

INTERIM BUDGET ANALYSIS & GST CHANGES 2019

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Taxation | Audit | Outsourcing | Regulatory | Transaction Advisory | Consultancy Services

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The Interim Budget 2019 has been a budget for middle class and agrarian society with varied proposals being related to growth in agriculture sector, un-organized sector and the working class sector, few tax incentives for individuals. The current government is focusing towards Election 2019 which can seriously change the current equation in politics resulting into change in economic focus of India. The recent state elections gave a different mandate, certain populist measures were expected in this interim budget and government has not failed to oblige the vote bank of India.

The focus of current government has been giving social security to its citizen and various steps have also been taken on that front.

Indian economy is estimated to achieve a growth of 7.2 percent in 2018-19, higher as compared to 6.7 percent recorded in 2017-18. The economy has achieved high growth amidst significant improvements in macro-economic stability, mainly on the strength of ongoing structural reforms, fiscal discipline, efficient delivery of services and financial inclusion.. In April-December 2018, consumer price inflation was within the comfortable limit (3.7 percent) and is likely to moderate further in coming months. India is emerging as an important player in the world economy as reflected in World Bank's Ease of Doing Business 2019 Report, which improves India's ranking by 23 positions to 77th rank in 2018.

On direct tax, the budget has brought in few changes in personal tax where it has proposed to increase standard deduction to Rs 50,000 for salaried individuals, increase in eligible years for exemption of notional rent on self-occupied house property for individuals, Capital gain exemption availability for purchase or construction of two residential houses in India, increase in TDS exemption limit on rental income.

There are no changes in the rates of taxes and slabs of taxes in case any taxable person in the Interim budget. Certain anti avoidance measure has also been made through amendment in Prevention of Money Laundering act.

Good and service tax has not been touched by the budget, as there is already a mechanism of such changes through regular meetings of GST council. GST though not the part of the budget, has also been amended recently, where certain amendments have further rationalized the year and half old legislation.

Finance bill, 2019 has also proposed to amend Indian Stamp Act, 1899. The Finance bill, 2019 has made an effort towards streamlining the stamp duty collection mechanism. This bill brings a clear distinction between transactions through stock exchange and otherwise through a stock exchange.

This interim budget has certain liberal proposals for agrarian society and individuals, it is left to be seen what the final budget by new government after impending general elections, brings in for the 1.33 billion and growing Indian population.

Please Note:

-This budget has been prepared as a knowledge document, does constitute an advertisement of any manner and is for private circulation only.

-Contribution of J P Chawla & Co. LLP's team members: Mr. J.P. Chawla, Mrs. Richa Juneja Chawla, Mr. Vipin Sachdeva, Mrs. Sujata Kumari, Mr. Ankit Vyas, Mr. Maneet Puri, Mrs. Garishma Arora and Ms Parul Sharma for preparation of this comprehensive Interim budget document is highly appreciated and acknowledged with thanks.

Hope you enjoy reading our analysis of Budget 2019.

Happy reading!!

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ECONOMIC OUTLOOK



Overview

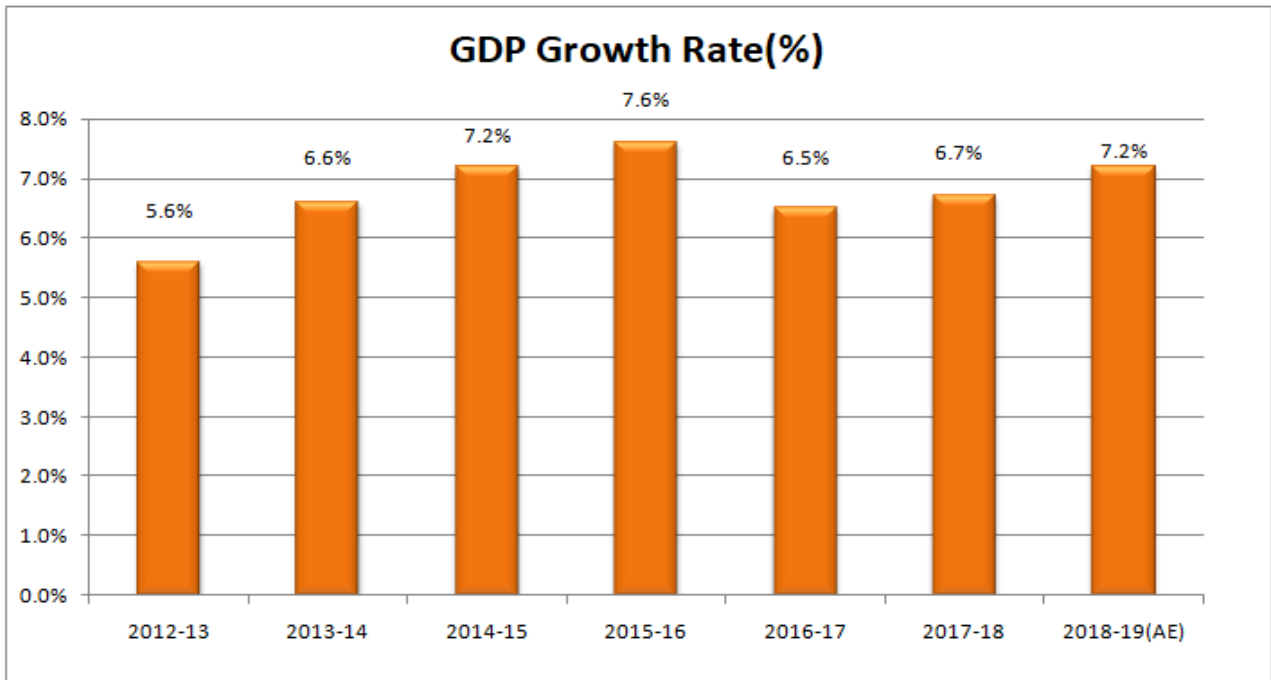
Despite elevated crude oil prices and several global headwinds, Indian economy is estimated to achieve a growth of 7.2 percent (as per first advance estimates released by Central Statistics Office) in 2018-19, higher as compared to 6.7 percent recorded in 2017-18. The economy has achieved high growth amidst significant improvements in macro-economic stability, mainly on the strength of ongoing structural reforms, fiscal discipline, efficient delivery of services and financial inclusion. Consumer price inflation has moderated significantly from 9.9 percent in 2012-13 to 3.6 percent in 2017-18. In April-December 2018, consumer price inflation was within the comfortable limit (3.7 percent) and is likely to moderate further in coming months. The Current Account Deficit widened to 2.7 percent of GDP in first half of 2018-19 from 1.9 percent of GDP in 2017-18, mainly on account of higher trade deficit arising from higher petroleum, oil and lubricants imports. India is emerging as an important player in the world economy as reflected in World Bank's Ease of Doing Business 2019 Report, which improves India's ranking by 23 positions to 77th rank in 2018.

