currently provided, under Section 23 of the Income-tax Act.
- Further, income tax on notional rent in respect of unsold inventory of developers shall be exempt for 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.

Sectoral highlights

- TDS threshold for Rent proposed to be increased from INR 180,000 to INR 240,000
- The LTCG exemption under Section 54 of the Income-tax Act will be increased from investment in one to two residential houses for capital gains up to INR 2 crores. This benefit can be availed once in a life time.

Vedya comment

Benefits to the real estate sector will promote construction activity, which is one of the largest employment generation sectors. Tax exemptions in affordable housing and expansion of taxation of unsold inventory will boost investment in the sector.

Exemption of two self occupied residential house from taxation and benefit of LTCG exemption in two residential houses will boost investment by small tax payers in real estate. Further the increase in the threshold limit for TDS on Rent will benefit small taxpayers and passive investors in real estate.

Infrastructure and industry

Entertainment

- Single window clearance for ease of shooting films
- Regulatory provisions to rely more on self-declaration
- To introduce anti-camcording provisions in the Cinematograph Act to control piracy and promote industry

Infrastructure

Government to introduce container cargo movement through inland waterways to the North East and other party's as well, by improving the navigation capacity of the Brahmaputra river and other rivers.

Sectoral highlights

Make in India

- To promote the 'Make in India' initiative Government has abolished Custom duties on 36 capital goods.
- The Government to setup a National Programme on 'Artificial Intelligence' to promote Start-up India and Stand-up India to provide support and innovative ideas of our youth.

Export / import

- Indian Customs to Leverage comprehensive digitalization of export / import transactions RFID technology to improve export logistics.

Key tax proposals

Personal Income tax

- No changes have been proposed in the rates of tax. Accordingly, the rates of tax as applicable for AY 2020-21 are as under:

Income slab	Rate of tax including Health and Education cess		
	Individuals (age <60 years)	Senior citizens (age 60-80 years)	Super senior citizen (age >80 years)
0 - 2,50,000	0	0	0
2,50,001 - 3,00,000	5.2%	0	0
3,00,001 - 5,00,000	5.2%	5.2%	0
5,00,001 - 10,00,000	20.8%	20.8%	20.8%
10,00,001 +	31.2%	31.2%	31.2%

Surcharge:
@10% to be levied if the total income is between INR 50 lakhs to INR 1 crore.
@15% is levied if the total income exceeds INR 1 crore.

- Rebate under Section 87A of the Income-tax Act to provide relief to the individual taxpayers up to a maximum amount of INR 12,500 for taxpayers having total income up to INR 5 lakh. This would entail No tax for those whose taxable income is less than INR 5 lakh
- Standard deduction for salaried tax payers increased from INR 40,000 to INR 50,000. The amendment will take effect from AY 2020-2021.
- Relief under Section 23(4) of the Income-tax Act, to a taxpayer with an option to claim nil annual value in respect of any one house, declared as self-occupied property is now extend to of any two houses, declared as self-occupied property. The amendment will take effect from AY 2020-2021.
- TDS threshold limit under Section 194A of the Income-tax Act for TDS on interest income, other than interest on securities, paid by a banking company, co-operative society or a post office in a financial year increased from INR 10,000 to INR 40,000.

Key tax proposals

- TDS threshold limit under Section 194I of the Income-tax Act for TDS on rental income increased from INR 180,000 in a financial year to INR 240,000
- Exemption under Section 54 of the Income-tax Act, which provides exemption to an individual or HUF on LTCG arising from transfer of a residential house if such LTCG is utilized for acquiring one residential house, this has been extended to investment in two residential houses Subject to the LTCG does not exceed INR 2 crores. The amendment will take effect from AY 2020-2021. Further, the taxpayer can exercise such an option only once during his lifetime. However the Investment in one residential house remains to continue without any cap on the amount of LTCG.

Corporate tax

- No changes in tax structure has been proposed into the Budget
- Domestic companies with a turnover not exceeding INR 250 crore during financial year 2016-2017 continue to enjoy a reduced tax rate of 25% (plus applicable surcharge and cess). The base year for eligibility for this reduced tax rate is extended to financial year 2017-2018.

Real estate

- Income tax on notional rent in respect of unsold inventory held as stock-in-trade by Real Estate developers currently provided, under Section 23 of the Income-tax Act, shall be exempt for 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.
- Section 80-IBA of the Income-tax Act developers who are engaged in developing and building affordable housing projects, 100% of profits derived from development of Affordable Housing Projects to be exempt from income tax, this exemption has been extended to all projects approved from the competent authority, till 31 March 2020.

Key tax proposals

Indirect Tax – GST

- No significant changes have been proposed to the GST, the GST Council shall continue to monitor and propose changes to the GST rates and other procedures.

Some significant statements

- Exemptions from GST for small businesses doubled to INR 40 lakh.
- Small businesses having turnover up to INR 1.5 crore pay only 1% flat rate and file one annual return only.
- Small service providers with turnover up to INR 50 lakhs can opt for composition scheme and pay GST at 6%.
- Soon, businesses comprising over 90% of GST payers to be allowed to file quarterly return.
- GST council to appoint a Group of Ministers to examine and make recommendations to reduce the burden of GST on the home buyers.
- Encouraging GST revenue trends – average monthly tax collection in the current year is INR 97,100 crore per month.

