

ANALYSIS OF UNION BUDGET, 2019

ICAI CHAPTER, DUBAI



CA. T.N. Manoharan
Chairman,
Canara Bank

STATE OF THE ECONOMY in FY19

Growth of GDP moderated to 6.8% in FY 2018-19 from 7.2% in FY 2017-18.

Inflation (CPI) contained at 3.4%.

Fiscal deficit declined from 3.5% of GDP in FY 2017-18 to 3.4% in FY 2018-19. Target is 3.3%

Global FDIs in India remained strong at \$ 64.37 billion, a growth of 6%.

Current account deficit at 2.1% of GDP.

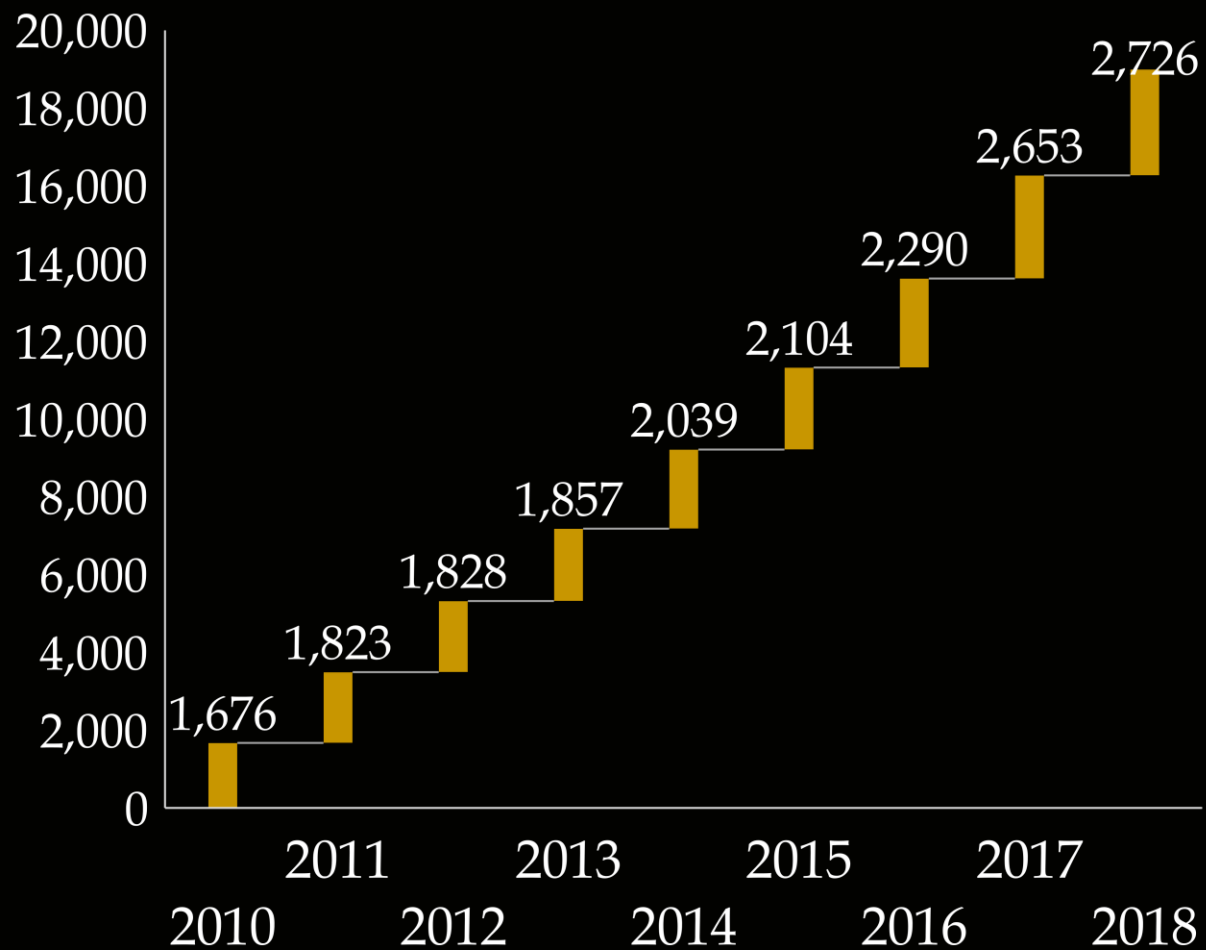
Expected to cross 3 trillion GDP by end of this year



