BUDGET ANALYSIS 2019-20

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Taxation | Audit | Outsourcing | Regulatory | Transaction Advisory | Business Intelligence

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FOREWORD

The final Budget 2019-20 is targeted towards Indian vision of Five trillion economy, with inclusive growth of of every citizen of country. The focus has again been on make in India, ease of doing business, plans for more Foreign direct investments and spending on agrarian society, defense and social schemes. The tax rates for very high earning groups have been increased, while retaining stability for other groups.

The current government is focusing towards inclusive growth of every sector of economy and this budget has tried to do the same.

During April-December 2018-19, net FDI was US$ 24.8 billion as compared to US$ 23.9 billion in April-December 2017-18, the government has further proposed opening of certain sectors in terms of FDI share enabling influx of much needed foreign capital.

The growth momentum of the economy is expected to strengthen in 2019-20. There are signs of 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. In line with the projections for strengthening of India's growth by international institutions, the nominal growth of the economy is expected to be 11.0 percent in the financial year 2019-20.

On direct tax, a major relief is announced in the Budget is to increase the threshold limit for lower corporate tax rate. Currently, the lower rate of 25 % is only applicable to companies having annual turnover up to 250 Crore. Now the Union Budget 2019 has proposed to include all companies having annual turnover upto Rs 400 crore in previous year 2017-18 in the tax bracket of 25%. This is a welcome move for small and mid-tier business companies. This will cover 99.3% of the companies.

Now super-rich Individuals and few more tax persons ('taxpayers') have to pay more tax due to introduction of higher surcharge. Now the effective tax rate would be 34.32% for taxpayers earning upto Rs 1 crores; 35.88% for earnings of Rs 1 - Rs 2 crores; 39% for earnings of Rs 2-Rs 5 crores and 42.74% for earning above Rs 5 crores. However, this would be adverse for FPI who invest in India as trust or AOP/BOI as they would be required to pay higher surcharge. They have an option to convert into company in order to avail lower tax rate.

Good and service tax has been amended to rationalize certain provisions of the new law, certain relaxation in terms of portability of taxes paid in cash has been introduced. In other indirect taxes such as erstwhile service tax, an amnesty scheme for historical open litigation has been introduced. Custom duty and excise duty rate changes have been introduced.

Finance bill, 2019 has also proposals for MSME's And Social Enterprises, Start-Ups, Foreign Direct Investments, amendments to RBI Act, Amendments To The National Housing Bank Act, amendment to the Insurance act, 1938, Amendment To The Payment And Settlement Systems Act, 2007, Amendments to The Prevention of Money-Laundering Act, 2002 and Amendment in provisions of prohibition of benami property transactions act.

This final budget of 2019-20 has become a basis for vison of this majority newly elected government for next five years.

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 2019-20.

Happy reading!!

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ECONOMIC OUTLOOK

Overview of the Economy

Despite a moderation in real GDP growth by 40 basis points in 2018-19 over 2017-18, Indian economy remained the fastest growing major economy along with macroeconomic stability. There was a pickup in fixed investment rate in 2018-19. Fiscal situation remained comfortable and the consolidation process continues to bring down the elevated level of public debt. Consumer price inflation was within the targeted limits set by the monetary policy committee of RBI. Current Account Deficit increased from 1.9 percent of GDP in 2017-18 to 2.4 percent in April-December 2018-19. Global confidence on the Indian economy has improved as seen from indicators like improvement in ease of doing business and gross FDI inflows. According to World Bank's Ease of Doing Business 2019 Report, India's ranking improved by 23 positions to 77th rank in 2018.

India has emerged as an important player in the world and the medium term growth prospects of the economy are bright mainly on the back of the important structural reforms initiated in the last few years.

Various measures have been undertaken by the Government which, inter-alia, include: hike in Minimum Support Price of agricultural crops for 2018-19, policy initiatives for development of textiles and handicrafts, outreach programme for growth, expansion and facilitation of Micro, Small and Medium Enterprises, incentives for Startup India, lower effective GST rate for affordable houses, measures to promote hydro power sector, support to sugar sector and sugarcane farmers by means of enhancement and augmentation of ethanol production capacity, and Unnat Bharat Programme. Apart from this, various steps were taken to boost manufacturing, employment generation, financial inclusion-improving ease of doing business via schemes such as Make in India, Skill India, and direct benefit transfer. There has been consistent focus on improvement and development of infrastructure in the country.

Economic growth

As per the provisional estimates of annual national income, the real growth of the economy was 6.8 percent in 2018-19, as compared to 7.2 percent in 2017-18. This moderation in GDP growth momentum is mainly attributed to the lower growth in 'agriculture & allied' sector, and in services sector (except financial, real estate and professional services). The growth of gross value added (GVA) at constant (2011-12) basic prices was 6.6 percent in 2018-19, as compared to the growth of 6.9 percent achieved in 2017-18. The growth in agriculture, industry and services was 2.9 percent, 6.9 percent and 7.5 percent respectively in 2018-19, as compared to 5.0 percent, 5.9 percent and 8.1 percent respectively in 2017-18. From the demand side, private final consumption expenditure is an important driver of growth and has a major share (close to 60 percent) in the economy's GDP, with its growth rate mostly being higher than the overall GDP growth rate. The growth of fixed investment at constant prices increased from 9.3 percent in 2017-18 to 10.0 percent in 2018-19. Exports and imports of goods and services grew at 12.5 percent and 15.4 percent (at constant prices) respectively in 2018-19, as compared to 4.7 percent and 17.6 percent respectively in 2017-18.

Prices

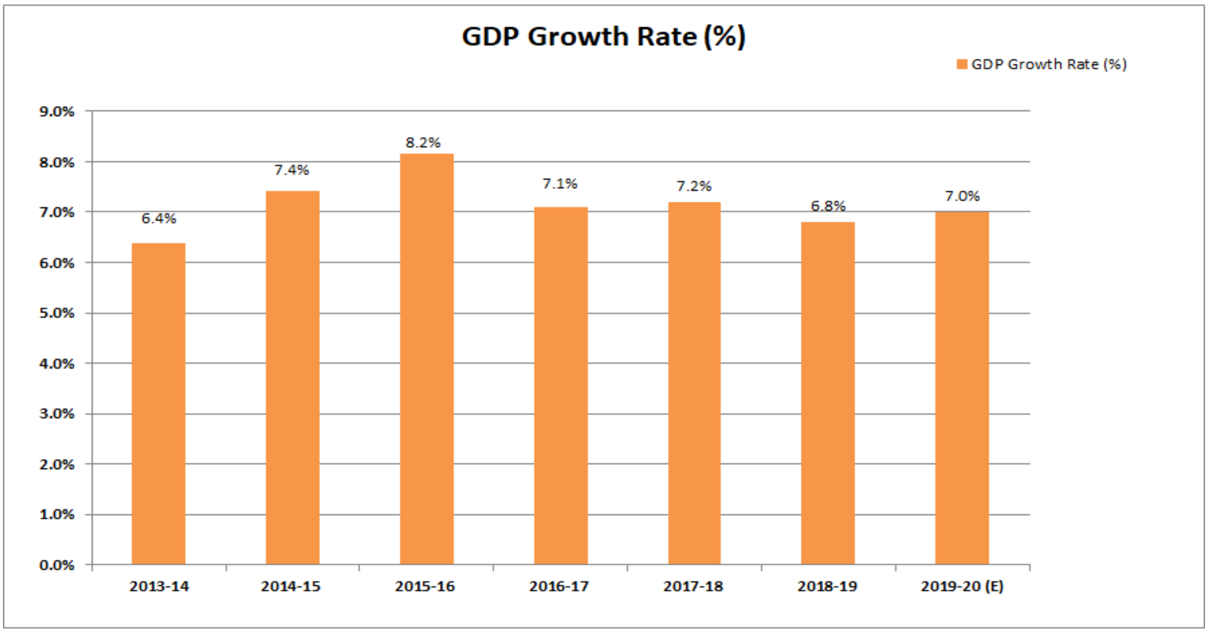
Inflation based on Consumer Price Index (Combined) declined to 3.4 percent in 2018-19 from 3.6 percent in 2017-18. CPI inflation stood at 3 percent in May 2019.

In terms of food inflation, average consumer food price index (CFPI) declined to 0.1 percent in 2018-19 from 1.8 percent in 2017-18, 4.2 percent in 2016-17 and 4.9 percent in 2015-16. Inflation based on CFPI stood at 1.8 percent in May 2019.

The average inflation measured in terms of Wholesale Price Index (WPI) stood at 4.3 percent in 2018-19, as compared to 3.0 percent in 2017-18. WPI Inflation stood at 2.5 percent in May 2019. WPI food inflation declined to 0.6 percent in 2018-19 from 1.9 percent in 2017-18. WPI food inflation stood at 5.1 percent in May 2019.

Central Government Finances

The fiscal deficit target for 2017-18 was budgeted at 3.2 percent of GDP, but there was a bump of 0.3 percent and the Fiscal Deficit was 3.5 percent of GDP. Fiscal deficit and revenue deficit were budgeted at higher level in 2018-19 i.e. ` 6,24,276 crore (3.3 percent of GDP) and ` 4,16,034 crore (2.2 percent of GDP) respectively. As per the Provisional Actuals (PA), Fiscal deficit was 3.4 percent of GDP and revenue deficit was 2.3 percent of GDP in 2018-19



The budget estimates (BE) for 2018-19 envisaged a growth for gross tax revenue (GTR) of 16.7 percent over RE of 2017-18. The total expenditure in 2018-19 BE was estimated to increase by 10.1 percent over RE of 2017-18. As per the PA data on Union Government finances for 2018-19 released by Controller General of Accounts, the GTR increased by 8.4 percent over 2017-18 (actuals) and was at 91.6 percent of BE of 2018 -19. The non-tax revenue registered an increase of 27.7 percent over 2017-18 actuals. Major subsidies increased by 3.1 percent (PA) during 2018-19 over 2017-18 actual numbers.

Food subsidy increased by `1,622 crore, petroleum subsidy increased by `104 crore while fertilizer subsidy increased by `4157 crore during 2018-19 over the actual numbers of 2017-18.

Fiscal deficit and revenue deficit are at 103 percent of BE and 107 percent of the BE respectively in the year 2018-19. The revised estimates place fiscal and revenue deficits at 3.3 percent of GDP and 2.3 percent of GDP respectively in 2019-20.

Monetary Management and Financial Intermediation

In its first Bi-monthly Statement, the Monetary Policy Committee (MPC) decided to change the stance of monetary policy from calibrated tightening to neutral and reduced the policy repo rate by 25 basis points to 6.0 percent in April 2019. The policy rate was further cut by 25 bps in the Second Bi-monthly Monetary Policy Statement for 2019-20 in June 2019, consequently policy repo rate stood at 5.75 percent. The monetary policy stance was also changed from neutral to accommodative.