GDP Growth rate

The gross value added at constant basic prices is estimated to grow at 7.0 percent in 2018-19, as compared to 6.5 percent achieved in 2017-18. The growth in agriculture, industry and services sector is estimated to be 3.8 percent, 7.8 percent and 7.3 percent respectively in 2018-19.

There has been a noticeable improvement in fixed investment and exports of goods and services. The growth of fixed investment is estimated to increase from 7.6 percent in 2017-18 to 12.2 percent in 2018-19. This is expected to push up the fixed investment rate, which had remained unchanged over the previous three years.

Export of goods and services is estimated to grow at 12.1 percent in 2018-19, as compared to 5.6 percent in 2017-18. The share of total consumption expenditure in GDP is around 70 percent. The confidence in the Indian economy has improved on account of various policy measures taken up by the government. Various economic reforms undertaken in the year, inter-alia, include: push to infrastructure development; historic support and outreach programme for the Micro, Small and Medium Enterprises; enhanced minimum support prices for all kharif and rabi crops for 2018-19 season, lower income tax for companies with annual turnover up to ₹250 crore and further measures to improve the ease of doing business. Important macro-economic challenges faced by the economy are global headwinds like rising trade tensions and geo-political uncertainties in some parts of the world, and financial health of banking sector. However, medium-term macro outlook remains bright in light of the structural reforms undertaken, revival of investment rate, decline in crude oil prices and stability in exchange rate.



Inflation

Inflation based on the Consumer Price Index Combined (CPI-C) averaged 3.7 percent during April-December 2018. There has been a continuous moderation in CPI-C inflation since July 2018. It has declined to 2.2 percent in December 2018 from 2.3 percent in November 2018. CPI-C inflation was 3.6 per cent in 2017-18 and 4.5 per cent in 2016-17. During April-December 2018, food inflation (Consumer Food Price Index) has averaged 0.5 percent. It stood at (-)2.5 percent in December 2018. Food inflation was at 1.8 percent in 2017-18 and 4.2 percent in 2016- 17.

Inflation based on Wholesale Price Index (WPI) averaged 4.8 per cent in the April-December 2018. The WPI inflation was 3.0 percent in 2017-18 and 1.7 percent in 2016-17. WPI index has a higher weight of fuel as compared to CPI index and the CPI index has a higher weight of food & beverages. With the increase in crude oil prices, the WPI inflation started increasing from 2016-17. During April-December 2018, WPI food inflation has averaged (-)0.2 percent.

WPI food inflation was 1.9 percent in 2017-18 and 5.8 percent in 2016-17. The Government, in consultation with RBI has fixed the inflation target of 4 percent with tolerance level of (+/-)2 percent for the period beginning from 5 th August 2016 to 31st March 2021.

Agriculture sector

As per the first advance estimates, the total production of kharif food grains is estimated at 141.6 million tonnes in 2018-19. The production of rice during kharif season of 2018-19 is estimated at 99.2 million tonnes. The production of oilseeds in 2018-19 (kharif only) is estimated at 22.2 million tonnes. There was a record production of 284.8 million tonnes of foodgrains in 2017-18 (fourth advance estimate), as against 275.1 million tonnes in 2016- 17. Rice and wheat also registered record production at 112.9 million tonnes and 99.7 million tonnes respectively in 2017-18. The production of pulses also increased to 25.2 million tonnes in 2017-18, higher by 2.1 million tonnes than the previous record production achieved in 2016-17.

The oilseeds production in the country during 2017-18 is estimated at 31.3 million tonnes. The agriculture credit disbursement up to September 2018 was `6.5 lakh crore, as against the target of `11 lakh crore for the financial year of 2018- 19.

Industry

The performance of the industrial sector based on the Index of Industrial Production (IIP) registered a growth of 5.0 percent in April-November 2018, as compared to 3.2 per cent during the corresponding period of the previous year. Mining, manufacturing and electricity sectors registered growth of 3.7 percent, 5.0 percent and 6.6 percent respectively in April-November 2018. With respect to the use-based categories of IIP, during April-November 2018-19, capital goods and infrastructure/construction goods sectors have attained strong growth of 7.2 percent and 8.3 percent respectively. IIP grew by 4.6 percent and 4.4 percent respectively in 2016-17 and 2017- 18. The eight core infrastructure industries registered a cumulative growth of 5.1 percent during April-November 2018, as compared to 3.9 percent during April-November 2017. Their growth was 4.8 percent and 4.3 percent respectively in 2016-17 and 2017-18.

External sector

In April-December 2018, merchandise exports increased by 10.2 percent to US\$ 245.4 billion from US\$ 222.8 billion in the corresponding period of the previous year. This compares favorably with the 10 percent growth in 2017-18. The value of India's merchandise exports (customs basis) was US\$ 303.5 billion in 2017-18. Merchandise imports at US\$ 386.7 billion in April-December 2018 increased by 12.6 percent from US\$

343.3 billion in April-December 2017. This growth was lower than the growth of 21.8 percent realized during 2017-18. Imports of petroleum, oil and lubricants (POL) increased by 42.9 percent in April-December 2018 to US\$ 108.1 billion from US\$ 75.7 billion in the corresponding period of the previous year, mainly on account of rise in international crude oil prices. Non-POL imports for April-December 2018 increased by 4.1 percent to US\$ 278.6 billion from US\$ 267.7 billion in the corresponding period of the previous year. Trade deficit increased to US\$ 141.2 billion during April-December 2018, from US\$ 120.6 billion in the corresponding period of the previous year.

Comparing performances at half-yearly levels it is seen that India's current account deficit (CAD) increased to US\$ 35.1 billion (2.7 per cent of GDP) in H1 of 2018-19 from US\$ 21.9 billion (1.8 per cent of GDP) in H1 (April-September) of 2017-18. During this period the trade deficit increased to US\$ 95.8 billion in H1 of 2018-19 from US\$ 74.4 billion in H1 of 2017- 18. Net invisibles surplus increased to US\$ 60.7 billion in H1 of 2017-18 from US\$ 52.5 billion in H1 of 2017- 18, with increase observed both in net services and net private transfers. During H1 of 2018-19, net FDI was US\$ 17.7 billion as compared to US\$ 19.6 billion in H1 of 2017- 18, while change in net portfolio was US\$ (-)9.8 billion in H1 of 2017-18 as against US\$ 14.5 billion in the H1 of the previous year. The foreign exchange reserves decreased by US\$ 24.0 billion during H1 of 2018-19, as against an increase of US\$ 30.3 billion during the H1 of the preceding year. This resulted in decrease in the stock of foreign exchange reserves, which stood at US\$ 400.5 billion at end September 2018. The stock of foreign exchange reserves was at US\$ 393.4 billion on December 28, 2018.

In April-December 2018-19, the average monthly exchange rate of rupee (RBI's reference rate) was `69.74 per US dollar. The rupee depreciated from `65.02 per US dollar in March 2018 to `70.72 per US dollar in December 2018.

