



## Interim Budget 2019



# Union Budget 2019



Hon'ble Minister of Finance, Shri Piyush Goyal, presented the Interim Budget for the financial year ('FY') 2019-20 on February 1, 2019. He came up with a pro-farmer, pro-growth and pro-poor budget which could set the stage for huge political dividends in the upcoming general elections. However, prudence seems to have prevailed with the fiscal deficit contained at 3.4%.

The Budget emphasized on upliftment of the poor and backward classes; cleanliness; steps against corruption; farmer's progress & increase in their income; labor & workers dignity; women led development; empowering youth, MSMEs & traders; strengthening defense & national security; infrastructure development; and digital India revolution.

The Government aims to set the stage for a 'New India' by 2022 in the 75<sup>th</sup> year of independence - an India which is clean & healthy, where everybody would have a house with universal access to toilets, water & electricity; where farmers' income would have doubled; youth and women would get ample opportunities to fulfil their dreams; an India free from terrorism, communalism, casteism, corruption and nepotism.

Most remarkable announcements of this Budget include rebate to individual taxpayers with annual income up to Rs. 5 lakh; proposed electronic assessment of all tax returns without any personal interface; assured income support of Rs. 6,000 per year to small and marginal farmers; increase in gratuity limit to Rs. 30 lakh; and pension scheme for unorganized sector workers

These reforms are in tandem with the Prime Minister's pledge to the people of India to give the nation an honest, clean and transparent Government. By taking difficult decisions and restoring strong performance of Indian economy, India stands out among the fastest growing economies of the world.

## Key Economic Indicators

- Fiscal deficit @ 3.4%
- Revenue Deficit 2.2%
- Economy growth rate of 7.2%
- Consumer price inflation @ 3.7%
- Wholesale price inflation @ 4.8%
- Average monthly exchange rate @ Rs. 69.74 per US dollar
- India's ranking improved to 77<sup>th</sup> position as per World Bank's Ease of Doing Business 2019 Report
- Increase in export of goods & services @ 5.6%
- Inflation target of 4% with tolerance level of (+/-) 2% up to 31st March 2021

*\* April to December 2018*



**INTERIM BUDGET**

2019-20



# Key Policy Announcements

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**Agriculture** - Assured yearly income of Rs 6,000 under Pradhan Mantri Kisan Samman Nidhi Yojna to vulnerable landholding farmer families having cultivable land up to 2 hectares; 2% interest subvention to the farmers pursuing the activities of animal husbandry and fisheries; interest subvention of 2% to all farmers affected by severe natural calamities and prompt repayment incentive of 3% for the entire period of re-schedulement of their loans



**Labour** - The Government announced Pradhan Mantri Shram-Yogi Maandhan Yojna for the unorganised sector workers with a monthly income upto Rs 15,000. The scheme will provide an assured monthly pension of Rs 3,000.



**Health** – The Government proposes to set-up 22<sup>nd</sup> AIIMS in Haryana



**Poor and Backward Class** - Two lakhs additional seats in educational institutions to meet the 10% reservation for the poor. Rs 60,000 crores are being allocated to MGNREGA.



**Vulnerable Sections** - A Committee under NITI Aayog to be set up for identifying De-notified, Nomadic and Semi-Nomadic communities; setting-up a Welfare Development Board under the Ministry of Social Justice and Empowerment for implementing welfare and development programmes for De-notified, Nomadic and Semi-Nomadic communities



**Entertainment** - Indian Filmmakers to get access to Single window clearance for ease of shooting films and regulatory provisions to rely more on self declaration; introduce anti-camcording provisions in the Cinematograph Act to control the menace of piracy



**MSME and Traders**- 2% interest subvention for GST registered SMEs on loans upto Rs 1 crore; sourcing by Government enterprises from SMEs increased up to 25% with at least 3% from women-led SMEs;



**Digital Villages** - The Government to make 1 lakh villages into Digital Villages over next five years



**Youth Empowerment** - Establishment of National Centre on Artificial Intelligence as a hub along with Centers of Excellence

## *Agriculture & Rural Economy*

- Introduction of Rashtriya Kamdhenu Aayog to upscale sustainable genetic up-gradation of cow resources and to enhance production and productivity of cows
- Creation of Department of Fisheries to provide sustained and focused attention towards development of Fisheries Sector
- The benefit of 2% interest subvention to Animal Husbandry and Fisheries farmers availing loan through Kisan Credit Card (KCC)
- Benefit of additional 3% interest subvention to farmers in case of timely repayment of loan under KCC
- The Benefit of interest subvention of 2% to farmers availing crop loans and unable to repay due to natural calamity for the complete tenure
- Prompt repayment incentive of 3% for the entire period of reschedulement of crop loans to farmers unable to repay due to natural calamity