During 2018-19, the growth rate of monetary aggregates reverted to their long-term trend after experiencing an unprecedented behavior in 2016-17 led by demonetisation and again in 2017-18 due to the process of remonetisation. Reserve Money (M0) as on March 31, 2019, recorded a growth of 14.5 percent over the previous year. The source of expansion in M0 was mainly driven by Currency in Circulation.

Broad money growth (M3) has been on declining trend since 2009. However, in 2018-19, growth in M3 improved marginally driven mainly by aggregate deposits. From the component side, the expansion in M3 during the year was broad-based, contributed by both currency and deposits. Amongst sources, credit from scheduled commercial banks to the commercial sector primarily contributed to an increase in M3 during the year. Growth of both demand and time deposits increased during 2018-19.

Growth of aggregate deposits was 9.6 percent at the end of 2018-19 vis-à- vis 5.8 percent at the end of 2017-18.

External Sector

Trade deficit increased to US$ 183.5 billion during 2018-19, from US$ 162.1 billion in the previous year.

The value of India's merchandise exports (customs basis) increased by 8.6 percent to US$ 329.5 billion in 2018-19 from US$ 303.5 billion in the previous year. Imports also increased by 10.2 percent in 2018- 19 to US$ 513.1 billion from US$ 465.6 billion in the previous year. Imports of petroleum, oil and lubricants (POL) increased by 29.7 percent in 2018-19 to US$ 140.9 billion from US$ 108.7 billion in the previous year, mainly on account of the increase in international crude oil prices. Non-POL imports for 2018-19 increased by 4.3 percent to US$ 372.2 billion from US$ 356.9 billion in the previous year. The growth of merchandise exports and imports both slowed down in 2018-19 as compared to 2017-18, however the decline in growth in imports was much sharper than that of exports.

Based on the Balance of Payments (BoP) data available for the first three quarters of 2018-19, the trade deficit on BoP basis increased to US$ 145.3 billion in April-December 2018 from US$ 118.4 billion in April-December 2017. Net invisibles surplus in April- December 2018 increased to US$ 93.4 billion from US$ 82.8 billion in April-December 2017, with increase observed in net services and net private transfers. Net services receipts increased by 5.0 percent in April- December 2018 over the corresponding period of the previous year.

During April-December 2018-19, net FDI was US$ 24.8 billion as compared to US$ 23.9 billion in April-December 2017-18. In case of net portfolio there was an outflow of US$ 10.1 billion in April-December 2018-19, as against net inflow of US$ 19.8 billion in the corresponding period of the previous year.

India's current account deficit (CAD) increased from US$ 35.7 billion (1.8 percent of GDP) in April- December 2017 to US$ 51.9 billion (2.6 percent of GDP) in April-December 2018. On BoP basis, there was net depletion to India's foreign exchange reserves by US$ 17.5 billion in April-December 2018, which including the valuation changes stood at US$ 29.0 billion. The stock of foreign exchange reserves was US$ 395.6 billion at end-December 2018. While trade deficit widened in April-December 2018 as compared to April-December 2017, the improvement in invisibles balance and banking capital were not sufficient to finance the CAD, leading to depletion in foreign exchange reserves in April-December 2018.

In 2018-19, the average monthly exchange rate of rupee (RBI's reference rate) was ` 68.62 per US$. The rupee had depreciated by 5.2 percent from ` 65.04 per US dollar in 2017-18.

Banking Sector

The performance of the banking sector (domestic operations), Public Sector Banks (PSBs) in particular, improved in 2018-19. The Gross Non- Performing Advances (GNPA) ratio of Scheduled Commercial Banks (SCBs) decreased from 11.5 percent to 10.1 percent between March 2018 and December 2018, as also, their Restructured Standard Advances (RSA) ratio declined from 0.7 percent to 0.4 percent. The Stressed Advances (SA) ratio decreased from 12.1 percent to 10.5 percent during the same period. GNPA ratio of PSBs decreased from 15.5 percent to 13.9 percent between March 2018 and December 2018. Stressed advances ratio of PSBs decreased from 16.3 percent to 14.4 percent during the same period.

Growth in non-food bank credit (NFC), which remained sluggish in the last few years, showed improvement in 2018-19. The average NFC growth in 2018-19 improved to 11.2 per cent vis-à-vis 7.7 per cent in 2017-18. Bank credit to large industry and services segments were the main drivers of overall NFC growth in 2018-19. However, the pace of credit growth has moderated since November 2018. Credit growth has come down from 13.8 per cent in November 2018 to 11.9 per cent in April 2019. The main contributor to this moderation has been the services sector which has decelerated from 28.1 per cent to 16.8 per cent between November 2018 and April 2019. The growth in bank credit to medium, micro and small industries have decelerated since October 2018.

Agriculture

Total food-grain production in the country is estimated at 283.4 million tonnes (3rd Advance Estimates) in 2018-19, as compared to the final estimate of 285 million tonnes of production in 2017-18. The total production of rice during 2018-19 is estimated at record 115.6 million tonnes. The production of rice has increased by 2.8 million tonnes than the previous year's production of 112.8 million tonnes. It is also higher by 7.8 million tonnes than the five years' average production of 107.8 million tonnes. The production of wheat, estimated at record 101.2 million tonnes, is higher by 1.3 million tonnes as compared to wheat production of 99.9 million tonnes achieved during 2017-18. Moreover, the production of wheat during 2018-19 is higher by 6.6 million tonnes than the five year's average wheat production of 94.6 million tonnes.

India ranks first in milk production, accounting for 20 per cent of world production. Milk production in India-has been increasing steadily over the years and has increased from 55.6 million tonnes in 1991-92 to 176.3 million tonnes in 2017-18, at an average annual growth rate of 4.5 percent. India is the third largest fish producer in the world with a total production of 12.6 million metric tonnes in 2017-18 of which 65 per cent was from inland sector. Almost 50 per cent of inland fish production is from culture fisheries, which constitutes 6.5 per cent of global fish production. The sector has been registering a steady growth in the total gross value added and accounts for 5.23 per cent share of agricultural GDP. Fish and fish product exports emerged as the largest group in agricultural exports and in value terms accounted for ` 45107 crore in 2017-18.

The agriculture credit flow target for 2018-19 was fixed at ` 11,00,000 crore and against this target, as reported by NABARD, the disbursement by banks till September, 2018 is ` 6,45,205 crore.

Industry

The performance of the industrial sectors based on the Index of Industrial Production (IIP) comprising mining, manufacturing and electricity registered a growth of 3.6 percent in 2018- 19, as compared to 4.4 percent in 2017-18. As per the sectoral classification, mining, manufacturing and electricity sectors registered 2.9 percent, 3.6 percent and 5.2 percent growth during 2018-19 respectively. Among the use-based categories, primary goods, capital goods, intermediate goods, infrastructure/construction goods, consumer durables goods and consumer non- durables goods have attained 3.5 percent, 2.8 percent, (-)0.5 percent, 7.5 percent, 5.5 percent and 3.9 percent growth respectively in 2018-19.

The eight core infrastructure supportive industries, viz. coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity that have a total weight of nearly 40 percent in the Index of Industrial Production (IIP) grew by 4.3 percent in 2018-19 at the same level of growth at 4.3 percent in 2017-18. The production of coal, natural gas, refinery products, fertilizers, steel, cement and electricity increased by 7.4 percent, 0.8 percent, 3.1 percent,0.3 percent, 4.7 percent, 13.3 percent and 5.2 percent respectively during 2018-19 while the production of crude oil fell during the same period.

Prospects

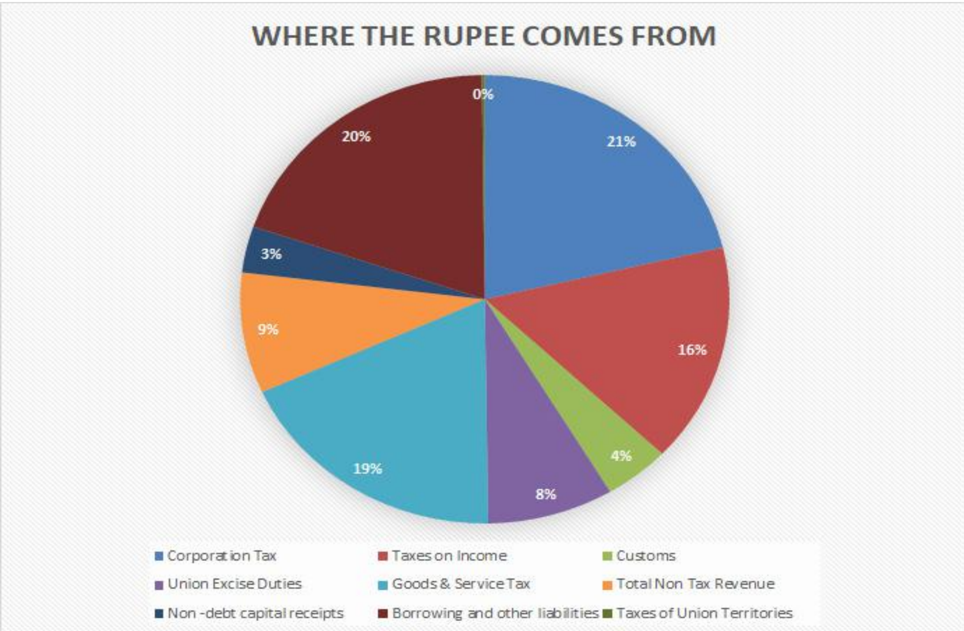
The growth momentum of the economy is expected to strengthen in 2019-20. The prospects for Indian economy for the year 2019-20 need to be assessed in the light of emerging global and domestic developments. Global economic growth is expected to slow down in 2019 which could limit India’s export growth. However, growth of the Indian economy is expected to pick up. There are signs of 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. In line with the projections for strengthening of India’s growth by international institutions, the nominal growth of the economy is expected to be 11.0 percent in the financial year 2019-20.

