



# **HIGHLIGHTS OF INDIAN BUDGET 2019-20**

**July 2019**

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## **KEY HIGHLIGHTS**

Though the Union Budget is essentially a Statement of Account of public finances, it has historically become a significant opportunity to indicate the direction and the pace of India's economic policy.

The 2019-20 Union Budget was presented amidst a backdrop of the present government completing their 5 years term at the centre. A lot has transpired since the current government took charge: - the introduction of GST, Direct Benefit Transfer (DBT), Demonetisation of high value currency, Insolvency and Bankruptcy code (IBC) and improvement in ease of doing business to name a few.

Overall, the Indian society, polity and economy have shown remarkable resilience in adjusting with the structural reforms. This year's budget assumes importance for the current political regime due to it being the first budget of the government after coming back to power with a thumping majority. With this background, we present the key highlights of the Union Budget 2019-20.

## **RECAP OF ACHIEVEMENTS DURING 2014-19**

Euros 1 trillion added to Indian economy over the last 5 years (compared to over 55 years taken to reach the first trillion dollar).

India is now the 6<sup>th</sup> largest economy in the world, compared to 11<sup>th</sup> largest five years ago.

Indian economy is globally the 3<sup>rd</sup> largest in Purchasing Power Parity (PPP) terms.

Strident commitment to fiscal discipline and a rejuvenated Centre-State dynamic provided during 2014-19.

Structural reforms in indirect taxation, bankruptcy and real estate carried out.

Average amount spent on food security per year almost doubled during 2014-19 compared to 2009-14.

Patents issued more than trebled in 2017-18 as against the number in 2014.

Ball set rolling for a New India, planned and assisted by the NITI Aayog (Planning Commission).

## **VISION FOR THE DECADE**

With an aim to make India a modern, technology-driven, high-growth, equitable and transparent society as it becomes a EUR 5 trillion economy in the next few years, the Indian Government proposes to focus on 10 key areas:

1. Building physical and social infrastructure,
2. Digital India reaching every sector of the economy,
3. Pollution free India with green Mother Earth and Blue Skies,
4. Make in India with particular emphasis on MSMEs, Start-ups, defence, manufacturing, automobiles, electronics, batteries and medical devices.
5. Water, water management, clean rivers;
6. Blue Economy;
7. Space programmes, Gaganyaan, Chandrayan and Satellite programmes;
8. Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables;
9. Healthy society – Ayushman Bharat, well-nourished women & children, Safety of citizens; and
10. Team India with Jan Bhagidari. Minimum Government & Maximum Governance.

## **DIRECT TAX PROPOSALS**

No change in Income Tax Slab rates for Individuals and corporate.

Surcharge enhanced on individuals with income of INR 20-50 million by 3%, INR 5 million and above by 7%.

Impetus to affordable housing; additional deduction of INR 150000 on interest paid on loans borrowed on or before 31 March 2020 for purchase of house up to INR 450000.

2% TDS on cash withdrawal exceeding INR 1 million in a year from a bank account. Additional income tax deduction of INR 150000 on the interest paid on the loans taken to purchase electric vehicles.

Corporate tax rate of 25% extended to all companies having annual turnover up to INR 4000 million.

Relief in levy of Securities Transaction Tax (STT) by restricting it only to the difference between settlement and strike price in case of exercise of options.

Faceless e-assessments for income tax disputes

PAN card and Aadhaar card will be made interchangeable

## INCOME TAX SLAB RATES - 2019

### Individuals

<b>IN CASE OF EVERY INDIVIDUAL</b>	
Up to INR 250.000	Nil
INR 250.001 to INR 500.000	5%
INR 500.001 to INR 1.000.000	20%
Above INR 1.000,000	30%

<b>IN CASE OF SENIOR CITIZEN (age of sixty years or more but less than eighty years)</b>	
Upto INR 300.000	Nil
INR 300.001 to INR 500.000	5%
INR 500.001 to INR 1.000.000	20%
Above INR 1.000.000	30%