## *Benefit to the underprivileged*

- Allocation of Rs. 19,000 crore in Pradhan Mantri Gram Sadak Yojana
- Rs. 3000 monthly pension under Pradhan Mantri Shram Yogi Maandhan Yojana to unorganised sector workers having income up to Rs. 15,000 p.m. Workers joining yojana at the age of 29 years to contribute Rs. 100 p.m. and Rs. 55 p.m. if joining at the age of 18 years
- A Committee to be set up under NITI Aayog to complete the task of identifying De-notified, Nomadic and Semi-Nomadic communities
- Allocation of Rs. 60,000 crores for Mahatma Gandhi National Rural Employment Guarantee Act ('MGNREGA')
- Under 'Saubhagya Yojna' all willing families will get free electricity connection by March, 2019

## Trade & Revenue



- Stamp duties to be levied on one instrument and get collected at one place through the Stock Exchanges
- The stamp duty to be shared with the State Governments on the basis of domicile of buying client

## Defence and National Security



- Defence Budget to cross Rs. 300,000 crore for the first time in 2019-20
- Substantial hike in the Military Service Pay (MSP) of all service personnel
- Special allowances given to Naval and Air Force personnel deployed in high risk duties

## Infrastructure



- Container freight movement started on inland waterways for the first time
- Container cargo movement to the North East to be introduced

## Employment & Social Security



- 25% extra seats (~ 2 lakh) in educational institutions and Government services to be provided to ensure there is no shortfall of presently available / reserved seats for under privileged section of the Society
- New Pension Scheme ('NPS') liberalized, Government contribution increased to 14%

## Railway



- Capital support is proposed at Rs. 64,587 crore in 2019-20
- Overall capital expenditure program of Rs. 1,58,658 crore
- The Operating Ratio is expected to improve to 95% in 2019-20
- Allocation for the North Eastern Areas proposed to be increased by 21%
- Introduction of "Vande Bharat Express"



INTERIM BUDGET

2019-20



# Tax Proposals

## Key Statistics

- Increase in tax collection from Rs 638,000 crore in 2013-14 to almost Rs 1,200,000 crore this year
- Increase in number of income-tax returns filed from 3.79 crore to 6.85 crore showing 80% growth in tax base
- 99.54% of income-tax returns filed for last year accepted as reported by taxpayers

## Proposed Tax Reforms

- Transformation of Income-tax Department into more assessee-friendly one. All returns to be processed within 24 hours and refunds issued simultaneously
- Within next 2 years, almost all verification and assessment of returns selected for scrutiny to be done electronically through anonymised back office, manned by tax experts and officials, without any personal interface between taxpayers and tax officers





## Highlights

- No Change in Tax Rates
- Tax Rebate increased to allow nil taxability for income-earners upto Rs 500,000 annually. No reduction in taxability for income-earners above Rs 500,000
- Standard deduction for salaried taxpayers increased from Rs 40,000 to Rs 50,000
- Benefit of nil tax currently available on single self-occupied house property, extended to second self-occupied property. However, no increase in limit for deduction of interest payable
- Capital gains exemption currently limited on re-investment in single residential house, extended to re-investment in two residential houses, subject to conditions