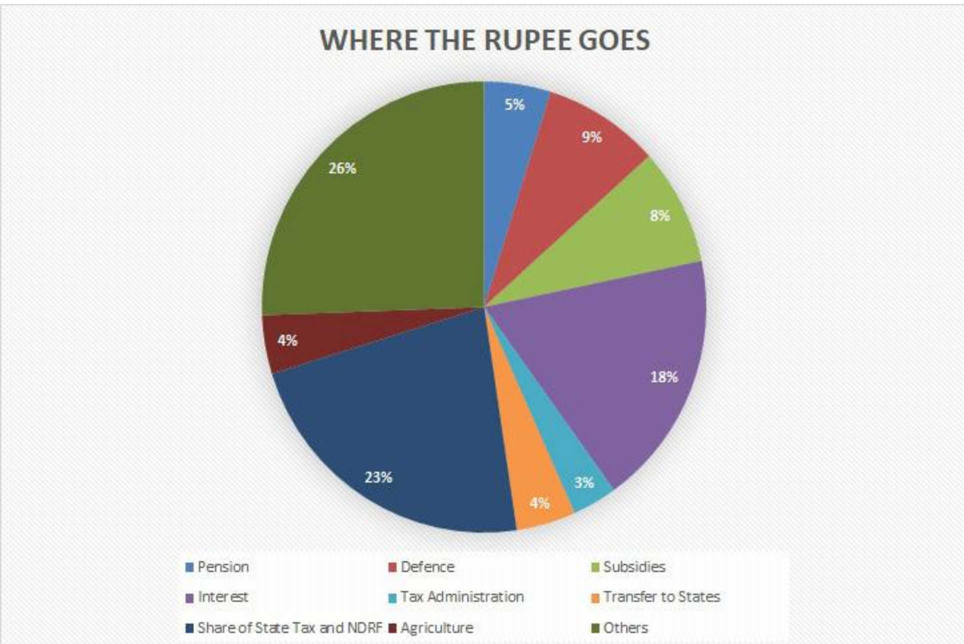
Overview

The second and final Budget 2019-20 reflects the Government's firm vision towards the five trillion economy and ambitious projects such as space exploration and make in India. The budget receipts are largely focused towards growth in direct and indirect tax revenue and expenditure is focusing on Agriculture, Social Sector, Defense, subsidies, Interest, Education and Health. This is substantiated by increase in expenditure of ` INR 329,114 crores over RE (2018-19) while keeping the fiscal deficit at 3.3% of GDP.

In BE 2019-20, the total expenditure has been kept at INR 27,86,349 crore and is more than RE 2018-19 by INR 329,114 crore. The increase in total expenditure is on account of increased support to agricultural sector, interest payments, Defense, and GST Compensation Funds.

The total share of resources going to States for State's share in taxes in BE (2019-20) is INR 811,614 crore.





Amount in INR Crores (10 Milion)

Particulars	2017-2018 Actuals	2018-2019 Budget Estimates	2018-2019 Revised Estimates	2019-2020 Budget Estimates
1. Revenue Receipts	1,435,233	1,725,738	1,729,682	1,962,761
2. Tax Revenue (Net to Centre)	1,242,488	1,480,649	1,484,406	1,649,582
3. Non Tax Revenue	192,745	245,089	245,276	313,179
4. Capital Receipts	706,740	716,475	727,553	823,588
3. Non Tax Revenue	15,633	12,199	13,155	14,828
6. Other Receipts	100,045	80,000	80,000	105,000
7. Borrowings and Other Liabilities	591,062	624,276	634,398	703,760
8. Total Receipts (1+4)	2,141,973	2,442,213	2,457,235	2,786,349
9. Total Expenditure (10+13)	2,141,973	2,442,213	2,457,235	2,786,349
10. On Revenue Account of which	1,878,833	2,141,772	2,140,612	2,447,780
11. Interest Payments	528,952	575,795	587,570	660,471
12. Grants in Aid for creation of Capital assests	191,034	195,345	200,300	207,333
13. On Capital Account	263,140	300,441	316,623	338,569
14. Revenue Deficit (10-1)	443,600	416,034	410,930	485,019
15. Effective Revenue Deficit (14-12)	252,566	220,689	210,630	277,686
16. Fiscal Deficit [9-(1+5+6)]	591,062	624,276	634,398	703,760
17. Primary Deficit (16-11)	62,110	48,481	46,828	43,289

DIRECT TAX PROPOSALS

Direct Tax

The Union Budget 2019 was announced on July 5, 2019 by Nirmala Sitharaman, which is first full-time woman Finance Minister after former Prime Minister Indira Gandhi who briefly held the post in 1970-71.

She ditched the British-Era tradition of carrying budget document in briefcase and carried documents in red cloth with national emblem. Changes proposed in Union Budget 2019 are analysed in following paras.

Personal Tax

The Union Budget 2019 proposed no changes in the income tax rates and slabs. Thus, it has kept the existing tax rebate unchanged to Rs 12,500, which means that taxpayers earning income upto Rs 5 lakhs are not required to pay any income tax. The existing tax slab would remain unchanged.

Tax rates for AY 2020-21

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

Amount of Net Income	Tax Rates (AY 2020-21)
Upto Rs 2,50,000	Nil
Rs 2,50,010 - 5,00,000	5%
Rs 5,00,010 – Rs 10,00,000	20%
Above Rs 10,00,000	30%

Tax rates in the case of every individual, being a resident in India, who is of the age of 60 years or more but less than 80 years at any time during the previous year.

Amount of Net Income	Tax Rates (AY 2020-21)
Upto 3,00,000	Nil
3,00,010 - 5,00,000	5%
Rs 5,00,010 – Rs 10,00,000	20%
Above Rs 10,00,000	30%

Tax rates in the case of every individual, being a resident in India, who is of the age of 80 years or more at any time during the previous year.

Amount of Net Income	Tax Rates (AY 2020-21)
Upto 5,00,000	Nil
Rs 5,00,010 – Rs 10,00,000	20%
Above Rs 10,00,000	30%

Surcharge/effective tax rate on Super Rich

Amount of Net Income	Existing Surcharge	Proposed *Surcharge (AY 2020-21)	Proposed Surcharge (AY 2020-21)
50,00,010 – 1,00,00,000	10%	10%	34.32%
1,00,00,010 – 2,00,00,000	15%	15%	35.88%
2,00,00,010 – 5,00,00,000	15%	25%	39%
Above 5,00,00,000	15%	37%	42.74%

***Subject to Marginal Relief**

Health & Education Cess:

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

- **Mandatory furnishing of return of income: [Sec.139]: [Applicable from Financial Year 2019-20, Assessment Year 2020-21]**

Currently, a person entering into high value transactions is not necessarily required to furnish his ITR when his net taxable income does not exceed maximum amount not chargeable to tax .

Accordingly, the Budget 2019 has proposed mandatorily filing of ITR by following persons persons entering into high value transactions :-

- Who has deposited amount or aggregate of amount above Rs 1 crore in one or more current accounts maintained with a banking company or a co-operative bank;
- Who has incurred expenditure of amount or aggregate of amount on foreign travel above Rs 2 lakhs for himself or any other person
- Who has incurred expenditure of amount or aggregate of amount towards consumption of electricity above Rs 1 lakh during the year.
- Who is claiming capital gains exemption (u/s 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB) for investment in house or bonds or other assets and his total income exceeds maximum amount not chargeable to tax before claim of such exemption.

- **Inter-changeability of PAN and Aadhaar [Applicable from Financial Year September 1, 2019 [139A]:**

Now the Union Budget 2019 has proposed inter-changeability of PAN and Aadhaar. Accordingly, taxpayers who do not possess PAN can file their ITR by quoting Aadhaar Number in their ITR.

Further, every person who has linked his Aadhaar with PAN in e-filing website www.incometaxindiaefiling.gov.in may furnish or quote his Aadhaar Number on transactions requiring PAN.

- **Authentication and quoting of Aadhaar/PAN: [Sec. 139A(6A)/(6B)] [Applicable from September 1, 2019]:**

In order to track high-value transactions, the Union Budget 2019 has proposed mandatory quoting and authentication of PAN/Aadhaar for certain prescribed transactions.

It also introduced a provision that the person receiving relevant documents shall ensure correct quoting and authentication of PAN and Aadhaar for the prescribed transactions.

Further, any non-compliance of such provisions may attract penalty of Rs 10,000 u/s 272B.

- **Consequences of not linking PAN with Aadhaar [Applicable from September 1, 2019]:**

As per the existing provisions, PAN would become invalid if it is not linked with Aadhaar by September 30, 2019 and it would be treated that such PAN would have never been applied by taxpayer.

However, Budget 2019 has proposed that non-linking of PAN with Aadhaar by September 30, 2019 would -

not make it invalid, instead it would make PAN inoperative'.

The purpose of such proposal is to protect the validity of past transactions carried out through such PAN. Thus, there 'may' be a possibility to re-activate the PAN once it is linked with AADHAAR.

Additional deduction on housing loan:
[Applicable from Financial Year 2019-20, Assessment Year 2020-21] [Sec.80EEA]:

In order to boost affordable housing the Union Budget 2019 has proposed additional deduction of interest on housing loan of Rs 1.5 lakhs under section 80EEA subject to following conditions :-

- loan has been sanctioned by a financial institution during 1st April, 2019 to 31st March 2020;
- the stamp duty value of house property does not exceed Rs 45 lakhs;
- taxpayer does not own any residential house property on the date of sanction of loan.
- It is proposed that where a deduction is allowed for any interest under this section, deduction for such interest shall not be allowed under any other provision of act for same or any other year.

- **Increase in NPS exemption limit on maturity payments [Applicable from, Assessment Year 2020-21] [Sec.10 and 80CCD]:**

Under the existing provisions of section 10(12A) of the Act, 40% of payment from the NPS Trust to an assessee shall be exempt from tax on closure of his account or on his opting out of the pension scheme.

With a view to enable the pensioner to have more disposable funds, it is proposed to increase such exemption limit on NPS from 40% to 60%.

- **Increase in NPS deduction for Government employees [Applicable from Financial Year 2019-20, Assessment Year 2020-21] [Sec.80CCD]:**

Under the existing provisions of section 80CCD of the Act, NPS contribution made by Central Government or other employer to the account of employee shall be deductible to the extent of 10% of salary.

In order to ensure that the Central Government employees get full deduction of the enhanced contribution, it is proposed to increase the limit from 10% to 14% of contribution made by the Central Government to the account of its employees.

- **More tax saving options under NPS [Applicable from Financial Year 2019-20, Assessment Year 2020-21] [Sec.80C]:**

To enable the Central Government employees to have more options of tax saving investments under NPS, it is proposed to insert clause (xxv) in Section 80C which states that any amount paid or deposited by a Central Government employee as a contribution to Tier-II account of the National pension scheme with a lock in period of 3 years shall be eligible for deduction u/s 80C.

- **Provision of credit of relief provided under section 89 [Applicable retrospectively from AY 2007-08]**

Section 89 of the Act contains provisions for providing tax relief where salary, etc. is paid in arrears or in advance.

The existing provisions of section 140A, section 143, section 234A, section 234B and section 234C contain provisions relating to computation of tax liability after allowing credit for prepaid taxes and certain admissible reliefs, credits etc. However, the relief under section 89 is not specifically mentioned in these sections, which is resulting into genuine hardship in the case of taxpayers who are eligible for this relief.