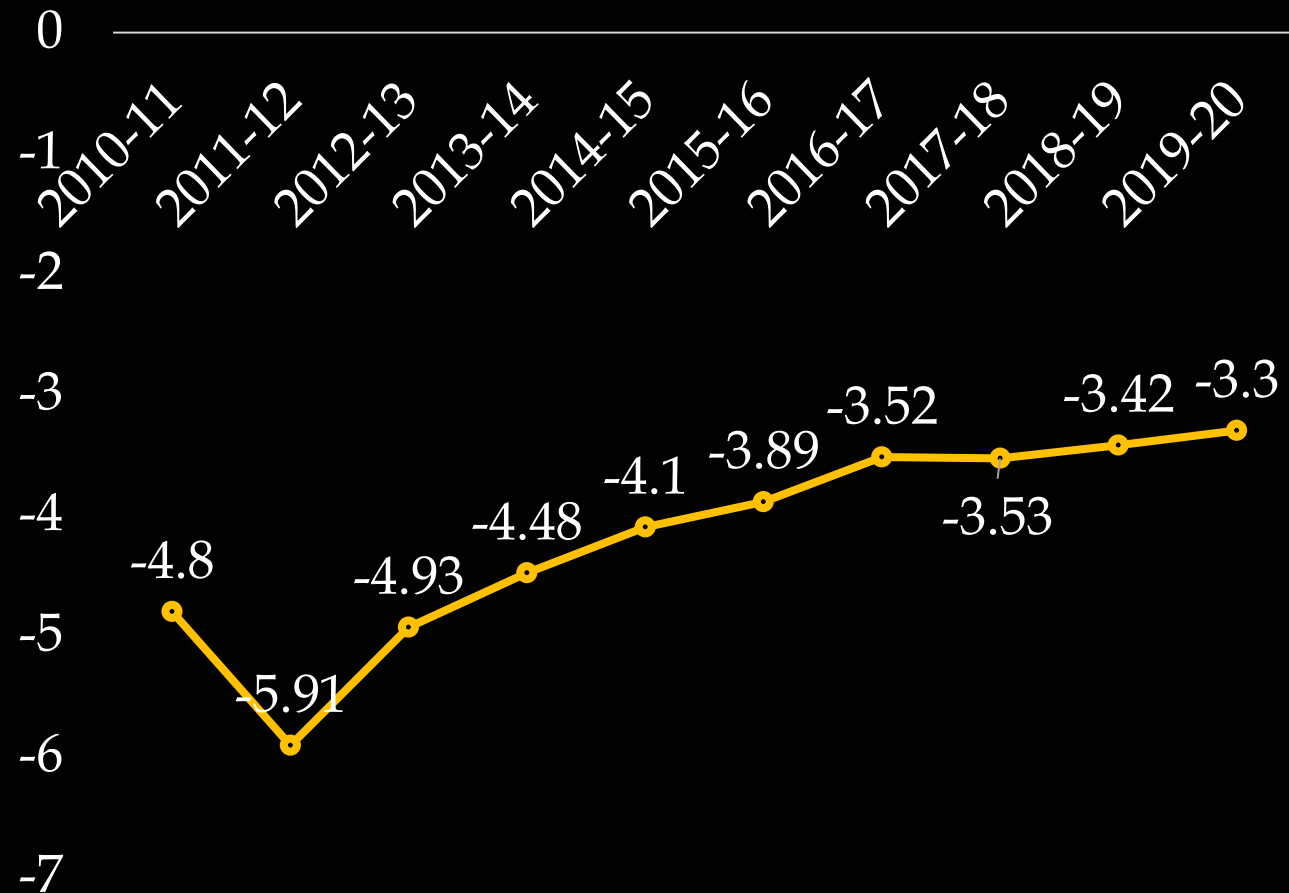
GDP & Fiscal Deficit



GDP (Billions \$)