# Individual Taxation

Budget Proposal	Existing Provision	Proposed Amendment	Implication														
<p><b><i>No Change in Tax Rates</i></b></p>	<table border="1"> <thead> <tr> <th data-bbox="476 354 826 415">Total Income</th> <th data-bbox="826 354 1065 415">Tax Rate</th> </tr> </thead> <tbody> <tr> <td data-bbox="476 415 826 476">Upto Rs 2.5 lakhs</td> <td data-bbox="826 415 1065 476">NIL</td> </tr> <tr> <td data-bbox="476 476 826 538">Rs 2.5 – 5 lakhs</td> <td data-bbox="826 476 1065 538">5.2%</td> </tr> <tr> <td data-bbox="476 538 826 599">Rs 5 – 10 lakhs</td> <td data-bbox="826 538 1065 599">20.80%</td> </tr> <tr> <td data-bbox="476 599 826 661">Rs 10 – 50 lakhs</td> <td data-bbox="826 599 1065 661">31.2%</td> </tr> <tr> <td data-bbox="476 661 826 722">Rs 50 lakhs – 1 crore</td> <td data-bbox="826 661 1065 722">34.32%</td> </tr> <tr> <td data-bbox="476 722 826 783">Rs 1 crore and above</td> <td data-bbox="826 722 1065 783">35.88%</td> </tr> </tbody> </table>	Total Income	Tax Rate	Upto Rs 2.5 lakhs	NIL	Rs 2.5 – 5 lakhs	5.2%	Rs 5 – 10 lakhs	20.80%	Rs 10 – 50 lakhs	31.2%	Rs 50 lakhs – 1 crore	34.32%	Rs 1 crore and above	35.88%	<p>No Change in slab rates</p>	
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<p><b><i>Increase in Tax Rebate for income-earners upto Rs 500,000 annually</i></b></p>	<p>Lower of the following is available as tax rebate in case of resident individuals having total income up to Rs.350,000:</p> <ul style="list-style-type: none"> <li>• full tax liability</li> <li>• Rs.2,500</li> </ul>	<p>Total income threshold of Rs.350,000 increased to Rs.500,000</p>	<p>Nil taxability for income-earners upto Rs 500,000 annually</p> <p>No reduction in taxability for income-earners above Rs 500,000</p>														
<p><b><i>Increase in Standard Deduction for Salaried Taxpayers</i></b></p>	<p>Standard deduction up to <b><u>Rs.40,000</u></b> is available for salaried taxpayers</p>	<p>Limit of Rs.40,000 increased to <b><u>Rs.50,000</u></b></p>	<p>Marginal benefit to salaried class</p>														

# Individual Taxation

Budget Proposal	Existing Provision	Proposed Amendment	Implication
<b><i>Exemption of notional income from self-occupied house property increased for up to two properties</i></b>	<p>Notional income from any <b><u>one</u></b> self-occupied house property is exempt from tax</p> <p>Tax deduction upto Rs 200,000 is available in respect of interest paid on loan borrowed for such property</p>	<p>Limit of <b><u>one</u></b> self-occupied property increased to <b><u>two</u></b> properties</p> <p>Aggregate limit of tax deduction for interest paid, however, remains unchanged</p>	Likely to benefit middle class families who have to maintain families at two locations on account of job, children, care of parents, etc.
<b><i>Capital gains exemption limited on re-investment in single residential house, extended to reinvestment in two houses</i></b>	<p>Long term capital gain arising on sale of residential house is exempt if the proceeds are re-invested in purchase / acquisition of another (<b><u>one</u></b> or <b><u>single</u></b>) residential house</p>	<p>Limit of <b><u>one</u></b> residential house for the purpose of reinvestment increased to <b><u>two</u></b> houses, provided:</p> <ul style="list-style-type: none"> <li>• Subject capital gain does not exceed Rs 2 crore</li> <li>• Such option shall be available once in a lifetime to the taxpayer</li> </ul>	Likely to benefit parents who want to sell their house to buy two houses for their children

## Highlights

- No Change in Tax Rates
- The base year for determining the turnover threshold of Rs 250 crore for availing beneficial tax rate of 25% shifted to FY 2017-18. Hence, domestic companies having turnover not exceeding Rs 250 crore during FY 2017-18 shall be taxed @ 25% (plus surcharge and cess) during FY 2019-20
- Benefits for Real Estate sector:
  - Benefit of nil tax currently available for one year in case of unsold inventory of real estate developers, extended to two years
  - Deduction of profits from affordable housing project currently available for projects approved before 31 March 2019, extended to be available for projects approved till 31 March 2020 (i.e. one more year)
- Relaxation in threshold monetary limit for withholding tax obligation:
  - Threshold limit for withholding tax on bank interest / post office deposit increased from Rs 10,000 to Rs 40,000 annually
  - Threshold limit for withholding tax on rental payment increased from Rs 180,000 to Rs 240,000 annually