In view of the above, it is proposed to amend section 140A, section 143, section 234A, section 234B and section 234C so as to provide that computation of tax liability shall be made after allowing relief under section 89.

- **Tax incentive for electric vehicles [Sec 80EEB] [Applicable from FY 2019-20 or AY 2020-21]**

It is proposed to insert a new section 80EEB in the Act so as to provide for a deduction in respect of interest on loan taken for purchase of an electric vehicle from any financial institution up to INR 1,50,000 subject to the following conditions:

- the loan has been sanctioned by a financial institution including a non-banking financial company during the period beginning on the 1st April, 2019 to 31st March, 2023;

- the assessee does not own any other electric vehicle on the date of sanction of loan

- Deduction in respect of such interest shall not be allowed under any other provision of the Act.

Corporate Tax Changes

Tax Rates

Currently, a lower tax rate of 25% is only applicable to companies having annual turnover up to Rs 250 crore. Now the Union Budget 2019 has proposed to include all companies having annual turnover upto Rs 400 crore in previous year 2017-18 in the tax bracket of 25%.

Companies

Particulars	Rates of tax F.Y. 2019-20 (AY 2020-21)
Domestic Company whose total turnover or gross receipts for PY 2017-18 does not exceed INR 400 Crores (INR 4,000 Million)	25%
Domestic Company whose total turnover or gross receipts for PY 2017-18 exceeds INR 400 Crores (INR 4,000 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 (INR 10 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

- No changes were proposed in the tax rates for firm and LLPs.
- Flat Rate of tax @ 30% shall be applicable on firm. Surcharge @ 12% of income tax shall be levied 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

No changes were proposed in the tax rates for co-operative society.

Particulars	Rates of tax F.Y. 2019-20 (AY 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 to 1 crore	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 of 4% shall be levied over and above the above taxes.

- **Taxation of gift to NRI [Sec. 9] [Applicable from Financial Year 2019-20, Assessment Year 2020-21]**

Under the existing provisions of section 56(2)(x) of the Act, gifts given by Indian residents to non-resident Indians are not taxable as such income is not deemed to accrue or arise in India.

However, the Union Budget 2019 has proposed to plug this loophole and brought such gifts under the gamut of income-tax.

Thus, any transfer of money paid or property situated in India by way of gifts made by a person resident in India to a person resident outside India shall be deemed to accrue or arise in India u/s 9(1)(viii).

However, exemption as per proviso to section to Section 56(2)(x) shall continue to apply as earlier.

In a treaty situation, relevant article of applicable DTAA shall continue to apply for gifts as well.

- **Relaxation in conditions for taxation regime for offshore funds [Sec. 9A] [Applicable retrospectively from AY 2019-20]**

Section 9A, which was introduced in April 1, 2016, provides for a safe harbour in respect of offshore funds, subject to fulfilment of the conditions specified therein. Sub-section (3) of section 9A deals with the eligibility conditions of the fund and are, inter-alia, related to residence of fund, corpus, size, investor broad basing, investment diversification and payment of remuneration to fund manager at arm's length.

In order to give impetus to fund management activities in India, the provisions of clauses (j) and (m) of section 9Aof the Act are relaxed to provide that:

- the corpus of the fund shall not be less than Rs. 100 crore rupees at the end of a period of six months from the end of the month of its establishment or incorporation or at the end of such previous year, whichever is later; and.
- the remuneration paid by the fund to an eligible fund manager in respect of fund management activity undertaken by him on its behalf is not less than the amount calculated in such manner as may be prescribed later.

Incentives for start-ups [Applicable FY 2019-20 or AY 2020-21]

Carry-forward of losses

Under the existing provisions, start-ups can carry forward and set-off business loss only when:-

- All the shareholders of the company remain same as compared to the shareholders on the last day of PY in which loss was incurred; and
- Loss has been incurred during the period of 7 years of incorporation of company.

Thus, start-ups were unable to claim carry-forward and set-off of losses when some of the original shareholders left the company.

Accordingly it is proposed that eligible start-up shall be allowed to carry forward and set off the loss against the income of the previous year on satisfaction of either of the two conditions stipulated currently in clause (a) or (b) i.e. provided either of the following conditions are satisfied:

- on the last day of the previous year, shares of the company carrying not less than 51% of the voting power were beneficially held by persons who beneficially held shares of the company carrying not less than 51% of the voting power on the last day of the year/s in which the loss was incurred; OR

- all the shareholders of such company who held shares carrying voting power on the last day of the year/s in which the loss was incurred, continue to hold those shares on the last day of such previous year and such loss has been incurred during the period of seven years beginning from the year in which such company is incorporated.

- **Capital gain exemption for start-ups [Sec. 54GB] [Applicable FY 2019-20 or AY 2020-21]**

Extension of Sun-set date:- Under the existing provisions, capital gain tax exemption is available on transfer of house property where net sales consideration of such property is invested to fund start-ups.

However, such benefit was not available after March 31, 2019. Now the Union budget 2019 has proposed to increase the sunset date of such provision by 2 years and now exemption would also be available on transfer of house property between April 1, 2019 till March 31, 2021.

Relaxation of minimum shareholding:- Currently, capital gain exemption is available when investment is made in that start-up wherein taxpayer has 51% of voting power. Now the Union Budget 2019 has proposed to reduce such limit of shareholding from 51% to 25%. Thus, now Individuals owning 25% stake in start-ups can also fund such start-ups by selling their residential house property.

Relaxation of condition of transfer of assets of start-ups :-

Currently, if there is any transfer of new assets of start-ups within 5 years, then capital gains exempted earlier shall be chargeable to tax.

Now the Union Budget 2019 has proposed to relax the condition of transfer of computer or computer software from 5 years to 3 years.

Other Benefits for Start-ups (Amendment awaited)

The start-ups and their investors who file requisite declarations and provide information in their returns will not be subjected to any kind of scrutiny in respect of valuations of share premiums

The issue of establishing identity of the investor and source of his funds will be resolved by putting in place a mechanism of e-verification;

With the above, funds raised by start-ups will not require any kind of scrutiny from the Income-tax Department.

Special administrative arrangements shall be made by the CBDT for pending assessments/ redressal of their grievances. It will be ensured that no inquiry or verification in such cases can be carried out by the assessing officer without obtaining approval of supervisory officer.

Consequences of failure to comply with exemption conditions by start-ups [Sec. 56][Applicable from FY 2019-20 or AY 2020-21]

Many start-ups have, in the recent past, faced the brunt of additions under section 56(2)(viib) due to difference in opinion between the Revenue authorities and the assessee regarding valuation of shares of such start-ups, mainly due to the reason that valuations of many start-ups appear unjustified in view of heavy losses appearing in their financials.

The ‘excess consideration’ received by such start-ups on issue of shares at a price over and above their alleged fair market value is treated as income and brought to tax under section 56(2)(viib), colloquially known as “Angel Tax”.

To safeguard genuine cases of investments being received by start-ups, the Central Government notified that section 56(2)(viib) shall not apply to investments made by a resident for issue of shares of a “start-up” company at a consideration exceeding the face value of such shares.

For the purposes of the said Notification, it was provided that “start-up” shall mean a company in which the public are not substantially interested and which fulfils the conditions specified in Notification dated 17.02.2016 issued by Department of Industrial Policy & Promotion (“DIPP”). The DIPP has, time and again, substituted the Notifications issued with respect to “start-ups”. The DIPP Notification, in force as on date, was issued on 19.02.2019, wherein it is provided that an entity shall be considered a start-up:

- Upto a period of 10 years from the date of incorporation/ registration;
- Turnover of the entity for any of the financial years since incorporation/ registration should not have exceeded 100 crore rupees;
- Entity should be working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation;
- Should not be formed by splitting up or reconstruction of an existing business

In order to ensure compliance with the aforesaid conditions prescribed under the DIPP Notification, it is proposed to amend the provisions of section 56(2)(viib) by inserting second proviso stating that in case of failure to comply with the conditions as notified, the consideration received for issue of shares which is in excess of face value of such shares shall be deemed to be the income of the issuer company chargeable to tax in the previous year in which the failure to comply with the said conditions has taken place.

- **Tax on buy back of shares by listed companies [Sec 115QA] [Applicable from July 5, 2019]**

Under the existing provisions of Section 115QA additional Income-tax @ 20% of the distributed income is levied on buy-back of unlisted shares by the company and the listed companies were not covered.

In order to curb tax avoidance practice adopted by the listed companies, the existing anti abuse provision under Section 115QA of the Act, pertaining to buy-back of shares has been proposed to be extended to all companies including companies listed on recognised stock exchange.

Thus, any buy back of shares from a shareholder by a company listed on recognised stock exchange, on or after 5th July 2019, shall also be covered by the provision of section 115QA of the Act and taxed at the rate of 20%. Consequential amendment has been made in Section 10(34A) of the act, to provide exemption to shareholders of the listed company on account of buyback of shares.

- **Demerger of Ind AS compliant companies [Applicable from FY 2019-20 or AY 2020-21]**

One of the existing conditions for tax-neutral demergers is that the resulting company should record the property and the liabilities of the undertaking at the value appearing in the books of accounts of the demerged company as per Section 2(19AA).

However, Ind AS compliant companies are required to record the property and the liabilities at Fair value. In order to facilitate demerger, it is proposed to amend section 2(19AA) to provide that the requirement of recording property and liabilities at book value by the resulting company shall not be applicable in a case where in compliance with Ind AS, the property and liabilities of the demerged undertaking are recorded at value(s) different from the value(s) appearing in the books of account of the demerged company immediately before the demerger.

- **Resolution of distressed companies [Sec. 79][Applicable from FY 2019-20 or AY 2020-21]**

The existing provisions of section 79 are not applicable to a company where any change in shareholding takes place pursuant to a resolution plan approved under the Insolvency and Bankruptcy Code, 2016 (IBC) subject to the condition that jurisdictional Principal Commissioner or Commissioner is provided a reasonable opportunity of being heard.

Thus, loss in such cases can be carried forward and set off even if there is change in voting power or shareholding above 51%.

This benefit u/s 79 has been proposed to be extended to such companies and their subsidiary and the subsidiary of such subsidiary where-

- Tribunal, on an application moved by the Central Government under section 241 of the Companies Act, 2013 has suspended the Board of Directors of such company and has appointed new directors who are nominated by the Central Government under section 242 of the said Act.
- Change in shareholding of such company, and its subsidiary and the subsidiary of such subsidiary has taken place pursuant to a resolution plan approved by NCLT.

Further, while computing book profit for MAT u/s 115JB the aggregate amount of unabsorbed depreciation and business loss shall be reduced.