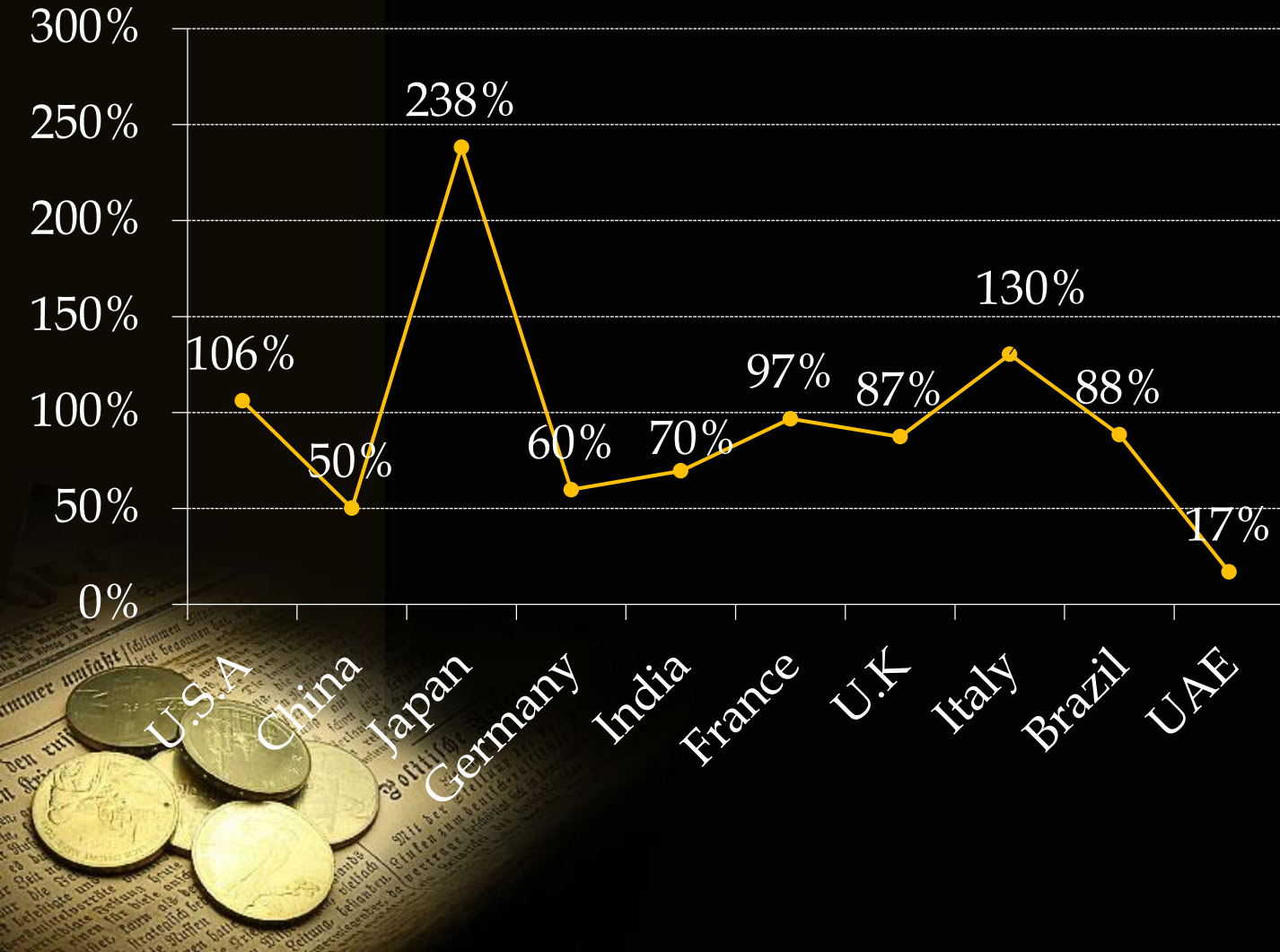


Fiscal Deficit (%)