Prospects

The reform measures undertaken in 2018-19 are expected to strengthen and reinforce the growth momentum. The prospects for Indian economy for the year 2019-20 need to be assessed in the light of emerging global and domestic developments. The global economy faces certain challenges due to the emerging trade tensions. There is a revival of investment activity in the economy and the recent pick up in the growth of fixed investment can be expected to maintain momentum in the coming year.



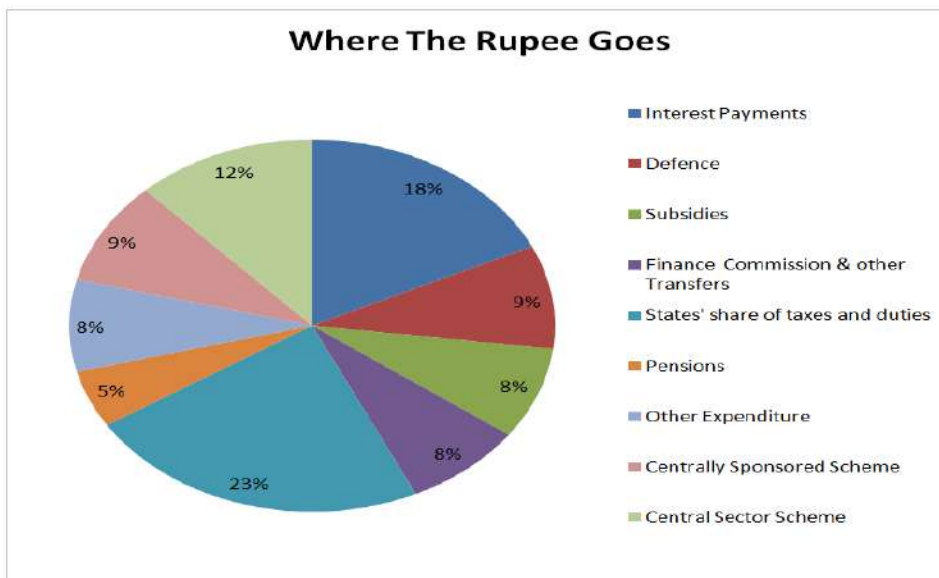
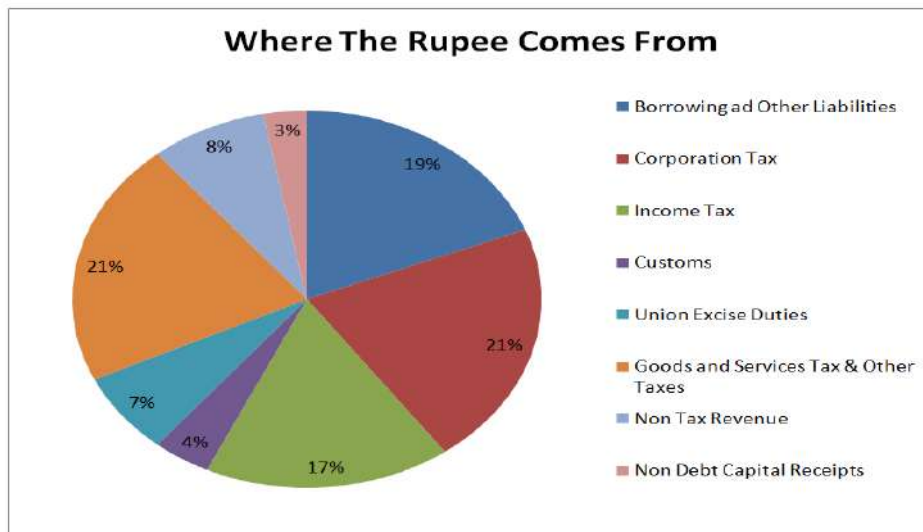
Overview

Budget 2019-20 reflects the Government’s firm commitment to substantially boost investment in Agriculture, Social Sector, Education and Health. This is substantiated by increase in expenditure of ` INR 3,26,965 crores over RE (2018-19) while keeping the fiscal deficit at 3.4% of GDP.

In RE 2018-19, the total expenditure has been kept at INR 24,57,235 crore and is more than BE 2018-19 by INR 15,022 crore.

The increase in total expenditure is on account of increased support to agricultural sector, interest payments and internal security.

The total resources going to States including the devolution of State’s share in taxes, Grants/Loans, and releases under Centrally Sponsored Schemes in BE (2019-20) is INR 13,70,620 crore, with a jump of INR 1,24,036 crore over RE (2018-19) and INR 2,85,492 crore more than the Actuals (2017-18).



(Amount in INR Crores)

S. No.	Particulars	2017-18 Actuals	2018-19 Budget Estimates	2018-19 Revised Estimates	2019-20 Budget Estimates
1	Revenue Receipts	1,435,233	1,725,738	1,729,682	1,977,693
2	Tax revenue(Net to centre)	1,242,488	1,480,649	1,484,406	1,705,046
3	Non-Tax Revenue	192,745	245,089	2,45,276	272,647
4	Capital Receipts	706,742	716,475	727,553	806,507
5	Recovery of Loans	15,633	12,199	13,155	12,508
6	Other Receipts	100,045	80,000	80,000	90,000
7	Borrowings and Other Liabilities	591,064	624,276	634,398	703,999
8	Total Receipts (1+4)	2,141,975	2,442,213	2,457,235	2,784,200
9	Total Expenditure (10+13)	2,141,975	2,442,213	2,457,235	2,784,200
10	On Revenue Account of which	1,878,835	2,141,772	2,140,612	2,447,907
11	Interest Payments	528,952	575,795	587,570	665,061
12	Grants in Aid for creation of capital assets	191,034	195,345	200,300	200,740
13	On Capital Account	263,140	300,441	316,623	336,293
14	Revenue Deficit (10-1)	443,602	416,034	410,930	470,214
		(2.6)	(2.2)	(2.2)	(2.2)
15	Effective Revenue Deficit (14-12)	252,568	220,689	210,630	269,474
		(1.5)	(1.2)	(1.1)	(1.3)
16	Fiscal Deficit [9-(1+5+6)]	591,064	624,276	634,398	703,999
		(3.5)	(3.3)	(3.4)	(3.4)
17	Primary Deficit (16-11)	62,112	48,481	46,828	38,938
		(0.4)	(0.3)	(0.2)	(0.2)

DIRECT TAX PROPOSALS



Personal Tax

Budget 2019 has proposed no changes in the income tax rates and slabs. However, it has proposed to provide relief to taxpayers by increasing the maximum amount of tax rebate to Rs 12,500 from existing limit of Rs 2,500.

The tax rebate would now be available to taxpayers having total income up to Rs 5,00,000, instead of existing limit of 3,50,000.

Since no changes were proposed in the income-tax slabs or basic exemption limit, there would be no tax relief for Individuals earning net taxable income of more than Rs 5 lakhs.

Budget 2018 has already provided the standard deduction of Rs 40,000 for salaried-class persons. Now the Budget 2019 has proposed to increase such standard deduction to Rs 50,000.