- **Exemption from deeming fair market value of certain transactions [Sec. 56 and 50CA][Applicable from FY 2019-20 or AY 2020-21]**

Certain deeming anti-abuse provisions in the Act are now hurdles for genuine business resolution plans.

Determination of fair market value based on the prescribed rules may result into genuine hardship in certain cases where the consideration for transfer of shares is approved by certain authorities and the person transferring the share has no control over such determination.

In order to provide relief to such types of transactions from the applicability of sections 56(2)(x) and 50CA, it is proposed to amend these sections to empower the Board to prescribe transactions undertaken by certain class of persons to which the provisions of section 56(2)(x) and 50CA shall not be applicable.

- **Widening the scope of Statement of Financial Transactions (SFT) (Effective from September 1, 2019)**

Existing provisions of section 285BA of the Act, provide for furnishing of statement of financial transaction (SFT) in Form 61A by certain specified reportable entities.

The Government aims to enable pre-filling of ITR and for such purposes it is proposed to expand the scope of such provisions on statement of financial transaction in order to obtain information from various taxpayers.

Now Union Budget has proposed to mandate furnishing of statement by certain prescribed persons other than those who are currently furnishing the same.

It is also proposed to remove the current threshold of rupees fifty thousand on aggregate value of transactions during a financial year, for furnishing of information, with a view to ensure pre-filling of information relating to small amount of transactions as well.

In order to ensure proper compliance, it is also proposed to provide that if the defect in the statement is not rectified within the time specified therein, the provisions of the Act shall apply as if such person had furnished inaccurate information in the statement.

Consequently, it is also proposed to amend the penalty provisions contained in section 271FAA so as to ensure correct furnishing of information in the SFT and widen the scope of penalty to cover all the reporting entities under section 285BA .

Measures for promoting less cash economy

- **Mandatory to provide e-payment options by big business houses [Sec. 269SU][Applicable from November 1, 2019]**

In order to reduce generation and circulation of black money, the Union Budget 2019 has proposed to insert a new provision to provide that every person carrying on business (having turnover or gross receipts above Rs 50 crores in the preceding previous year) would be inclined to provide prescribed e-payment options in addition to existing e-payment options.

In order to ensure compliance of the aforesaid provisions, it is further proposed to insert a new section 27IDB to provide that the failure to provide facility for electronic modes of payment prescribed under section 269SU shall attract penalty of Rs 5000, for every day during which such failure continues. However, the penalty shall not be imposed if the person proves that there were good and sufficient reasons for such failure. Any such penalty shall be imposed by the Joint Commissioner.

Currently, retailers pay around 2% merchant discount rate (MDR) on a transaction through cards, but now the Union Budget has proposed to provide consequential amendment in the payment and settlement system Act so as to provide that no bank shall levy any charges for electronic transactions prescribed u/s 269SU.

- **Prescription of other electronic modes of payment in provisions of the Income Tax Act [Sec. 13A, 35AD, 40A, 43(1),43CA, 44AD, 80JJAA][Applicable from FY 2019-20 or AY 2020-21]**

In order to encourage other electronic modes of payment, it is proposed to amend sections of the Income Tax Act [i.e., Sec. 13A, 35AD, 40A, 43(1),43CA, 44AD, 80JJAA], to include certain other electronic modes as may be prescribed in such provisions apart from existing modes of payment via cheques or electronic clearing system through bank account.

- **Acceptance of other electronic modes of payment in other provisions of the Income Tax Act [Applicable from September 1, 2019)]**

Section 269SS of the Act prohibits a person from taking or accepting from a depositor any loan or deposit or any specified sum equal to Rs 20,000 or more otherwise than by an account payee cheque or an account payee bank draft or by use of electronic clearing system through a bank account.

Section 269ST of the Act prohibits a person from receiving an amount of rupees two lakh or more in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person otherwise than by an account payee cheque or an account payee bank draft or by use of electronic clearing system through a bank account.

Section 269T of the Act prohibits a banking company or a co-operative bank and any other company or co-operative society and any firm or other person from repaying any loan or deposit made with it or any specified advance received by it, in any mode other than by an account payee cheque or an account payee bank draft or by use of electronic clearing system through a bank account, if the amount being repaid is rupees twenty thousand or more.

In order to encourage other electronic modes of payment, it is proposed to amend the above sections so as to include such other electronic mode as may be prescribed, in addition to the already existing permissible modes of payment/receipt in the form of an account payee cheque or an account payee bank draft or the electronic clearing system through a bank account.

Tax deduction at source

TDS on purchase of immovable property

- **[Sec. 94-IA][Applicable from September 1, 2019]**

Section 194-IA of the Act provides for levy of TDS @ 1% on the amount of consideration paid or credited for transfer of certain immovable property (other than agricultural land).

The term 'consideration for immovable property' is presently not defined for the purposes of this section. It is noted that in the transaction involving purchase of immovable property, there are other types of payments made besides the sales consideration and the buyer is contractually bound to make such payments to the builder/seller, either under the same agreement or under a different agreement. Some of such payments are those for rights to amenities like club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee etc.

Accordingly, the Union Budget has proposed to provide that the term "consideration for immovable property" shall include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.

Thus, any payment for purchase of immovable property in form of car parking, water charges, electricity may also attract TDS @ 1% u/s 194-IA.

- **TDS on cash withdrawal [Sec. 194N][Applicable from September 1, 2019]**

In order to further discourage cash transactions and move towards less cash economy, the Union Budget has proposed for deduction of TDS @ 2% by banks, co-operative society and post office on cash payments above Rs 1 crore rupees in aggregate made during the year. Thus, any cash withdrawal by taxpayers above Rs 1 crores would attract TDS @ 2%. The limit of one crore will apply to each account with a bank

However, cash payments to Government, Banking company, co-operative society engaged in carrying on the business of banking, post office, banking correspondent and white label ATM and such other persons as may be prescribed shall not attract TDS.

- **TDS obligation on persons not liable to tax audit: [Applicable from September 1, 2019] [Sec.194M]:**

Under existing provisions, where an individual or HUF is carrying on business, there is no liability to deduct TDS on any payment made to a resident contractor or professional if such individual or HUF is not subjected to tax audit.

Due to this exemption, substantial amount by way of payments made by individuals or HUFs in respect of contractual work or for professional service is escaping the levy of TDS, leaving a loophole for possible tax evasion.

To plug this loophole, the Union Budget 2019 has proposed to insert a new section 194M in the Act to provide for levy of TDS by Individual or HUF (not liable to tax audit) @ 5% on the sum or aggregate of the sum -

paid or credited in a year above Rs 50 lakhs on account of contractual work or professional fees who are not required to deduct TDS u/s 194J or 194C It is further proposed to provide facility to deposit tax deducted at source using PAN and the payers shall not be required to obtain TAN

- **TDS on non-exempt portion of life insurance policy on net basis [Sec. 194DA][Applicable from September 1, 2019]**

Currently, the provisions of section 194DA provide for TDS @ 1% on gross maturity value received [other than amount exempt u/s 10(10D)] under life insurance policy.

Several concerns have been expressed that deducting tax on gross amount creates difficulties to an assesse who otherwise has to pay tax on net income (i.e after deducting the amount of insurance premium paid by him from the total sum received).

Thus, the Union Budget 2019 has proposed to provide that TDS shall be deducted @ 5% on net income portion of taxable life insurance proceeds instead of the current TDS of 1% of the gross maturity payout under the policy.

It is preferable to deduct TDS on net income so that the income as per 26AS can be matched automatically with the return of income filed by the assessee.

International Taxation & Transfer Pricing

- **Relief from deeming provisions of assessee-in-default in case of payments to non-resident [Sec 201] [Applicable from September 1, 2019]**

Section 201 of the Act provides that where any person, including the principal officer of a company or an employer makes any default in payment or deduction of TDS, then such person shall be deemed to be an assessee in default in respect of such tax.

The first proviso to sub-section (1) of section 201 specifies that the deductor shall not be deemed to be an assessee in default, if –

- Such resident has furnished his return of income under section 139,
- disclosed such payment for computing his income in his return of income,
- paid the tax due on the income declared by him in his return of income and
- furnished CA certificate to this effect.

This relief in section 201 is available to the deductor, only in respect of payments made to a resident. Now the Union Budget 2019 has proposed to extend such relief in case of similar failure of TDS on payments made to a non-residents as well. Corresponding amendment is also proposed in sub-section (1A) to this section to the effect that interest shall be computed from the date on which such tax was deductible to the date of furnishing the tax return by the payee (whether resident or non-resident).

Further, consequential amendments were also proposed in section 40(a)(i) to provide that no - disallowance would be made for such TDS default where the deductor has obtained CA certificate to the effect that non-resident payee has included such income in its ITR and paid taxes on it. However, such amendment would be effective from AY 2020-21.

- **No fresh assessment or reassessment by AO where APA is entered into [Sec. 92CD] [Applicable from September 1, 2019]**

As per the existing provisions of Section 92CD(3) of the Act, where the assessment or reassessment proceedings have been completed before the expiry of period allowed for furnishing of modified return as per Advance Pricing Agreement('APA'), the AO shall proceed to assess or reassess or recompute the total income having regard to and in accordance with the APA. This has led to apprehensions of fresh assessments/ re-assessments in such cases.

Thus, the Union Budget 2019 has now proposed to clarify that in such cases, the AO shall pass an order to only modify the total income for the relevant AY in accordance with the APA and not to assess or reassess the total income of the assessee.

- **Clarifications on secondary adjustment [Sec 92CE] [Applicable from September 1, 2019]**

The existing provisions of section 92CE of the Act provide that the assessee shall be required to carry out secondary adjustment where the primary adjustment has been made in certain specified cases (like suo motu adjustment, or adjustment made by the AO and accepted by taxpayer or determined by an APA, etc.).

In order to address several concerns and to make the secondary adjustment regime more effective and easy to comply with, the Union Budget 2019 has proposed to amend section 92CE of the Act so as to provide that:-

- Condition of threshold of INR 1 crore and of the primary adjustment made upto AY 2016-17 are alternative conditions and not cumulative.
- Interest shall be calculated excess money or part thereof.
- Relief would be available from secondary adjustment for APAs signed before 1 April 2017. However, no refund would be available for taxes already paid under the existing provisions.
- The amount of primary adjustment may be repatriated from any of the non-resident associated enterprises of the assessee. Thus, it is not necessary that money should be repatriated from the non-resident associated enterprise from which transaction has been entered into.
- In a case where the amount of primary adjustment has not been repatriated in time, the assessee will have the option to pay additional income-tax @ 18% on such money or part thereof. Further, interest shall be calculated on such primary adjustment till the date of payment of this additional tax. The additional tax would be increased by a surcharge of 12%;(Applicable from September 1, 2019).
- the tax so paid shall be the final payment of tax and no credit shall be allowed in respect of the amount of tax so paid%;(Applicable from September 1, 2019).
- the deduction in respect of the amount on which such tax has been paid , shall not be allowed under any other provision of this Act; and%;(Applicable from September 1, 2019).
- If the assessee pays the additional income-tax, he will not be required to make secondary adjustment or compute interest from the date of payment of such tax. %;(Applicable from September 1, 2019).