<b>IN CASE OF SUPER SENIOR CITIZEN (age of eighty years)</b>	
Upto INR 500.000	Nil
INR 500.001 to INR 1.000.000	20%
Above INR 1.000.000	30%

### Companies (Private and Public Limited)

<b>IN CASE OF DOMESTIC COMPANIES</b>	
In case total turnover or gross receipts in the previous year 2017-18 does not exceed INR 4000 million	25%
In case total turnover or gross receipts in the previous Year 2017-18 exceeds INR 4000 million	30%

**IN CASE OF FOREIGN COMPANIES**

Tax Rate

40%

**SURCHARGE IN CASE OF FOREIGN COMPANIES**

2% where the total income exceeds INR 10 million but does not exceed INR 100 million (10 crores)

5% where total income exceeds INR 100 million

**Firms (including LLPs)**

- No change in the tax rates of 30%; 12% surcharge if total income exceeds INR 10 million and 4% Health & Education Cess.

**SECTION 9(1)(viii)-INSERTION OF NEW CLAUSE -DEEMED ACCRUAL OF GIFT MADE TO A PERSON OUTSIDE INDIA**

Gifts in the form of sum of money and property situated in India - made by residents to persons outside India on or after 5th July, 2019 - made subject to tax.

However, the existing provision for exempting gifts as provided in the proviso to section 56(2)(x) will continue to apply for such gifts. In a treaty situation, the relevant article of applicable DTAA shall continue to apply for such gifts as well.

# **INDIRECT TAX PROPOSALS**

## **Boost to “Make In India”**

1. Basic Customs Duty increased on cashew kernels, PVC, tiles, auto parts, marble slabs, optical fibre cable, CCTV camera etc.
2. Exemptions from Custom Duty on certain electronic items now manufactured in India.
3. End use based exemptions on palm stearin, fatty oils withdrawn.
4. Exemptions to various kinds of papers withdrawn.
5. 5% Basic Custom Duty imposed on imported books.
6. Customs duty reduced on certain raw materials such as:
  - a. Inputs for artificial kidney and disposable sterilised dialyser and fuels for nuclear power plants etc.
  - b. Capital goods required for manufacture of specified electronic goods.

## **Other Indirect Tax Provisions**

1. Export duty rationalised on raw and semi-finished leather.
2. Increase in Special Additional Excise Duty and Road and Infrastructure Cess each by INR 1 per litre on petrol and diesel.
3. Custom duty on gold and other precious metals increased.
4. Legacy Dispute Resolution Scheme for quick closure of pending litigation in Central
5. Excise and Service tax from pre-GST regime.



## **INFRASTRUCTURE OUTLAY**

Intends to invest INR 100 billion in infrastructure over the next 5 year.

Total road sector outlay for FY2019-20BE is INR 1.12 billion up 12%.

Budgeted defense outlay is INR 3100 billion up by 7% over FY 18-19 (Revised Estimates).

Capital support expenditure for Railways is INR 650 million for FY 2019-20 (Budgeted Estimates).

One Nation, One Grid to develop gas, water, i-ways and regional airports.

Public infrastructure to be built on land parcels held by Central Ministries and Central Public Sector Enterprises (CPSE).

## SECTOR UPDATES

### AUTOMOTIVE:

KEY BUDGET MEASURES	IMPACT AND BENEFICIARIES
<p>GST rate on Electric Vehicles (EVs) which is currently at 12%, is proposed to be reduced to 5%. Propose an Income tax deduction on interest of INR 1.50.000, for loan taken for purchasing EVs. Propose to increase basic customs duty on certain auto parts.</p>	<p><b>Minor Positive</b></p> <p>OEMs with a ready EV presence or offering shortly</p> <p><b>Positive</b> for auto supplier</p>