Impact of such changes can be explained with the help of following table :-

Amount of Net Income	*Tax (Pre-Budget)	*Tax (Post-Budget)
Rs 3,00,000	Nil	Nil
Rs 3,50,000	2,500	Nil
Rs 4,00,000	7,500	Nil
Rs 5,00,000	12,500	Nil
Rs 5,00,001	12,500	12,500
Rs 6,00,000	32,500	32,500
Rs 11,00,000	1,52,500	1,52,500

**Health and Education cess of 4% shall be levied on the aforesaid amount of income-tax.*

There is no relief for super senior citizens earning net income upto Rs 5,00,000 as under the old regime their basic exemption limit is Rs 5,00,000.

No changes were proposed in the income-tax rates or income-tax slabs for AY 2020-21. Thus, tax slabs or tax rate of AY 2019-20 would be applicable for AY 2020-21, which is given as under :-

- Rates for individuals, Hindu Undivided Family, or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person.**

Income (in INR)	Rate of tax F.Y. 2019-20(AY 2020-21)
Upto INR 250,000	Nil
2,50,001-5,00,000	5%
5,00,001-10,00,000	20%
10,00,001 and above	30%

- Tax rates in the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year.**

Income (in INR)	Rate of tax F.Y. 2019-20(AY 2020-21)
Upto INR 3,00,000	Nil
3,00,001-5,00,000	5%
5,00,001-10,00,000	20%
10,00,001 and above	30%

- Tax rates in the case of every individual, being a resident in India, who is of the age of eighty years or more at anytime during the previous year.

Income (in INR)	Rates of tax F.Y.2019-20(A.Y. 2020-21)
Upto INR 5,00,000	Nil
5,00,001-10,00,000	20%
10,00,001 and above	30%

Note:

Surcharge of 10% of income tax if total income is between INR 50,00,000/- to INR 1,00,00,000/- subject to Marginal Relief. Surcharge of 15% of income tax if total income exceeds INR 1,00,00,000/- subject to Marginal Relief.

- **Health & Education Cess:**

Health and Education Cess at the rate of 4% shall be levied on tax and applicable surcharge.

- **Standard deduction on salary income: [Sec.16, 17]: [Applicable from Financial Year 2019-20, Assessment Year 2020-21]**

Under the old regime, there were certain exemptions from salary income in the form of transport allowance of Rs. 19,200 and medical reimbursement of Rs. 15,000 per annum.

However, the Budget 2018 has withdrawn such exemptions and it has provided for standard deduction up to INR 40,000 per annum in lieu of such exemptions.

Now Budget 2019 has proposed to increase such standard deduction to Rs 50,000 from existing limit of Rs 40,000. Such standard deduction of Rs 50,000 would be available to all taxpayers. Thus, such standard deduction would also be available to taxpayers earning net income above Rs 5,00,000.

Exemption of Notional rent on self-occupied house property [Applicable from Financial Year 2019-20, Assessment Year 2020-21] [23(4)]:

Under the existing provisions of section 23(4) of the Income-Tax Act ('the Act'), where the taxpayer is in possession of more than one house property, assessable value of one property shall be deemed to be Nil and tax shall be paid on notional rent of other properties.

Now the Budget 2019 has proposed to provide relief to the taxpayer by allowing him an option to claim nil annual value in respect of any two houses, declared as self-occupied, instead of one such house as currently provided

- **Deduction of interest on self-occupied house properties: [Applicable from Financial Year 2019-20, Assessment Year 2020-21] [24]:**

Budget 2019 has proposed that two house properties would be considered as self-occupied and notional rent would be taxable in respect of other house properties. It is basically done to provide relief to the taxpayer by allowing him an option to claim nil annual value in respect of any two houses, declared as self-occupied, instead of one such house as currently provided.

Further, consequential amendments were also proposed in Section 24, to provide that the monetary limit of deduction on account of interest payable on borrowed capital shall continue to apply to the aggregate of the amounts of deduction in case of more than one self-occupied houses.

- **Notional rent on unsold inventory [Applicable from Financial Year 2019-20,Assessment Year 2020-21]:**

Under the existing provisions, real estate developers are not required to pay tax on unsold inventory upto one year from the end of FY in which the certificate of completion is obtained from competent authority. Budget 2019 has proposed to provide relief to real estate developers by providing that notional rent of unsold inventory shall not be charged to tax upto two years instead of existing period of one year.

- **Capital gain exemption : [Applicable from Financial Year 2019-20,Assessment Year 2020-21] [Sec.54]:**

Currently, section 54 provides that any capital gains arising on transfer of house property would be exempt from tax if such capital gains are invested in purchase or construction of one residential house situated in India within a period of 2 years or 3 years.

Now Budget 2019 has proposed that such exemption would be available even for purchase or construction of two residential houses in India. However, such exemption would be available only where the amount of capital gain does not exceed Rs 2 crores and such benefit would be available only once in a life-time.

Therefore, such benefit for investment in two house properties would be available only once and assessee shall not be entitled to exercise the option for same or any other assessment year.

- **TDS on interest income from bank :[Applicable from Financial Year 2019-20 ,Assessment Year 2020-21] [Sec.194A]:**

Currently, there is TDS exemption to banks or post office on interest income upto Rs 10,000 on saving account, term deposit and recurring deposits, other than interest on securities paid by banking company, cooperative society or post office.etc. Thus, no TDS is deducted on interest income earned on fixed deposit, term deposit and recurring deposits, etc amounting to Rs 10,000.

Now Budget 2019 has proposed to increase such TDS exemption limit to Rs 40,000 from Rs 10,000. However, for senior citizens the existing TDS exemption limit of Rs 50,000 would be applicable on interest income earned on deposits.