- **Accounting year in case of CbCR [Sec. 286][Applicable retrospectively from AY 2017-18]**

Section 286 of the Act contains provisions relating to specific reporting regime in the form of Country-by-Country Report (CbCR) in respect of an international group. It provides that every parent entity or the alternate reporting entity, resident in India, shall, for every reporting accounting year, furnish a CbCR, within a period of 12 months from the end of the said reporting accounting year.

Several concerns have been expressed that in case of an alternate reporting entity (ARE) resident in India, the accounting year would always be the accounting year applicable in the country where such ultimate parent entity is resident and cannot be the previous year of the entity resident in India.

Accordingly, the Union Budget 2019 has proposed to provide that for country-by-country reporting, in situations where the Indian company is an 'alternate' reporting entity, the accounting year shall be construed as followed by the ultimate parent entity.

- **Rationalisaton of provisions relating to maintenance and keeping of information under transfer pricing [Sec. 92D][Applicable from FY 2019-20 or AY 2020-21]**

Section 92D of the Act inter alia, provides for maintenance and keeping of information and document by -

persons entering into an international transaction or specified domestic transaction in the prescribed manner.

Sub-section (1) of section 92D provides that every person who has entered into an international transaction or specified domestic transaction shall keep and maintain the prescribed information and document in respect thereof.

Proviso to said section inserted through the Finance Act, 2016 provides that the person, being a constituent entity of an international group, shall also keep and maintain such information and document in respect of an international group as may be prescribed. Accordingly, Rule 10DA, prescribed for this purpose, provides the requisite information to be furnished in prescribed form, subject to the thresholds of the consolidated group revenue and the international transaction.

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 entity.

It is also proposed to provide that information shall be furnished by the constituent entity of an international group to the prescribed authority.

- **TDS exemption on interest income from Rupee Denominated Bonds [Sec. 10(4C)] - [Applicable from FY 2018-19 or AY 2019-20]**

Currently, TDS @ 5% shall be attracted on interest income payable to a non-resident on Offshore Rupee Denominated Bonds.

The Government, through a press release dated 17 September, 2018, had announced that interest payable on such offshore Rupee Denominated Bonds during the period 17 September, 2018 to 31 March, 2019 would be exempt from tax.

The exemption announced through this press release is proposed to be incorporated in the Act.

- **Online application for lower or Nil TDS certificate for non-residents [Sec. 195] [Applicable from November 1, 2019]**

Currently, under provisions of section 195(2) of the Act, any person making payment to a non-resident can obtain certificate/order from the Assessing Officer for lower or nil withholding-tax. However, the process is currently manual.

The CBDT has already provided online facility for obtaining Nil or Lower TDS certificate for payments to residents.

Now the Union Budget 2019 has also proposed to provide similar online facility for obtaining Nil or Lower TDS certificate for payments to non-residents. CBDT will notify procedure and manner of making online application for lower or Nil TDS certificates by non-residents.

Other Changes

- **Incentive to Category II AIF [Sec. 56][Applicable from FY 2019-20 or AY 2020-21]**

The existing provisions provide that where a private company receives, any consideration from resident for issue of shares that exceeds the face value of such shares, the aggregate consideration as exceeds fair market value of such shares shall be charged to tax.

However, exemption from this provision has been provided for the consideration for issue of shares received by a venture capital undertaking from a venture capital company or a venture capital fund or by a company from a class or classes of persons as may be notified by the Central Government in this behalf.

Currently the benefit of exemption is available to Category I AIF.

With a view to facilitate venture capital undertakings to receive funds from Category II AIF, it is proposed to extend this exemption to fund received by venture capital undertakings from Category II AIF as well.

- **Electronic filing of statement on which tax has not been deducted [Sec 206A][Applicable from September 1, 2019]**

Section 206A of the Act relates to furnishing of statement in respect of payment of certain income by way of interest to residents where no tax has been deducted at source.

At present, the section provides for filing of such statements on a floppy, diskette, magnetic tape, CD-ROM, or any other computer readable media. To enable online filing of such statements, it is proposed to substitute this section so as to provide for filing of statement (where tax has not been deducted on payment of interest to residents) in prescribed form in the prescribed manner.

It is also proposed to provide for correction of such statements for rectification of any mistake or to add, delete or update the information furnished.

It is also proposed to make a consequential amendment arising out of amendment carried out by Finance Act, 2019 whereby threshold for TDS on payment of interest by a banking company or cooperative society or public company was raised to INR 40,000.

- **Cancellation of registration of trust or institution [Sec 12AA][Applicable from September 1, 2019]**

In order to ensure that the trust or institution do not deviate from their objects, it is proposed to provide that at the time of granting the registration them, the Principal Commissioner or the Commissioner shall also satisfy himself about the compliance of the trust or institution to requirements of any other law which is material for the purpose of achieving its objects.

Further, it has also been provided that where trust or institution violates requirements of any other law which is material for the purpose of achieving its object in subsequent years after obtaining registration, then Principal Commissioner or Commissioner may cancel registration of such trust only when –

- Order or direction has been issued for such violation ; and Such order has attained finality.

- **Pass through of losses in Category I and Category II AIF [Sec. 115UB][Applicable from FY 2019-20 or AY 2020-21]**

The taxability of the income earned by AIFs is governed by a special tax regime as provided under Section 115UB of the Act.

In terms of section 115UB, read with section 10(23FBA) in case of a SEBI registered Category I and IIAIF :

- business income is taxed in the hands of AIF;
- incomes other than business income is regarded as pass through and taxed in the hands of investors; and
- losses are retained at AIF leve

It is proposed to amend the said section to provide that:

- the business loss of the investment fund, if any, shall be retained and allowed to the AIF to be carried forward and set-off in accordance with the provisions of Chapter VI and shall not be passed onto the unit holder;
- loss other than business loss, if any, shall also be ignored for the purposes of pass through to its unit holders, if such loss has arisen in respect of a unit which has not been held by the unit holder for a period of atleast twelve months;
- accumulated loss, other than business loss, accumulated by AIF as on 31.3.2019 shall be deemed to be the loss in the hands of the unit holder holding units as on 31.3.2019 and allowed in the hands of such unit holder.

- **Increased threshold for prosecution on non-filing of return [Sec. 276CC][Applicable from FY 2019-20 or AY 2020-21]**

Currently, section 276CC of the Act empowers the Central Government to prosecute non-filers of ITR where tax has been evaded through such non-filing. However, it provides that prosecution proceedings shall not be initiated for failure to furnish ITR in due time if the tax payable does not exceed Rs 3,000.

The existing provisions do not provide for taking into account TCS and self-assessment tax for the purposes of determining the tax liability.

Accordingly, for the purpose of determining tax liability, the Union Budget 2019 has proposed to include the self-assessment tax paid before the expiry of the assessment year, and TCS.

Further, the Union Budget has increased the threshold of tax payable from the existing Rs 3000 to Rs 10,000.

- **Rationalisation of provisions relating to claim of refund. [Sec 139][Applicable from September 1, 2019]**

The existing provisions of section 239 of the Act provide inter alia that every claim of refund under Chapter XIX of the Act shall be made in the prescribed form and verified in the prescribed manner.

In order to simplify the procedure for claim of refund, it is proposed to amend the said section so as to provide that every claim for refund under Chapter XIX of the Act shall be made by furnishing return in accordance with the provisions of section 139 of the Act.

- **Enhancing time limitation for sale of attached property under rule 68B of the Second Schedule of the Act [Applicable from September 1, 2019]**

The existing provisions of rule 68B of the Second Schedule of the Act provide that no sale of immovable property attached towards the recovery of tax, penalty etc. shall be made after the expiry of 3 years from the end of the financial year in which the order in consequence of which any tax, penalty etc. becomes final.

In order to protect the interest of the revenue, especially in those cases where demand has been crystallised on conclusion of the proceedings, it is proposed to amend the aforesaid sub-rule so as to extend the period of limitation from three years to seven years.

In order to ensure that the limitation of time period for sale of attached property may not be an impediment in recovery of tax dues and may not lead to permanent loss of revenue to the exchequer, it is further proposed to insert a new proviso in the said sub-rule so as to provide that the Board may, for reasons to be recorded in writing, extend the aforesaid period of limitation by a further period of three years.

- **Rationalisation of provisions of Black Money Act [Retrospectively applicable from July 1, 2015]**

Tax authorities may start targeting undisclosed overseas assets of individuals, who had acquired those when they were residents in India but had since become non-residents.

Changes proposed to the black money law as part of the 2019-20 budget are aimed at covering such non-residents who possess undeclared overseas assets.

Union Budget 2019 has proposed to change the definition of 'assessee' retrospectively from July 1, 2015, to include a non-resident or resident but not ordinarily resident, who was residing in India in the year before an undisclosed asset was acquired.

- **Rationalization of the provisions relating to Securities Transaction Tax ('STT') in respect of sale of option in securities, where option is exercised(Applicable from September 1 ,2019)**

STT was introduced vide Finance Act (No. 2), 2004. Presently section 99 r.w.s. 98 of the Finance Act (No.2), 2004 provides that purchaser of an option in securities, where option is exercised, shall be subject to STT @ 0.125 percent of settlement price.

It is proposed to amend the said section so as to provide for levy of STT on aforesaid transaction at intrinsic value, i.e., difference between strike price (i.e., the price at which option was bought) and the settlement price (i.e., the price on the day of settlement).

- **Rationalisation of the Income Declaration Scheme, 2016(Applicable from June 1, 2016)**

Income Declaration Scheme, 2016 (IDS) was introduced for making declaration of undisclosed income and undisclosed asset for any assessment year upto assessment year 2016-17. The said scheme was in force from 01.06.2016 to 30.09.2016. Section 187 of Finance Act, 2016 provided that tax, surcharge and penalty in respect of the undisclosed income declared under IDS, shall be paid on or before the notified date, i.e., 30.09.2017 and there was no provision for late deposit of tax.

It is now proposed to amend section 187 of the Finance Act, 2016 by way of insertion of proviso thereto, to provide that a specified category of people would be allowed to pay up the requisite amount, along with 1% interest per month, within a date to be notified by the Government.

The proposed amendment seeks to effectively re-open the IDS for the specified category of people who had declared unaccounted income under the scheme but not paid the tax, surcharge and penalty by the due date.