# Corporate Taxation

Budget Proposal	Existing Provision	Proposed Amendment	Implication
<p><b><i>No Change in Tax Rates. Shifting of base year by one year for reckoning lower taxability @ 25%</i></b></p>	<p>In case of domestic company:</p> <ul style="list-style-type: none"> <li>Where annual turnover in FY 2016-17 is up to Rs 250 crore – 25% basic tax</li> <li>In other cases – 30% basic tax</li> </ul> <p>The above rates to be increased by applicable surcharge and cess</p>	<p>Base year for ascertaining turnover up to Rs 250 crore shifted to FY 2017-18 (for availing beneficial tax rate of 25% taxability)</p>	<p>Logical shifting of base year to confirm lower taxability for small and medium companies for FY 2019-20 which form almost 99% of total companies in India</p>
<p><b><i>Benefits for Real Estate Sector:</i></b></p> <ul style="list-style-type: none"> <li><i>Benefit of nil tax currently available for one year in case of unsold inventory of real estate developers, extended to two years</i></li> </ul>	<p>Notional income from unsold inventory for up to <b><u>one</u></b> year (from end of financial year in which certificate of completion of property is received) is exempt from tax</p>	<p>Period of exemption of <b><u>one</u></b> year increased to <b><u>two</u></b> years</p>	<p>Incentive to real estate developers to reduce their tax cost and pass on the benefit to ultimate home-buyers</p>

# Corporate Taxation

Budget Proposal	Existing Provision	Proposed Amendment	Implication
<p><b>Benefits for Real Estate Sector (contd.):</b></p> <ul style="list-style-type: none"> <li><i>Deduction of profits from affordable housing project currently available for projects approved before 31 March 2019, extended to be available for projects approved till 31 March 2020 (i.e. one more year)</i></li> </ul>	<p>Deduction is available in respect of profits derived from developing an affordable housing project which has received approval from Government between 1 June 2016 till <b><u>31 March 2019</u></b></p>	<p>Sunset time-limit for approval extended by <b><u>one</u></b> year to <b><u>31 March 2020</u></b></p>	<p>Incentive to affordable housing sector to enable developers to reduce their tax cost and pass on the benefit to ultimate home-buyers</p>



Budget Proposal	Existing Provision	Proposed Amendment	Implication
<p><b>Relaxation in threshold monetary limit for withholding tax obligation:</b></p> <ul style="list-style-type: none"> <li>• <i>Threshold limit for withholding tax on bank interest / post office deposit increased from Rs 10,000 to Rs 40,000 annually</i></li> <li>• <i>Threshold limit for withholding tax on rental payment increased from Rs 180,000 to Rs 240,000 annually</i></li> </ul>	<p>No liability to deduct tax at source on interest paid by banks / on post office deposits upto <b><u>Rs.10,000</u></b> annually</p> <p>No liability to deduct tax at source on rent paid upto <b><u>Rs.180,000</u></b> annually</p>	<p>Limit of Rs.10,000 increased to <b><u>Rs.40,000</u></b></p> <p>Limit of Rs.180,000 increased to <b><u>Rs.240,000</u></b></p>	<p>Likely to reduce compliance and benefit small depositors and non-working spouses</p> <p>Likely to reduce compliance and benefit small taxpayers</p>



INTERIM BUDGET

2019-20



# Vision for the next Decade



# Vision 2030



Next generation physical as well as social infrastructure



Create Digital India through Digital Infrastructure and economy



Making India a pollution free nation. India will drive on Electric Vehicles



Expanding rural industrialisation using modern digital technologies



Clean Rivers, with safe drinking water for sustaining and nourishing life

## Ten Trillion Dollar Economy



Development of the coastline and exploitation of the blue economy through "Sagarmala Programme"



India aims at placing astronaut in space through programme "Gaganyaan"



Self-sufficiency in food, export of food and organic farming



Healthy India, a distress-free healthcare and comprehensive wellness system



Minimum Government and Maximum Governance

# About Us

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KrayMan Consultants LLP is an accounting and multi-disciplinary advisory Firm headquartered in the National Capital Region of India and serving Clients across Pan India.

We specialize in Assurance, Tax & Regulatory (including Income-tax, Transfer Pricing and Goods & Services Tax), Corporate Secretarial, Corporate Finance, Compliance & Outsourcing, Payroll, Virtual CFO, Factories & Labour Law and Human Resource services.

A dynamic leadership and a vibrant team that is cross functional, multidisciplinary and domain experts also help to ensure impeccable service to our Clients with India Entry services, Market Analysis & Research, Pricing & Profitability, Budgeting & Cost Management, Risk Management, Insurance Advisory and Internal Controls.

KrayMan was founded by professionals from Big 4 Consulting Firms and industry background. The Firm has a worthy blend of experience and youth. We are a team of professionals comprising of Chartered Accountants, Company Secretaries, Cost Accountants, Advocates and MBAs.