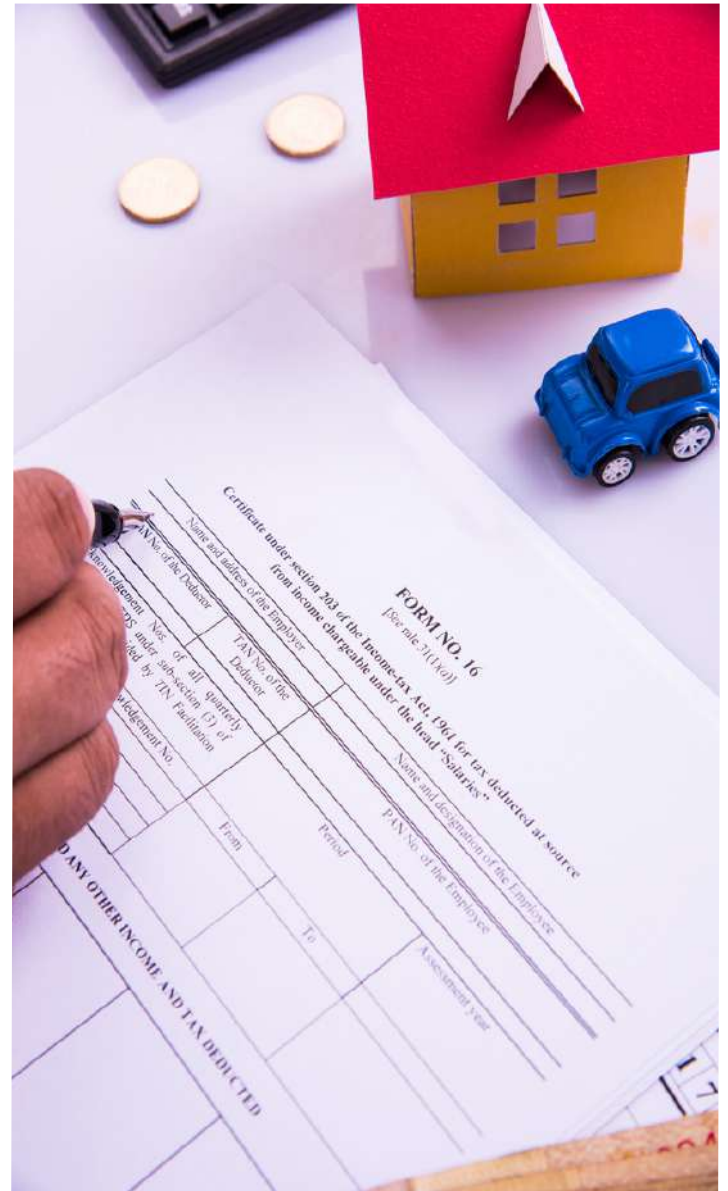
Now taxpayers can earn interest income on deposits without attracting any TDS. However, such exemption on TDS does not mean that such interest income would be exempt from tax. Thus, taxpayers would be required to show interest income on such deposits in their ITRs for the AY 2020-21 and pay tax accordingly.

- **TDS exemption limit on rental income [Applicable from Financial Year2019-20,Assessment Year 2020-21] [Sec.194-I]:**

Currently, no TDS liability arise on rental income u/s 194-I upto Rs 1,80,000 where rental income is paid by companies, firms and persons liable to tax audit. Now such TDS exemption limit has been proposed to be increased to Rs 2,40,000 from existing limit of Rs 1,80,000.

- **Deduction on housing projects [Applicable from Financial Year 2019-20, Assessment Year 2020-21] [Sec.80(IBA)]:**

With a view to incentivise affordable housing sector as a part of larger objective of 'Housing for All', Budget 2016 has provided 100% deduction of the profits from developing and building affordable housing projects if the housing project is approved by the competent authority before the 31st March, 2019. Now the Budget 2019 has increased the time-limit for obtaining approval of housing project to 31st March 2020 from existing limit of 31st March 2019.



Tax Rates

No changes proposed in the corporate tax rates. Thus, corporate tax rates for the AY 2019-20 would be applicable for the AY 2020-21 as well.

Companies

Particulars	Rates of tax F.Y.2019-20(A.Y. 2020-21)
Domestic Company whose total turnover or gross receipts for Previous year 2016-17 does not exceed INR 250 Crores (INR 2,500 Million)	25%
Domestic Company whose total turnover or gross receipts for Previous year 2016-17 exceed INR 250 Crores (INR 2,500 Million)	30%
In case of foreign Company	40%

Sucharge

In case of domestic company

- 7% surcharge if the income is more than 1 crore (INR 10 Million) but less than 10 crore (INR 100 Million)
- 12% surcharge if the income is more than 10 Crores (INR 100 Million)

In case of foreign company

- 2% surcharge if the income is more than 1 crore (INR10 Million) but less than 10 crore (INR 100 Million)
- 5% surcharge if the income is more than 10crore. (INR 100 Million)

Note:

Health and Education Cess of 4% shall be levied over and above taxes.

Firms & LLP's

Flat Rate of 30%, Surcharge @ 12% of income tax if net income exceeds INR 1 Crore.(INR 10 Million),Health and Education Cess shall be levied @ 4% over and above taxes including surcharge.

Cooperative Societies

Particulars	Rate of tax F.Y. 2019-20(A.Y. 2020-21)
Having total income of less than 10,001	10%
Having total income of more than 10,000 but less than 20,001	1,000 plus 20% of total income in excess of 10,000
Having total income of more than 20,000	3,000 plus 30% of total income in excess of 20,000

Note:

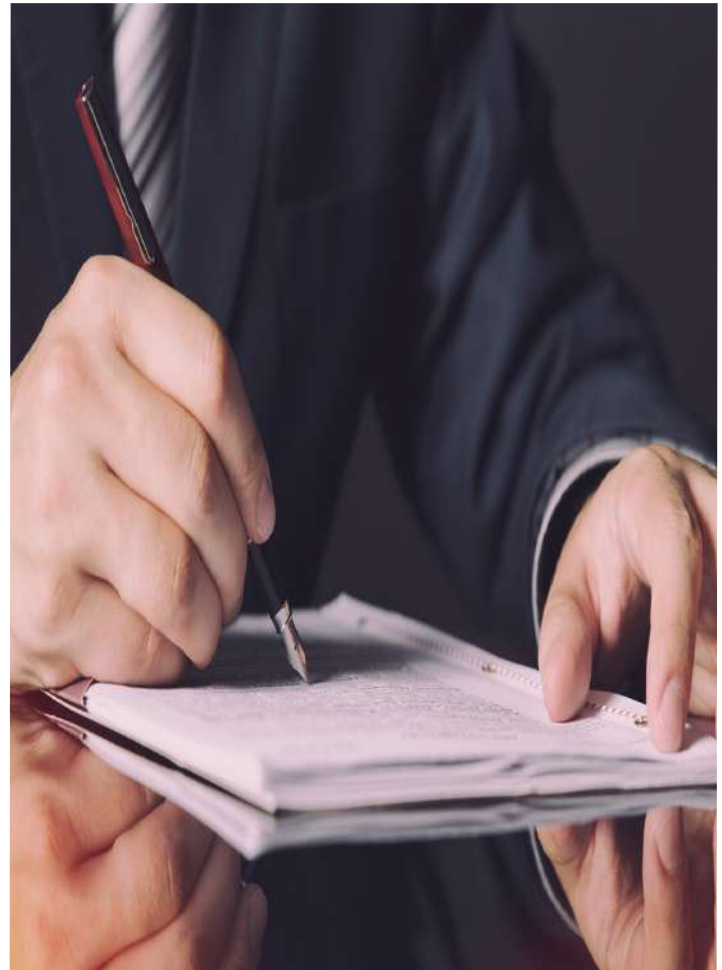
Surcharge @ 12% of income tax if net income exceeds INR 1 Crore (INR 10 Million) and Health and Education Cess shall be levied over and above the above taxes.

Prevention to Money Laundering Act, 2002

As Section 8(3) of the Prevention of Money Laundering Act, 2002, where adjudicating authority decides that any property is involved in money laundering, he shall confirm the attachment of such property.

Under the existing provisions, the attachment of such property shall remain valid for a period of 90 days during the period of investigation.