- **Concessional rate of short term capital gains ('STCG') tax to certain equity-oriented fund of funds (Applicable from AY 2020-21)**

The provisions of section 111A of the Act prescribes for preferential rate of tax of 15% on STCG arising on sale of certain specified short term capital assets, inter alia, including transfer of units of an 'equity oriented fund'. Existing clause (a) of Explanation to section 111A provides that the meaning of 'equity oriented fund' shall be the same as defined in Explanation to section 10(38), which means a mutual fund registered under section 10(23D) of the Act and investing more than 65% of the total proceeds in equity shares of domestic companies through recognized stock exchange.

Section 112A prescribes concessional rate of tax of 10% on long term capital gains arising on sale of certain specified long term capital assets.

For the purpose of that section, equity oriented fund has been defined as under:

(i) In case of direct investment – investment of atleast 65% in equity shares of domestic companies through recognized stock exchange;

(ii) In case of further investment in other funds – investment of atleast 90% of total proceeds in such other fund provided such other fund further invests atleast 90% of its total proceeds in equity shares of domestic company through recognized stock exchange.

In order to rationalize provisions of section 111A and 112A and promoting investment in such fund of funds, it is proposed to amend the explanation to section 111A to incorporate the meaning of 'equity -oriented fund' as contained in Explanation to section 112Aof the Act.

INDIRECT TAX & GST CHANGES

Indirect Tax

Our Indirect tax analysis consist of analysis of Goods and Service tax, Service tax, Customs and Excise.

Goods and Service Tax Amendments

Composition Scheme

Definition of Turnover

New Insertion: Explanation in Sec 10

Explanation is being added to section 10 to clarify that:

1. for computing the aggregate turnover to determine eligibility for the composition scheme, value of exempt supplies services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account; and
2. for determining the value of turnover in a State or Union territory to calculate tax payable, value of exempt supplies of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount; and value of the first supplies from 1st of April till the date when the taxpayer becomes liable for registration shall not be taken into account.

Non-Resident and Casual Taxable Person

New Insertion: Clause (e) in sec 10 (2)

Earlier it was not specifically provided in the law whether casual taxable person or a non-resident taxable person are eligible for composition scheme or not.

Sec 10 (2) specifies the eligibility of taxpayer to opt for composition scheme, In order to provide more clarity,- a new sub clause has been inserted to provide that a casual taxable person or a non-resident person cannot be eligible to avail the option of composition scheme.

Composition Scheme for Services

A new sub-section is being inserted in section 10 of the CGST Act to bring in an alternative composition scheme for supplier of services or mixed suppliers (not eligible for the earlier composition scheme) having an annual turnover in preceding financial year upto Rs 50 lakhs.

New Insertion: Section 10 (2A)

Notification No. 2/2019 Central Tax (Rate) provides the facility to the taxpayer who are not eligible to pay tax under composition scheme may opt to pay tax at the rate of 6% subject to fulfilling certain conditions.

Under this new section it has been provided that if a taxpayer is not eligible to opt for composition scheme provided under sec 10 (1) & 10 (2) then such taxpayer may opt to pay tax at the rate of 6% under this section subject to following conditions:

1. He is not making supply of non-GST goods and services.
2. He is not making inter-state outward supply of goods and services.
3. He is not making supplies through e-commerce operator.
4. He is not a manufacturer of goods or supplier of services as may be notified by the central government .
5. He is not a casual taxable person or a non-resident taxable person.

Further it has been provided that if a person who is registered under different state or same state having same permanent account number, then he is not eligible to opt for this scheme unless all such distinct person opts to pay tax under this section.

Registration

Increase in threshold limit for registration in respect of goods

New Insertion: A proviso and an explanation to Section 22 (1)

Earlier in the act it has been provided that a person having taxable turnover exceed Rs. 20 Lacs is required to get registered under this act.

Due to insertion of such proviso government retains power to enhance the limit of aggregate turnover from twenty lacs to forty lacs in case of supplier who is engage of exclusively supply of goods, subject to certain conditions and limitations as may be notified.

Further in order to provide more clarity an explanation has been given that a person shall be considered to be engaged exclusively in supply of goods even if he is engaged in supply of exempted services by way of extending deposits, loans or advances in so far as consideration is represented by way of interest or discount.

Aadhar Authentication

New Insertion: Section 25 (6A), (6B), (6C) & (6D)

Every registered person should provide a valid Aadhaar number and undergo authentication process of such Aadhaar number or required provide alternative and viable means of identification as may be prescribed.

Further it has been provided that on failure of such authentication such person shall deemed to be a person, not having a registration.

For the purpose of providing Aadhaar number following persons are required to provide Aadhar number.

HUF	Karta
Company	Managing Director
Firm	Partners
AOP	Members
Trust	Trustee
Other	Authorized Representative

Facility of digital payment to recipient

New Insertion: Section 31A

Government has retained power to prescribe the class of person by notification, who are required to prescribe the mode of payment to the recipient of goods or services and give option for making payment accordingly.

Monthly Returns

Amendment: Section 39 (1) & 39 (2)

Earlier the section prescribed the dates by which the returns were required to be filed by each category of person but due to newly implemented regulation such dates were changed many times vide various notifications. This created lot of confusion in understanding the due date of filling returns. In order to avoid such duplication of deadlines in act and in respective notifications the government has amended the language of the act where the deadlines as mentioned in earlier act have been removed and the reference of the notification by putting words “as may be prescribed” has been Inserted.

Annual Return

New Insertion: Proviso of Section 44

Earlier the act prescribed the due date of filling annual return by 31st December of the following financial year. In order to give flexibility, the power to extend such dates has been given to the Commissioner.

Returns of Composition Dealer

Section 39 of the CGST Act is being amended so as to allow the composition taxpayers to furnish annual return along with quarterly payment of taxes; and other specified taxpayers may be given the option for quarterly or monthly furnishing of returns and payment of taxes under the proposed new return system.

Portability of Taxes

New Insertion: Section 49 (10)

New sub-sections are being inserted in section 49 of the CGST Act to provide a facility to the registered person to transfer an amount from one (major or minor) head to another (major or minor) head in the electronic cash ledger.

A facility of transferring cash balance available in electronic cash ledger of tax, interest, penalty, fee or any other amount to electronic cash ledger for integrated tax, central tax, union territory tax or cess vide Form GST PMT 09 available on common portal and vise-versa.

Interest on Net Basis

New Insertion: proviso of Section 50 (1)

Earlier the interest on delayed payment of tax is required to be paid on gross amount, whereas - there are doubt in the mind of various taxpayers regarding interest payable on the value of tax paid through credit ledger. Now it has been amended to provide that interest is payable on the amount which is paid in cash by debiting electronic cash ledger (net of credit). The exception would be in those cases where returns are filed subsequent to initiation of any proceedings under section 73 or 74 of the CGST Act.

Other Amendments

- New provisos are being inserted in sub-sections (4) and (5) of section 52 of the CGST Act so as to empower the Commissioner to extend the due date for furnishing of monthly and annual statement by the person collecting tax at source.
- Certain provisions related to National Appellate authority have been introduced.
- Section 171 of the CGST Act is being amended so as to empower the National Antiprofiteering Authority (under sub-section (2) of section 171 of the Act) to impose penalty equivalent to 10% of the profiteered amount.

Recent Notifications

- **31/2019 Central Tax - Seeks to carry out changes in the CGST Rules, 2017.**

Registration

Rule 10A

A new rule 10A has been inserted where the details of bank account shall be provided on the common portal within 45 days of grant of registration or the date on which the returns are due to furnished, whichever is earlier.

Earlier the details of bank was required to provided at the time of filling application for registration.

Rule 87 (13)

A new rule has been inserted where the option of transferring the amount of tax, interest, penalty, fees or any other amount available in electronic cash ledger to the electronic cash ledger for integrated tax, central tax, state tax or cess through Form GST PMT – 09

Refund to Retail outlets on Airports

Rule 95 A

Refund of taxes to the retail outlets established in departure area of an international Airport beyond immigration counters making tax free supply to an outgoing international tourist.-

- Retail outlet established in departure area of an international airport, beyond the immigration counters, supplying indigenous goods to an outgoing international tourist who is leaving India shall be eligible to claim refund of tax paid by it on inward supply of such goods.
- Retail outlet claiming refund of the taxes paid on his inward supplies, shall furnish the application for refund claim in FORM GST RFD- 10B on a monthly or quarterly basis, as the case may be, through the common portal either directly or through a Facilitation Centre notified by the Commissioner.
- The self-certified compiled information of invoices issued for the supply made during the month or the quarter, as the case may be, along with concerned purchase invoice shall be submitted along with the refund application.

The refund of tax paid by the said retail outlet shall be available if-

- the inward supplies of goods were received by the said retail outlet from a registered person against a tax invoice
- the said goods were supplied by the said retail outlet to an outgoing international tourist against foreign exchange without charging any tax
- name and Goods and Services Tax Identification Number of the retail outlet is mentioned in the tax invoice for the inward supply and
- such other restrictions or conditions, as may be specified, are satisfied.

E-way Bill

Rule 138

A proviso has been inserted which provides that the validity of E-way bill may be extended within 8 hours from the time of its expiry.

25/2019 Central Tax - Seeks to extend the date from which the facility of blocking and unblocking on e-way bill facility as per the provision of Rule 138E of CGST Rules, 2017 shall be brought into force to 21.08.2019.

Government vide its earlier notification (22/2019 – Central Tax) restricted the taxpayer to generate E-way Bill if he defaults in furnishing returns for two consecutive tax periods from the date 21st June 2019 but under this notification the effective date of such notification shall be extended to 21st August 2019.