Stamp duty

- Levy and administration of stamp duty on securities market instruments to be made at one place through one agency, viz., through stock exchanges or its Clearing Corporation or Depositories on the principle instrument, and the stamp revenue such collected will be shared with the with respective State Governments based on State of domicile of the ultimate buyer.
- Stamp Duty on issuance of debentures to be reduced to 0.005% of the face value of the debentures (irrespective of the tenure) from the existing 0.05% per year of the face value of the debentures. However the maximum cap presently of 0.25% or INR 25 lakhs whichever is lower, to be removed.

Achhe Din – Vision 2030

The NDA Government headed by Hon'ble Prime Minister Shri Narendra Modi has laid the foundation for India's growth and development with the following comprehensive ten-dimensional Vision to create an India where poverty, malnutrition, littering and illiteracy would be a matter of the past. India would be a modern, technology driven, high growth, equitable and transparent society.

- To build physical as well as social infrastructure and to provide ease of living. It will comprise next generation infrastructure of roads, railways, seaports, airports, urban transport, gas and electric transmission and inland waterways. On the social infrastructure side, every family will have a roof on its head and will live in a healthy, clean and wholesome environment as well as Building of quality, science oriented educational system with Institutes of Excellence providing leadership at the top.
- To create a Digital India reaching every sector of the economy, every corner of the country and impacting the life of all Indians. Digital Infrastructure and digital economy be built upon the digitisation of Government processes and private transactions.
- Making India a pollution free nation with green Mother Earth and blue skies. Promote Electric Vehicles with Renewables becoming a major source of energy supply, Bringing down import-dependence and ensuring energy security.
- Expanding rural industrialisation using modern digital technologies to generate massive employment. This will be built upon the Make in India approach to develop grass-roots level clusters, structures and mechanisms encompassing the MSMEs, village industries and start-ups spread in every nook and corner of the country. India is to be the global manufacturing hub in various sectors including automobiles and electronics, defence and medical devices.
- Clean Rivers, with safe drinking water to all Indians, sustaining and nourishing life and efficient use of water in irrigation using micro-irrigation techniques.
- Exploitation of the Blue Economy, to ensure better standards and quality of life for a large number of people living in the coastal areas. the Sagarmala programme will develop additional inland waterways faster.

Achhe Din – Vision 2030

- Space programme – Gaganyaan, Ensure India becoming the launch-pad of satellites for the World and placing an Indian astronaut into space by 2022
- Making India self-sufficient in food, exporting to the world to meet their food needs and producing food in the most organic way. High farm production and productivity will be achieved through modern agricultural practices and value addition. An integrated approach towards agro and food processing, preservation, packaging and maintenance of the cold chain will be the focus of attention.
- Healthy India with an environment of health assurance and the support of necessary health infrastructure. Ayushman Bharat scheme to promote a distress free health care and a functional and comprehensive wellness system for all.
- Transform India into a Minimum Government Maximum Governance nation, to ensure a proactive and responsible bureaucracy which will be viewed as friendly to people.

About us

We have a robust team specializing in litigation and advisory aspects of telecom and media related laws. We have been advising and representing several clients in the technology, telecom, broadcasting sector.

Corporate law

We specialize in all aspects of Dispute Resolution and also offer clients advisory services to avoid Disputes. Our firm adopts best practices and three of our partners are litigators. Our litigation team has a cumulative experience of about 40 years. We take pride in defending our clients and try to achieve the same in the best possible time frame.

Dispute resolution

We have deep knowledge of the Direct tax laws and have also assisted in corporate restructuring, transaction planning, diligence, contract reviews to name a few.

We also engage substantially without clients on the Indirect tax front on matters of GST, Customs, Foreign Trade Policy and erstwhile laws. We have also been engaged for advisory and advocacy services.

Tax

Sector expertise



Infrastructure



Consumer goods



Technology



Pharmaceutical



Intellectual property



PSUs



Broadcasting



Real estate



Telecom

About us

Team and structure

1 Partners

- > Combined experience of over 50 years in legal matters
- > Experienced in varied legal and tax matters
- > Presently working across multiple business sectors



2 Legal team

- > Diligent team of experienced and fresher lawyers
- > Regularly appear and argue in courts
- > Aware of and fast developing court craft skills



3 Court and compliance team

- > Capable team to handle day-to-day filings
- > Aware of court nuances and efficient
- > Adept in monthly tax compliances



Leadership team

Mr. Tarun Mehta

*Corporate, Commercial Advisory
& Direct tax*
tarun@vedyapartner.com

Mr. Karan Pandit

Indirect tax
karan@vedyapartners.com

Mr. Manikya Khanna

Corporate & Commercial Litigation
manik@vedyapartners.com

Mr. Sharath Sampath

*Commercial Litigation & Regulatory
Advisory*
sharath@vedyapartners.com

Ms. Nidhi Mohan Parashar

*Dispute Resolution
[Civil & Personal]*
nidhi@vedyapartners.com

वेद्युा PARTNERS

Vedya Partners / Vedya Partners & Advisors
A-110, Defense Colony, New Delhi - 110 024
+91 11 4575 6872, +91 11 4382 9908
contact@vedyapartners.com / www.vedyapartners.com

Thank you

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