Now Budget 2019 has proposed to extend such attachment period to 365 days during the period of investigation. It was also proposed that the period during which the investigation is stayed by any Court shall be excluded for the purpose of computing aforesaid period of 365 days.



GOODS AND SERVICE TAX RECENT CHANGES



Overview

GST Council has been suggesting various changes over the period of time, enabling ease of compliance in the one and half year old legislation; following is the analysis of recent changes brought in the month of December 2018 and January 2019:

Definitions

Adjudicating Authority [Sec 2(4)]: This change shall be applicable w. e. f. 1st February 2019

Earlier the department of indirect taxes was known as Central Board of Excise & Custom in context with the type of taxes leviable in the erstwhile era. After the implementation of GST all the indirect taxes got subsumed in the GST Act. Accordingly the name of department has been changed to Central Board of Indirect Taxes. This amendment was made in definitions to give effect of the same.

The National Anti-Profiteering Authority constituted by the Central Government under section 171 of the CGST Act has also been included in the definition of 'adjudicating authority'

Business [2(17)(h)]: This change shall be applicable w. e. f. 1st February 2019

In the earlier definition activities provided by race club does not include "activities of a licensed book maker" under the definition of Business. A licensed bookmaker is an authorized person who allows betting or gambling in a race club.

Changes are being made to include "activities of a licensed book maker" for ensuring that all the activities relating to race club should include in the definition and taxable to GST

Services [2(102)]: This change shall be applicable w. e. f. 1st February 2019

In the old regime 'securities' were excluded from the definition of 'goods' and 'services'. Thus, no GST was chargeable on transaction in securities. However, there was doubt with respect to taxability of services of facilitating or arranging transactions in securities. Now, the Amendment Act has clearly provided that service charges or service fees or documentation fees or broking charges (or such like fees or charges) would be liable to GST

Scope of Supply

This change shall be applicable w. e. f. 1st July 2017

There are some services which are listed in schedule II, was deemed to be considered as supply because of section 7(1)(d) forming part of definition of supply. In order to remove this ambiguity Section 7(1)(d) is being removed and a new section 7(1A) is inserted in that place.

This amendment clarifies that, first a transaction should be classified as a supply and then the criteria of Schedule II is required to be examined to determine whether such supply is of goods or services.

Reverse Charge

This change shall be applicable w. e. f. 1st February 2019

Earlier Section 9(4) of CGST act and 5(4) of IGST act mandated every registered person to pay tax on reverse charge basis on inward supplies from unregistered person. This section was under suspension but now a permanent amendment has been brought in where government will specify the category of persons and category of goods or services, which are liable to pay tax on reverse charge basis on such goods and services. For removal of doubt there is nothing which has been notified as yet.

Composition Scheme

Supply of Services

This change shall be applicable w. e. f. 1st February 2019

As per the earlier regulations of the act, person providing services along with the supplies of goods were not eligible for composition scheme, which is now being amended to allow supply of such services (other than restaurant services) subject to the following limit: 10% of previous year turnover or Rs. 5,00,000.

Higher of the above two amounts

Consequently tax for eligible composition dealers shall be paid at the rate of 0.5% of the combined turnover of goods and services.

Higher of the above two amounts

Consequently tax for eligible composition dealers shall be paid at the rate of 0.5% of the combined turnover of goods and services.

Increase in Turnover threshold

Through this amendment government has got power to increase the basic threshold of composition scheme from INR 1,00,00,000 to 1,50,00,000

Input Tax Credit

Input tax credit Bill-to-ship-to Supplies of services

This change shall be applicable w. e. f. 1st February 2019

For availing Input Tax Credit, a registered person has to receive goods or services or both. In case of bill to ship to of goods there was deeming provision where in case of services there was no such provision

In this amendment an explanation has been inserted to amend that where any goods or services has been received by any third person on the direction and on account of the registered person then it is deemed that such goods or services or both has been received by such registered person making him eligible for Input tax credit.

Input on Schedule III supplies

This change shall be applicable w. e. f. 1st February 2019

No input tax credit on exempt supplies is available. Certain advance ruling had brought exempt supplies on parity with activities which are mentioned in schedule

III (Schedule III consist the list of activities and transaction which are not considered as taxable supplies).

Since supplies under Schedule III are not considered as supplies for GST purposes Explanation in this regard is inserted to allow availment of ITC on activities or transactions specified in Schedule III which are non taxable supplies (other than sale of land and building - excluding under construction building covered under Schedule II)

Input Tax Credit on Motor Vehicles, Aircrafts and Vessels

This change shall be applicable w. e. f. 1st February 2019

Transportation of Persons through Motor vehicles

This amendment is to allow the input tax credit on motor vehicles transporting persons as follows:

1. In case of motor vehicles having seating capacity of less than 13 persons only if they are used for further supplying of motor vehicle or transportation services or training school services.
2. In case of motor vehicles having seating capacity more than 13 persons credit is allowed without any restriction.

Vessels and Aircrafts

This amendment is to allow the input tax credit on vessels and aircrafts transporting persons or goods as follows:

Input credit on vessels & aircraft is allowed only if used for further supplying of vessel or aircraft or transportation services of passengers or goods or flying or navigating such aircrafts or vessels respectively.

Repair and Insurance

Another clause is inserted to allow input tax credit only on general insurance; servicing, repair and maintenance in relation to above mention eligible categories.

It is also added that the above credit is available where the same is received by the manufacturer of motor vehicle, vessels or aircraft or provider of general insurance service in respect of the said motor vehicle, vessels or aircraft.

Leasing, renting or hiring of motor vehicles, vessels or aircrafts

This amendment is to allow the input tax credit on Leasing, renting or hiring of Motor vehicles, vessels and aircrafts as follows:

- Transportation of goods and persons through Motor vehicles, vessels and aircrafts as mentioned above.
- Where such inward supply is directly correlation with outward supply
- Where such inward supply is used as an element for taxable mixed or composite outward supply
- Employer is obligated under law to provide such services to employees
- Where such services are used for motor vehicles mentioned above

Input tax credit on Food Beverages and other Services

[Sec 17(5)(b)]

This change shall be applicable w. e. f. 1st February 2019

Earlier the credit on food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor

vehicles, vessels or aircraft is not available except where the same is used in providing same category of services.

In order to bring benefit for utilisation of credit a proviso is inserted where it is said that the ITC is available where the above services are used for providing same category of services or where the same is provided as an obligation by employer to employees by virtue of any specific law for the time being in force.

Input tax distributor

This change shall be applicable w. e. f. 1st February 2019

Amendment has been brought in definition of turnover for purposes of distribution of input services by ISD , where other indirect taxes i.e. VAT and CST on goods outside the GST ambit has been excluded from the definition of turnover.

Registration

Registration of E-commerce Operator [Sec 24]

This change shall be applicable w. e. f. 1st February 2019

Earlier all the e commerce operator is required to take registration under GST which is now amended to imply that all those persons who are required to collect tax at source are required to get mandatorily registration under this act.