Since inception, we have been associated with a mix of multinationals, domestic companies, non-corporate entities and expatriates Clients and expanding our global footprints through the following **Global Accounting Networks**:

- **Prime Advisory Network (PAN), United Kingdom** - a network of Accountants and Lawyers with presence in more than 60 countries
- **Cross Border Associates (CBA), Germany** - specializing in mergers & acquisitions activities having presence in more than 95 countries

For any assistance, please feel free to contact us at [communications@krayman.com](mailto:communications@krayman.com)

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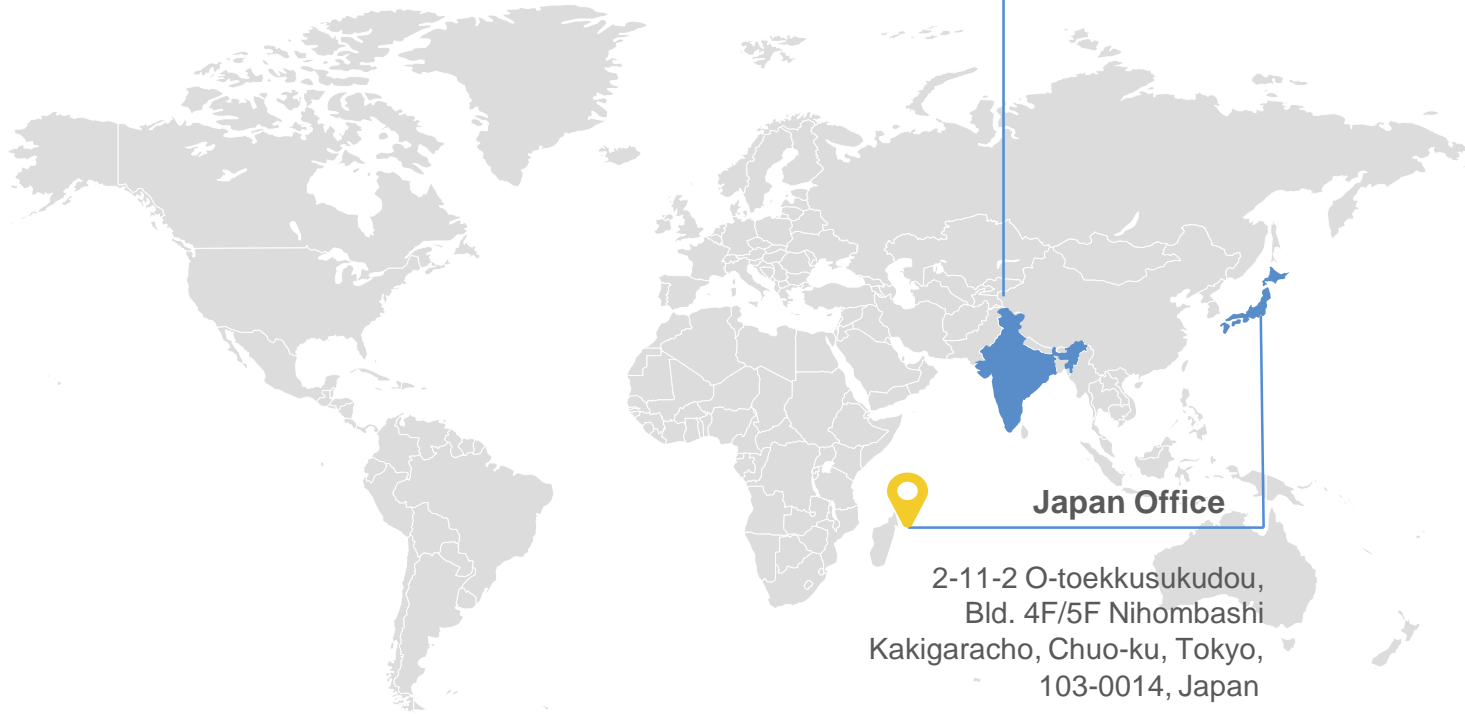
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*The intention of the newsletter is to cover highlights of Interim Union Budget 2019. Attempt has been made to cover key announcements. No claim is made to cover each and every proposal introduced in the Interim Budget. The newsletter contains information of general nature and is not meant to be a substitute for professional advice in any manner. In case the reader requires any specific inputs / suggestions / advice from our end, please contact us separately.*