### REAL ESTATE:

KEY BUDGET MEASURES	IMPACT AND BENEFICIARIES
<p>Increase in interest deduction for Affordable Housing 80IB tax benefit for affordable housing to have an additional criteria for houses with ticket size of up to INR 4.5 million FPI will now be allowed to invest in Real Estate Investment Trusts (REITs) Increase in TDS on purchase of immovable property.</p>	<p><b>Positive</b></p> <p>Continued push to affordable housing; improve liquidity for REITs</p>

## INFORMATION TECHNOLOGY:

KEY BUDGET MEASURES	IMPACT AND BENEFICIARIES
<p><b>Two schemes (NEBPS and IBPS) under IT for jobs pillar</b> have been launched under Digital India Programme to incentivize BPO/ITES operations across the country, creation of employment opportunities.</p> <p><b>Cyber Security Projects (NCCC &amp; others):</b> The objective of the scheme is to adopt a holistic approach towards securing the cyber space of the country by pursuing multiple initiatives like Security Policy, Compliance and Assurance, Security, Incident-Early warning &amp; Response, R&amp;D</p> <p><b>Champion Service Sector Scheme:</b> IT/ITES has been identified under the scheme for promoting development, realizing the potential to increase export, generating employment and improving quality and standards.</p> <p><b>Mission Mode Project on e-Panchayats:</b> Under e-Panchayat, efforts to drive internal automation of Panchayats and enable electronic service delivery through all the Panchayats in the country to achieve the objectives of Digital India programme of the Government of India.</p>	<p><b>Positive</b> for the sector</p>

## ENGINEERING & INFRASTRUCTURE:

KEY BUDGET MEASURES	IMPACT AND BENEFICIARIES
<p><b>Need to invest heavily in Infra and kickstart a virtuous cycle of domestic investments:</b> INR 100 trillion infra in 5 year</p> <p><b>Focus on ECBs:</b> India's sovereign external debt to GDP is amongst the lowest globally at less than 5%; hence ECBs will be raised in a meaningful way to fund infra sector.</p> <p><b>Railways :</b> INR 1.58 trillion capex - proposed to use PPP for passenger freight, rolling stock manufacturing, etc</p>	<p><b>Positive</b></p> <p>Large conglomerate companies in capital goods and Engineering, Procurement and Construction (EPC) Companies</p>

**Budgetary allocation towards capex up by 6% YoY:** Bulk of the increase in railways (up 16%), Rural (Urban+Rural, up 13%), Defense (up 7%). PSU capex through extra budgetary resources is expected to be flat on diminishing under construction pipeline of power generation and T&D PSUs.

**Make-in-India push:** Invitation to global companies for mega industry investments in semiconductor, solar PV cells, Li-ion storage batteries, EV charging, laptops, etc. and provide income tax relief on investments.

## OTHER UPDATES

### **AMENDMENTS UNDER TRANSFER PRICING PROVISION:**

It is proposed to substitute section 92D of the Act, in order to provide that the information and document to be kept and maintained by a constituent entity of an international group, and filing of required form, shall be applicable even when there is no international transaction undertaken by such constituent .

This amendment will take effect from April 1, 2020.

### **DIGITAL PAYMENTS:**

TDS (withholding tax) of 2% on cash withdrawal exceeding INR 10 million in a year from a bank account.

Business establishments with annual turnover more than INR 500 million 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.

## **MEGA INVESTMENT IN SUNRISE AND ADVANCED TECHNOLOGY AREAS:**

Scheme to invite global companies to set up mega-manufacturing plants in areas such as Semiconductor Fabrication (FAB), Solar PhotoVoltaic cells, Lithium storage batteries, Computer Servers, Laptops, etc
Investment linked income tax exemptions to be provided along with indirect tax benefits.

## **ROAD MAP FOR FUTURE**

Simplification of regulatory procedures & cutting down bureaucracy.

Incentivizing performance.

Red-tape reduction.

Making the best use of technology.

Accelerating mega programmes and services initiated and delivered so far.