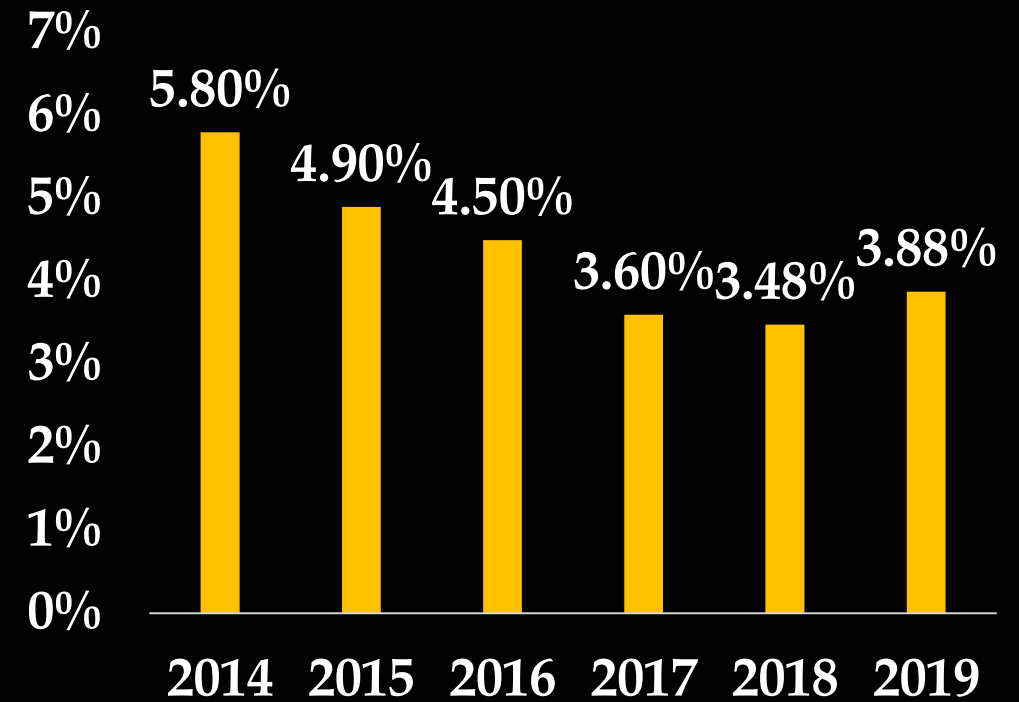


SOVEREIGN DEBT TO GDP & INFLATION

2018 ■ % of GDP



Inflation %



JAM

35.99 crore Jan
Dhan accounts
opened



92.05%
tele-density



Jam
Trinity



99%
Population
Coverage
through
Aadhaar

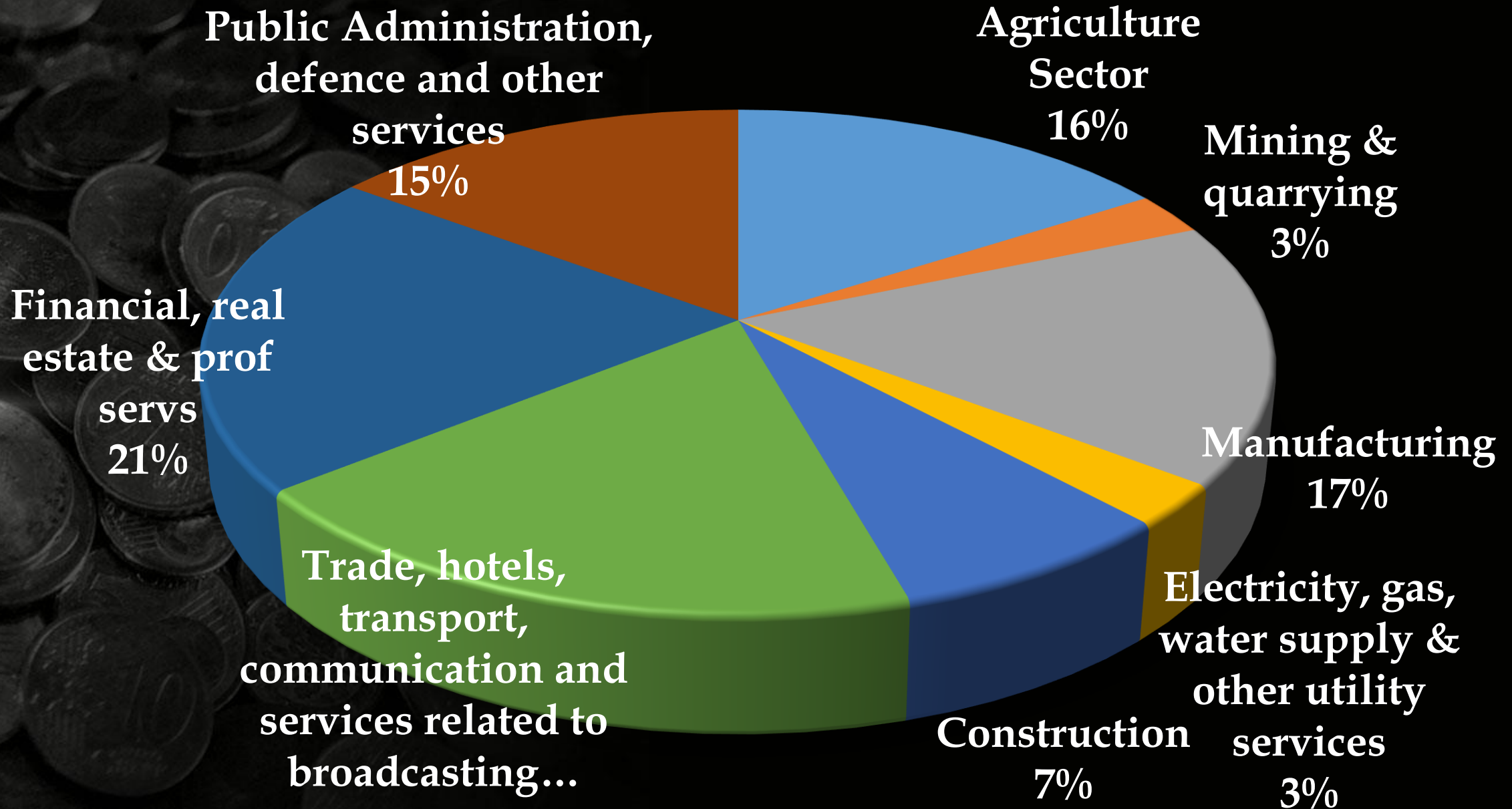
Approval
for 11
PBs and
10 SFBs
in 2015

Data
Analytics
and SaaS

P2P
lending
Regulation

Rupay
Debit
Card -
28.4 Cr

GDP CONTRIBUTION SECTOR-WISE





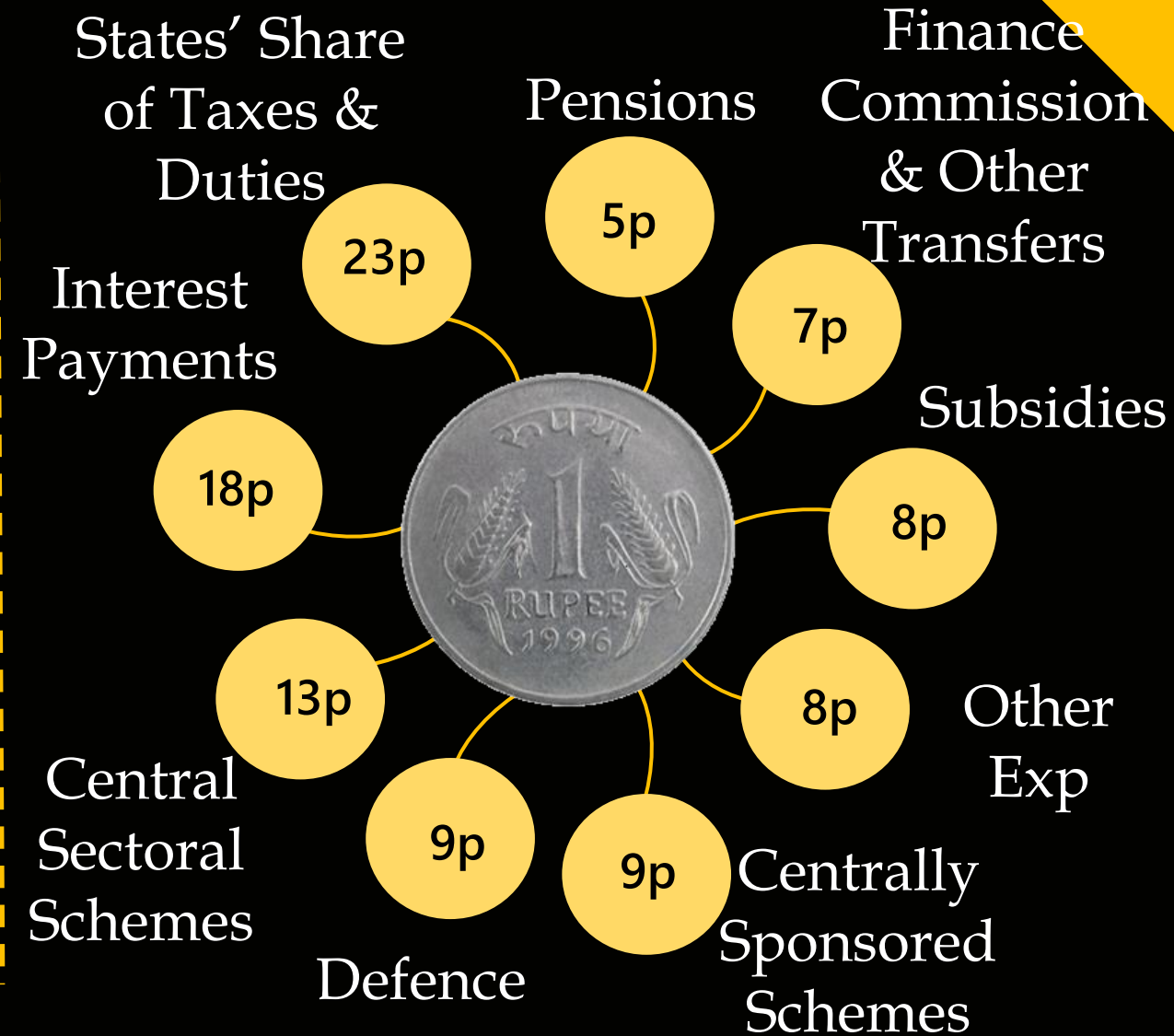
BUDGET 2019 PROPOSALS

2019 BUDGET

RUPEE COMES FROM



RUPEE GOES TO





DIRECT TAX

Faceless e-assessment with no human interface to be launched.

Aadhaar and PAN interchangeable for filing Income Tax Returns and other purposes.

Return filing mandatory if high value transaction is entered into even if there is no taxable income

Capital Gain exemption claimed cases must file returns if before allowing such exemption income exceeds limit .

Rs 1.5 lakh on interest paid on loans taken up to 31.03.2020 for purchase of house up to Rs 45 lakhs.

Deduction of Rs. 1.5 lakh on interest paid on electric vehicle loans.

A slew of tax benefits for IFSC's:

- ❖ Capital Gains benefit on transfer of units is extended to Category III AIF
- ❖ Interest on loans received by NR from units located in IFSC to be exempt
- ❖ Dividends declared from accumulated income also to be exempt from DDT.
- ❖ DDT Exemption to be extended to MF's in IFSC in addition to companies.
- ❖ Profit Linked deduction can now be claimed for 10 consecutive years out of the first 15 years.



DIRECT TAX

Surcharge increased by 3% for individuals etc., having taxable income between Rs 2 crore and Rs 5 crore and by 7% where income exceeds Rs. 5 crore.

Domestic companies to be taxed at 25% and not at 30% if the turnover/gross receipt is upto INR 4 bn (INR 2.5 bn)

Tax rate of 20% to be applied on buyback of shares by listed companies post 5 July 2019.

ENHANCED SURCHARGE RATES



Income Tax Slab	Existing Surcharge	Proposed Surcharge	Maximum Marginal Tax Rate
50 Lakh – 1 crore	10%	10%	34.20%
1 crore – 2 crore	15%	15%	35.88%
2 crore – 5 crore	15%	25%	39.00%
More than 5 crore	15%	37%	42.74%