Registration of units in SEZ [Sec 25]

This change shall be applicable w. e. f. 1st February 2019

A person who has units in both SEZ & non SEZ area within the same state is required to take separate registration for each such unit in SEZ area and unit in non SEZ area

Multiple Registrations

This change shall be applicable w. e. f. 1st February 2019

It is also now provided that a person can take separate registration for each place of business within the same state. The concept of business verticals has been rescinded. This will enable registered persons having taxable and exempt business and have two separate place of businesses respectively have separate registration in same state.

Transfer of Input tax credit

This change shall be applicable w. e. f. 1st February 2019

Since a person can now obtain multiple registration, an amendment in rules have been brought which allows transfer of input tax credit among separate registration of same persons within the same state.

Thresh hold limit for registration

Registration thresh hold limit for states such as Assam, Arunachal Pradesh, Himachal Pradesh, Meghalya, Sikkim and Uttarakhand has been increased from INR 10 Lacs to INR 20 Lacs.

Cancellation of Registration

Suspension of Registration [Sec 29]

This change shall be applicable w. e. f. 1st February 2019

In the earlier law when there was a time gap between application of cancellation of registration and the registration approved by the authority, during such period one had to continue to file necessary returns at NIL value without having any supplies.

In order to reduce this burden this proviso is inserted where it is been provided that the registration will stand suspended when a person applies for cancellation of registration. During that suspension he is not required to file any return.

Credit & Debit Notes

Credit & Debit Notes [Sec 34]

This change shall be applicable w. e. f. 1st February 2019

In the earlier law, where it is so required, to issue credit note or debit note, the same was required to be issued against the original invoice issued in earlier period i.e. there had to be one to one co-relation between such invoices. The problem faced by tax payer was related to issue individual

credit/debit note in respect of each tax invoice issued in earlier period.

In order to reduce this burdensome compliance the amendment brings to provide that a consolidated credit/debit note can be issued against multiple invoice issued in earlier period.

Accounts & Records

GST Audit of Governments [Sec 35]

This change shall be applicable w. e. f. 1st February 2019

This proviso is inserted to clarify that where the books of accounts of Central Government or State Government or local authority is audited by CAG or any other auditor under any other law for time being in force then such organization is not required to get their accounts audited for GST purposes from Chartered Accountant or Cost Accountant.

Returns

This change shall be applicable w. e. f. 1st February 2019

As per the current regulation the due date of filling GST returns is 20th of next month. The same dates were changed numerous times vide various notification for different taxpayer.

In order to remove this difficulty the amendment is done to remove specific dates (i.e. 20th of next month) and inserted the words such time as may be prescribed to enable the government to specify the dates for different taxpayers.

Further in the earlier regulation the option of amending returns are not available however the option of amending certain details will be made available in GSTR 1.

Now Government is planning to introduce new forms and rules for making amendments in the returns for enabling the ease of compliance of tax payer.

A new section is being introduced in order to enable the new return filing procedure as proposed by the Returns Committee and approved by GST Council.

This section overrides Sec 16(2), Sec 37, Sec 38, Sec 41, Sec 42, Sec 43.

Procedure will be prescribed for:

- Availing the ITC by recipient and verification thereof.
- Furnishing the details of outward supplies by supplier on the common portal, for the purpose of availing ITC by recipient.

Payment of Tax

Utilization of Credit [Sec 49]

This change shall be applicable w. e. f. 1st February 2019

This amendment is to change the utilization of balance held in SGST/UTGST/ IGST input account.

It is clearly mentioned in this amendment that the balance of SGST/UTGST will be utilized towards payment of IGST only after full utilization of CGST Input balance..

In this amendment it is also rationalised that the cross utilization of input tax credit held in CGST & SGST/UTGST will be done only after fully utilizing the balance held in IGST account.

Insert Section 49A:

“49A. Notwithstanding anything contained in section 49, the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully towards such payment.

E-way Bill

Detention of Goods and Vehicle [Sec 129]

This change shall be applicable w. e. f. 1st February 2019

Where any goods are detained on the grounds of non payment of tax and the said payment was not made within 7 days of such detention then the further proceedings will be initiated after end of such 7 days.

In this amendment the period of 7 days has been increased to 14 days.

Place of supply

Goods transportation services

IGST act has been amended to imply that place of supply of goods transportation service where goods have been transported outside India shall be place of destination of goods.

Job Work

In case of goods temporarily imported for any treatment or process done on them and then exported without being put to use in India, the place of supply shall be outside India.

Schedule III- New Exclusions from supply

Amendment in Schedule III- Activities or Transactions which shall be treated neither as a Supply of Goods nor Supply of Services

This change shall be applicable w. e. f. 1st February 2019

There are some transactions which were earlier not consider as taxable supplies, are now specifically been inserted in Schedule III

1. Supply made outside India from the location situated in non taxable territory to another place in non taxable territory without goods entering in India
2. Supply of Warehoused Goods before custom clearance for home consumption
3. Supply of imported goods by transfer of documents before custom clearance i.e. high sea sales.

Important Notifications

Notification No. 29/2018 – Central Tax (Rate)

This change shall be applicable w. e. f. 1st January 2019

Government had insert three new services on which tax is required to be paid by the recipient of such services on reverse charge basis.

S. N	Category of Supplier of Service	Supplier of Service	Recipient of Service
1	Services provided by business facilitator (BF) to a banking company	Business facilitator (BF)	A banking company, located in the taxable territory
2	Services provided by an agent of business correspondent (BC) to business correspondent	An agent of business correspondent (BC)	A business correspondent, located in the taxable territory
3	Security services (services provided by way of supply of security personnel) provided to a registered person:	Any person other than a body corporate	A registered person, located in the taxable territory.

- Business Facilitator (BF) / Business Correspondent (BC) means an intermediary appointed under the business facilitator model or the business correspondent model by a banking company or an insurance company under the guidelines issued by the Reserve Bank of India.

- Where services provided by BF to any banking company then such banking company is liable to pay GST on reverse charge basis.
- Where the services provided by agent of BC to BC (located in taxable territory), then such BC (located in taxable territory) was required to pay tax on reverse charge basis.
- Regarding security services, where such security services has been provided by any person other than body corporate (i.e. by any individual, partnership firm ect) to any taxable person then such taxable person is required to pay tax on reverse charge basis.
- For avoiding any confusion here the supplier of services should be other than body corporate whereas the recipient of such services should any taxable person (weather body corporate or not), then only reverse charge get attracted.

Allowance of Input tax credit for FY 2017-18 Order No. 02/2018-Central Tax

As per the CGST Act 2017, a taxable person was entitled to take the input tax credit for the year till the furnishing the return for the month of September of subsequent year or the date of filling annual return, whichever is earlier.

As the 2017-18 was the first year after implementation of GST and there are lots of difficulties and confusion among the tax payers regarding availment of credit and filling returns.