Tax Deduction at Source



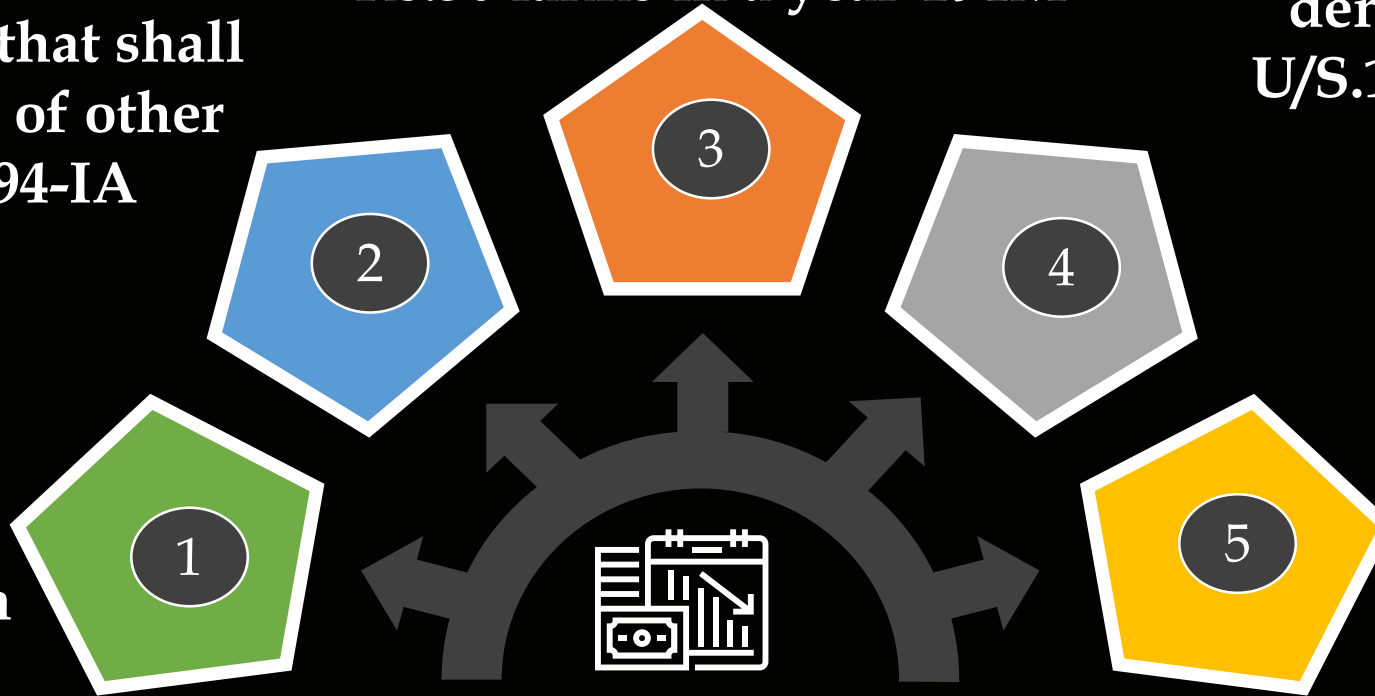
TDS at the time of purchase of Immovable Property at the 1% shall be on a consideration that shall include value of other benefits-194-IA

TDS at 5% by Individuals and HUF on Contract payments & Professional fees if amount exceeds Rs.50 lakhs in a year-194M

TDS on interest to a NR/Foreign Co., in respect of Rupee denominated bond U/S.194LC at 5% from 1.4.2019

TDS on any amount received under a life insurance policy which is not exempt shall be at 5% of the taxable amount (Net) and not at 1% on the gross -Sec.194DA

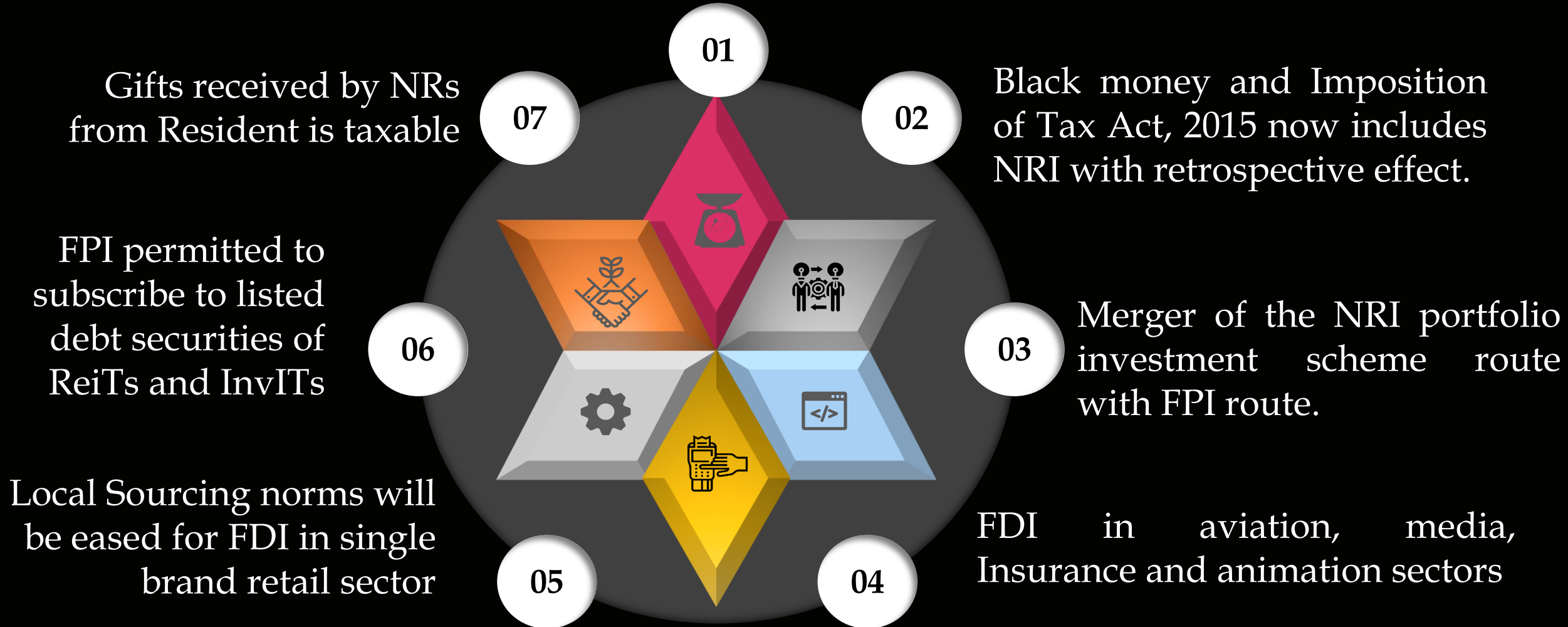
TDS of 2% on cash withdrawal exceeding Rs.1 Crore a year from 'a' bank account-Sec.194N



NRI Proposals



NRI with Indian passports to get Adhaar card on arrival immediately (erstwhile after 180 days).



INVESTMENTS AND MARKETS



Further recapitalization of PSBs: USD 10 bn.

Statutory limit for FPI in a company to be increased from 24% to sectoral foreign investment limit.

Reduction in net owned fund requirement from INR 50 bn to INR 10 bn for units of foreign reinsurance company in IFSC.

Investment by FIIs and FDIs in debt securities in infrastructure debt funds to be allowed.

A social stock exchange is proposed, for social and voluntary organizations, to raise capital, equity and debt.

SEBI to consider raising the minimum Public Shareholding threshold of 25% to 35% in listing Companies

INDIRECT TAX



≤ 5 Crores
Quarterly
returns

01

BCD of 7.5%
on oil and gas,
from 5%.

02

Electronic
invoice system
instead of
e-way
bill

03

Custom Duty
from 10% to
12.5% on
Gold & other
precious
metals

5% BCD on
imported
books

05

Withdrawal of
Exemptions on
electronic
items

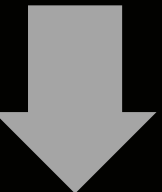
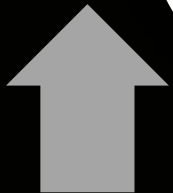
06

Exemption
on import of
Defense
equipment

07

SAD & road & infrastructure
cess ↑ by INR
2 per Liter on
petrol
& diesel

08



INDIRECT TAX



Creation of National Appellate Authority for GST Advance Ruling

CG to act as a single disbursement authority to grant refund

Balance in electronic cash ledger from one head to another head

Interest on net tax liability, payable in cash

10% Penalty on Profiteered amount

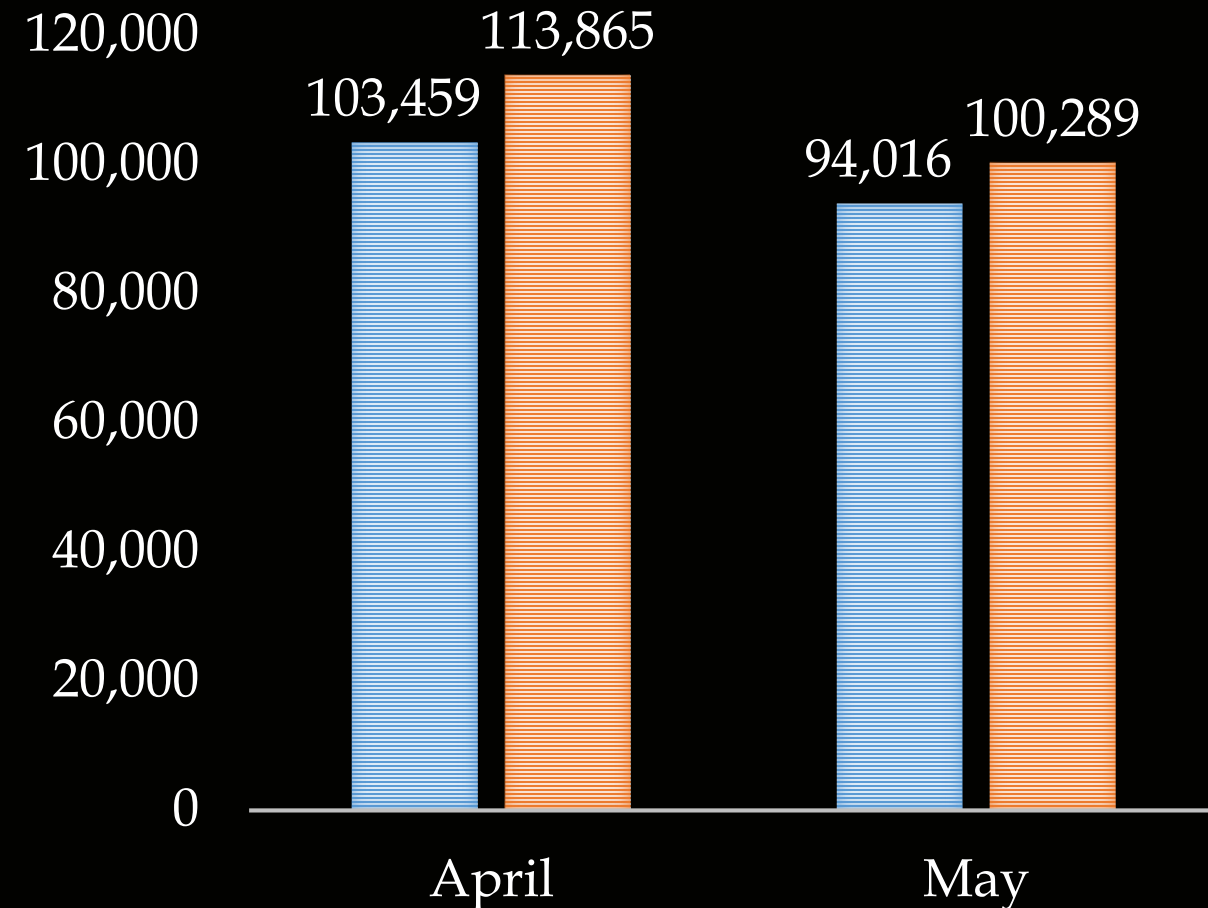
Amnesty scheme "Sabka Vishwas (Legacy Dispute Resolution) Scheme"

GST COLLECTIONS



GST COLLECTION (IN CRS)

■ 2018 ■ 2019



Govt projects 18% growth rate in total tax revenues in FY20.