In order to compensate, government had extended the time period of availing credit for the financial year 2017-18 till due date of filling returns of the month of

March 2019 (i.e. for taxpayers filling monthly returns is 10th April 2019 & for tax payers filling Quarterly returns 30th April 2019 for outward supply and 20th April 2019 for inward input supply correction). The option of amending and rectifying the invoices on GST portal has also been enabled.

Now the taxpayer can amend the invoices for the year 2017-18 on GST portal and also can take credit of all those invoices which are escaped earlier in the returns of February 2019 & March 2019.

Other Important Notifications

Notification No	Details
Notification No. 7/2019 – Central Tax	Extends Due date of filling GSTR 7 (TDS return) till 28th Day of February 2019
Notification No. 1/2019- Central Tax (Rate)	This notification is bring to rescind the earlier notifications where exemption is provided in RCM liability in order to give effect of amendment made under section 9(4)
Notification No. 2/2019 – Central Tax	According to this notification, CA certificate is now required for certifying utilization of ITC for Export under Export Promotional Scheme.
Notification No. 5/2019 – Central Tax	With respect to the amendment made in CGST Act, now the rates on which a composite taxable person is liable to pay tax was mentioned in GST Rules. This notification was bring to give effect of such amendment.

31st December 2018 – Notifications	
78 /2018 – Central Tax	Extends due date of filling declaration in respect of goods dispatch to job workers and received back in Form GST ITC-04 during the period July 2017 to December 2018, till 31st March 2019.
77 /2018 – Central Tax	Waive Late Fees for composite taxable person who fails to furnish return, GSTR 4 from July 2017 to September 2018 on or before 31st March 2019
76 /2018 – Central Tax	Waive Late Fees for registered taxable person who fails to furnish return, GSTR 3B from July 2017 to September 2018 but filed between 22nd December 2018 to 31st March 2019
75 /2018 – Central Tax	Waive Late Fees for registered taxable person who fails to furnish return, GSTR 1 from July 2017 to September 2018 but filed between 22nd December 2018 to 31st March 2019
73 /2018 – Central Tax	Exempt applicability of TDS provisions on supplies made by Government Authority to Government Authority.
72 /2018 – Central Tax	Extends due dates of filling GSTR 1 by newly migrated taxpayers having turnover above Rs. 1.5 crores for the period July 2017 to February 2019 till 31st March 2019.
71 /2018 – Central Tax	Extends due dates of filling GSTR 1 by newly migrated taxpayers having turnover upto Rs. 1.5 crores for the period July 2017 to December 2018 till 31st March 2019.
70 /2018 – Central Tax	Extends due dates of filling GSTR 3B by newly migrated taxpayers for the period July 2017 to February 2019 till 31st March 2019.
67 /2018 – Central Tax	Extends due date of completing Migration process 31 January 2019.

AMENDMENTS TO THE STAMP ACT, 1899

As it is well known that stamp duty is one of the important source of revenue for the government. The provisions for the same has been laid down by the Central Government in the Indian Stamp Act, 1899. The Central Government has delegated powers to State Government to make rules on certain matters in order to effectively carry out the provisions of this Act.

However, in the past scenarios, there has been ambiguity on the conduct of State Government and Central Government in collection of stamp duty which leaves a benefit of doubts to the payer.

Finance bill, 2019 has brought in provisions where there had been incidences of arbitrage which led to misuse of the provisions. The Finance bill, 2019 is an effort towards streamlining the stamp duty collection mechanism on financial securities transaction by levying stamp duty on one instrument relating to one transaction and structuring the electronic transaction held through depositories. This bill brings a clear distinction between transactions through stock exchange and otherwise through a stock exchange.

Finance Bill has further introduced definitions of debentures expressly excluding it from the definition of bonds, market value, securities etc. Other definitions like instruments, marketable security etc have been re-structured.

The bill has expressly mentioned the manner in which the duty shall be paid by the issues, sellers, buyers, transferors etc. Further it has given recognition to Stock exchange, clearing corporation and depositories to collect the stamp duty on behalf of the state government, hence minimising the discretion of the stamp duty payer to deliberate on the authority and rate of duty to be paid. Exemption of payment of stamp duty on transfer of dematerialised shares is also proposed to be removed.

Further, a provision with respect to the state government to whom the stamp duty shall be paid by the duty collecting agency (clearing corporation, stock exchange, depository) has also been prescribed by considering the domicile of buying client or place of domicile of registered office of trading member/ broker/ participant, in case buyer is outside India.

Lastly, Schedule 1 has been amended by introducing amended rate of duty for debentures and securities other than debentures.

Currently, approval is being obtained to introduce the Indian Stamp (Amendment) Bill 2018 in Lok Sabha, and to create, under Article 263 of the Constitution of India, an Inter-State Council for Stamp duty related matters subsequent to enactment of Stamp Act (Amendment) Bill.

AOP	Association of Persons	MSME	Medium small scale enterprises
AY	Assessment Year	NBFC	Non Banking Finance Company
AO	Assessing Officer	PE	Permanent Establishment
BOI	Body of Individuals	R&D	Research & Development
BE	Budget Estimates	RBI	Reserve Bank of India
CAD	Current Account Deficit	SEBI	Security Exchange Board of India
CBDT	Central Board of Direct Taxes	SEZ	Special Economic Zone
CPI	Consumer Price Index	RE	Revised Estimates
CSO	Central Statistics Organisation	SHE	Secondary Higher Education Cess
DDT	Dividend Distribution Tax	TDS	Tax deducted at source
EC	Education Cess	UTs	Union Territories
FIPB	Foreign Investment Promotion Board	WHT	Withholding Taxes
FDI	Foreign Direct Investment	WPI	Whole sale Price Index
GDP	Gross Domestic Product	PFCE	Private Final Consumption Expenditure
GST	Goods & Service Tax	GFCE	Government Final Consumption Expenditure
GVA	Gross Value Added	Crore	One Crore INR is equivalent to INR 10 Million / 0.15 Million US dollars
HUF	Hindu Undivided Family		
INR	Indian Rupee		

Dear Valuable Client / Colleague,

In case you require any further detailed analysis on above mentioned proposals, please do get back to us and we shall be happy to provide you the same.

With Best Regards,

Team JPC

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JPC is a professional services firm based in Noida- National Capital Region and New Delhi, India. We were established in the year 1974 with the aim to create value for our clients by delivering quality, comprehensive, timely, practical and innovative services. We offer a comprehensive range of services, including taxation services, regulatory services, transaction advisory services, financial & management consultancy services, assurance & risk services, and outsourcing services. Over the past several decades, we have established significant competitive presence in the country. Our vast and diversified client base includes Multinational enterprises, domestic companies, high net worth individuals, government companies and institutions in all leading industry verticals. We are a team of distinguished Chartered Accountants, Management Accountants, Corporate Financial Advisors and Tax Consultants. Our team has the requisite skills and experience to provide complex business, financial, assurance, tax and regulatory services to our clients. Our strength lies in our timely performance-based, industry-tailored and technology-enabled services which are delivered by some of the most talented professionals in the country. For more information about JPC's service offerings, visit www.jpc.co.in

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