Last yr FY19, gross tax revenue fell short by 8.4% of budget estimates.

Reason – Centre GST collections which was 22% lower than budgeted.

The April-June average for GST mop up has been Rs. 1.05 trillion, below the Rs. 1.12 trillion average estimated to be required to meet this year's target.

STARTUPS

19,773 Startups registered as on Date

Loans of up to INR 1 crore to be given to MSMEs for ease of access- 59 minute approval

Capital gains exempt on sale of residential house for Investment in start-ups till FY 2021
25%holding/Voting(50%) and 3 Yrs lock in (5 Yrs)

No scrutiny in respect of share valuation of share premiums

A television channel proposed exclusively for and by start-ups

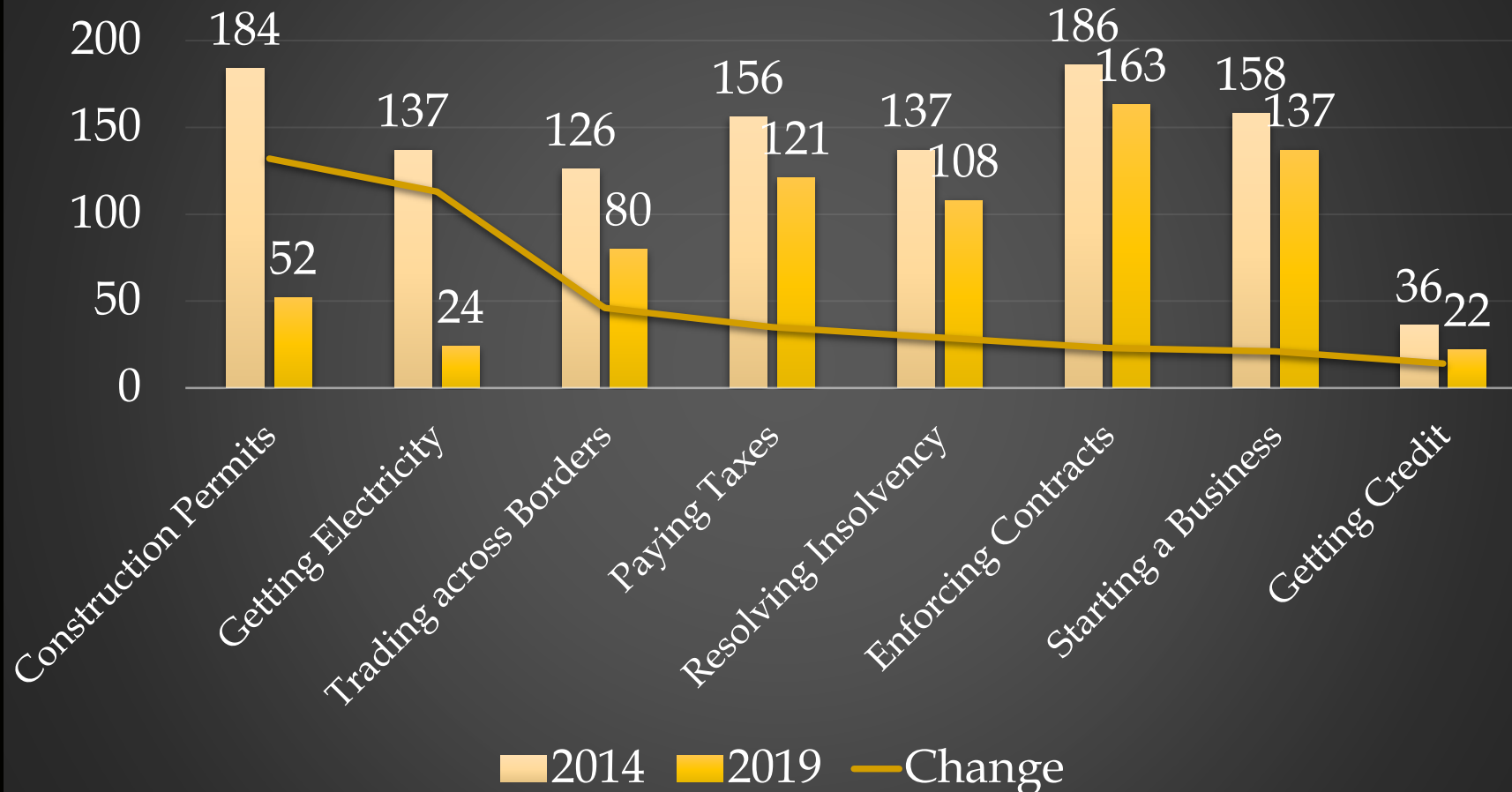


WAY FORWARD - EODB



India ranks 77th as against 142nd during 2014.

Ease of doing Business Report



Countries	Rank
New Zealand	1
Singapore	2
Denmark	3
Hong Kong, China	4
Korea	5
USA	8
UAE	12
India	77



THANK
YOU