Due date of Returns

- **29/2019 Central tax - Seeks to prescribe the due date for furnishing FORM GSTR-3B for the months of July, 2019 to September,2019.**

Month	Due Date of furnishing GSTR 3B	Due date of payment of Tax
July 2019	20th August 2019	20th August 2019
August 2019	20th September 2019	20th September 2019
September 2019	20th October 2019	20th October 2019

- **28/2019 Central Tax - Seeks to extend the due date for furnishing FORM GSTR-1 for registered persons having aggregate turnover of more than 1.5 crore rupees for the months of July, 2019 to September,2019**
- **27/2019 Central Tax - Seeks to prescribe the due date for furnishing FORM GSTR-1 for registered persons having aggregate turnover of up to 1.5 crore rupees for the months of July, 2019 to September,2019.**

Month	For taxpayer having aggregate turnover of more than 1.5 Crore	For taxpayer having aggregate turnover of upto to 1.5 Crore
July 2019	11th August 2019	31st October 2019
August 2019	11th September 2019	
September 2019	11th October 2019	

Recent Circulars

- **98/2019 Central Tax Circular - Seeks to clarify the manner of utilization of input tax credit post insertion of the rule 88A of the CGST Rules.**

The circular has clarified the manner of utilizing credit under new rule , an illustration is provided below:

Head	Output Liability	Input Tax Credit
IGST	10000	13000
CGST	3000	2000
SGST	3000	2000
Total	16000	17000

Option 1

	Payable	Credit Utilization		
		IGST	CGST	SGST
IGST	10000	10000		
CGST	3000	2000	1000	
SGST	3000	1000		2000

Option2

	Payable	Credit Utilization		
		IGST	CGST	SGST
IGST	10000	10000		
CGST	3000	2000	2000	
SGST	3000	1000		1000

- **102/2019 Central Tax - Clarification regarding applicability of GST on additional / penal interest**

Where any penal interest is charged by the buyer on -

default in payment in respect of principal supplies, then the same amount will be added to the value of supplies as per sec 15 (2) (d) of CGST Act 2017

But where the penal interest charged by the other person in respect of the loans/advance provided to other person then such amount will be considered as interest which is exempted under notification no. 12/2017 – Central Tax (Rate) dated 28.06.2017

- **105/2019 Central Tax - Clarification on various doubts related to treatment of secondary or post-sales discounts under GST - reg.**

It is clarified that if the post-sale discount is given by the supplier of goods to the dealer without any further obligation or action required at the dealer's end, then the post sales discount given by the said supplier will be related to the original supply of goods and it would not be included in the value of supply, in the hands of supplier of goods, subject to the fulfilment of provisions of sub-section (3) of section 15 of the CGST Act. However, if the additional discount given by the supplier of goods to the dealer is the post-sale incentive requiring the dealer to do some act like undertaking special sales drive, advertisement campaign, exhibition etc., then such transaction would be a separate transaction and the additional discount will be the consideration for undertaking such activity and therefore would be in relation to supply of service by dealer to the supplier of goods. The dealer, being supplier of services, would be required to charge applicable GST on the value of such additional discount and the supplier of goods, being recipient of services, will be eligible to claim input tax credit (hereinafter referred to as the "ITC") of the GST so charged by the dealer.

- **Removal of Difficulties Order No. 6/2019 – Central tax**

For the purpose of furnishing annual returns electronically for the period 1st July 2017 to 31st March 2018, certain technical problems are being faced by the taxpayer and in order to give relaxation the government had extended the due date of filling annual returns in Form GSTR 9 along with the reconciliation statement in Form GSTR 9C till 31st August 2019.

- **Last date for intimating composition scheme for services**

The last date for registered persons for filing the intimation in FORM GST CMP-02 for availing the benefit of the alternate composition scheme (Suppliers of services or mixed suppliers, who were not eligible for the primary composition scheme and whose annual turnover in the preceding financial year did not exceed Rs. 50 lakh).

Service Tax Amendments

Sabka Vishwas (Legacy Dispute Resolution) Scheme 2019

Dispute Resolution cum Amnesty Scheme for legacy cases of Central Excise, Service Tax and Cess.

"GST has just completed two years. An area that concerns me is that we have huge pending litigations from pre-GST regime. More than Rs. 3.75 lakh crore is blocked in litigations in service tax and excise. There is a need to unload this baggage and allow business to move on. I, therefore, propose, a Legacy Dispute Resolution Scheme that will allow quick closure of these litigations. I would urge the trade and business to avail this opportunity and be free from legacy litigations".

Nirmala Sitharaman (Minister of Finance) Budget Speech

Salient Features of such scheme are:

- A dispute resolution cum amnesty scheme for resolution and settlement of legacy cases.
- -overs past disputes of taxes which have got subsumed in GST namely Central Excise, Service Tax and Cesses
- -he scheme to be available from a date to be notified.
- Taxes/Cesses covered under the Scheme
- The Central Excise Act, 1944 or the Central Excise Tariff Act, 1985 or Chapter V of the Finance Act, 1994 and the rules made there under and Sixteen other Acts covered.

Benefits

- Relief from payment of tax dues to the extend of 50% to 70% of the tax dues depending on the amount of tax dues involved.
- Relief from payment of interest and penalty
- Person discharged not be liable for prosecution

Relief Granted

Details	Amount (In Rs)	Relief
Tax dues relatable to SCN or appeal arising out of such SCN which is pending as on 30.06.2019 and	<50 Lakhs	70% of the Tax dues
.... Do	> 50 Lakhs	50% of the Tax dues
Tax dues relatable to SCN for late fee or penalty only and the amount of duty has been paid or is nill.	-	Entire amount of late fee or penalty.

Details	Amount (In Rs)	Relief
Tax dues are relatable to amount in arrears	<50 Lakhs >50 Lakhs	60% of the Tax dues 40% of the Tax dues
Tax dues are linked to an enquiry, investigation or audit against the declarant and the amount quantified on or before 30th June.	< 50 Lakhs > 50 Lakhs	70% of the Tax dues 50% of the Tax dues
Tax dues are on account of voluntary disclosure by the declarant.	-	No relief

All persons shall be eligible to make a declaration under this scheme except-

- Where appeal filed before the appellate forum AND final hearing has taken place on or before 30.06.2019
- Where SCN has been issued AND final hearing has taken place on or before 30.06.2019
- Who have been convicted for any offence under any provision for the matter for which he intends to file a declaration
- Who have been subjected to any enquiry or investigation or audit AND amount of duty involved has not been quantified on or before 30.06.2019
- Who have been issued a show cause notice for an erroneous refund or refund -
- **A person making a voluntary disclosure-**

1. after being subjected to any enquiry or investigation or audit.
2. having filed a return wherein he has indicated an amount of duty as payable, but has not paid it

- who have filed an application in the Settlement Commission
- seeking to make declarations with respect to excisable goods set forth in the Fourth Schedule to the Central Excise Act, 1944

Customs

Certain Amendments have been carried out in customs act to rationalize the custom duties and procedures, which are in sync with various economic and fiscal policies of the government

Please note : Amendments carried out through the Finance (No. 2) Bill, 2019 will come into effect on the date of its enactment, unless otherwise specified :

1. Amendments in the customs act, 1962:

- Section 41 is being amended so as to provide a facility, that the departure manifest can also be furnished to a person notified by the Central Government, in addition to the person-in- charge of the conveyance.
- A new chapter XIIB titled "Verification of Identity and Compliance" is being inserted. New section 99B introduced under this chapter empowers proper officer of Customs to carry out verification of a person for ascertaining compliance with the provision of the Customs Act or any other law for the time being in force, for protecting the interests of revenue or to prevent smuggling in the manner as may be prescribed. It is proposed to do the verification of the person through the Aadhaar number or through such other alternative and viable means of identification as may be prescribed through the regulations. It also empowers the Board inter- alia to make regulations to exempt such persons - or class of persons who may not be required to undergo the said verification. Failure to comply with the specified provisions of this section may result in suspension or denial of certain benefits.

- **Section 103 is being amended so as to-**

1. substitute sub-section (1) in order to enable the proper officer to scan or screen, with the prior approval of Deputy Commissioner of Customs or Assistant Commissioner of Customs, any person referred to in sub-section (2) of section 100 who has any goods liable to confiscation secreted inside his body. The proper officer can directly furnish the report of the said screening or scanning to the nearest magistrate if such goods are found secreted inside the body of the said person.
2. so as to enable the magistrate to take action upon the report of scanning or screening by the proper officer under sub-section (6).

- **Section 104 is being amended so as to-**

1. empower an officer of customs to arrest a person who has committed an offence outside India or Indian Customs waters also under sub-section (1).
2. insert two new clauses (c) and (d) in sub-section (4) so as to specify two particular offences which shall be cognizable.
3. insert a new clause (e) in sub-section (6) so as to specify a particular offence which shall be non-bailable.
4. insert an Explanation so as to define the term instrument.

- **Section 110 is being amended so as to-**

1. substitute the existing proviso in sub-section (1) with two provisos so as to specify the conditions under which the custody of seized goods could be given to certain person. The amendment also seeks to specify the conditions, under which the custody of such goods, where it is not practicable to seize such goods, could be given to certain persons.
2. insert a new sub-section (5) so as to empower the proper officer to provisionally attach any bank account for safeguarding the government revenue and prevention of smuggling, for a period not exceeding six months. It is also being provided that a Principal Commissioner of Customs or Commissioner of Customs may further extend the period of attachment up to six months.

- Section 110A is being amended so as to empower an adjudicating authority to release bank account provisionally attached under section 110 to the accountholder on fulfilment of certain conditions.
- A new section 114AB is being inserted so as to provide that any person who has obtained any instrument by fraud, collusion, wilful misstatement or suppression of facts and such instrument has been utilized by such person or any other person for discharging duty, such person to whom the instrument was issued shall be liable for penalty not exceeding the face value of such instrument. An Explanation to define the term instrument is also being inserted.
- Section 117 is being amended so as to increase the maximum limit of penalty from one lakh rupees to four lakh rupees.
- First proviso to section 125 is being amended so as to provide that in respect of cases of covered under deemed closure proceedings under section 28, no fine in lieu of confiscation shall be imposed on the infringing goods.
- **Sub-section (1) of section 135 is being amended so as to-**

1. to insert a new clause (e) therein to make obtaining of an instrument from any authority by fraud, collusion, wilful misstatement or suppression of facts, where such instrument has been utilized by any person a punishable offence.
2. insert a new sub-item (E) under item (i) to make obtaining an instrument from any authority by fraud, collusion, wilful misstatement or suppression of facts, where such instrument has been utilized by any person a punishable offence if the duty relatable to utilization of the instrument exceeds fifty lakhs of rupees.
3. insert an Explanation to define the term instrument.

- Section 149 is being amended so as to empower Board to make regulations specifying time, form, manner, restrictions and conditions for amendment of any document.
- Section 157 is being amended so as to empower the Board to make regulations for purposes of sections 99B and 149 respectively.
- Sub-section (2) of section 158 is being amended so as to increase the maximum limit of penalty for violation of any provision of rules or regulations from fifty thousand rupees to two lakh rupees.

2. Amendments In The Customs Tariff Act, 1975

- Section 9 is being amended so as to insert sub-section (1A) to provide for anti-circumvention measure in respect of countervailing duty.
- Section 9C is being amended so as to provide that appeal against an order of determination or review regarding the existence, degree and effect of increased volume of imports of any article requiring -

imposition of safeguard duty, shall lie with Customs Excise and Service Tax Appellate Tribunal.

3. Retrospective amendments of rate notifications

- (i)Notification Nos. 46/2011-Customs, dated 01.06.2011, 53/2011-Customs, dated 01.07.2011, 12/2012-Customs dated 17.03.2012 are proposed to be amended retrospectively to insert correct CTH of Stearic Acid in the notifications with effect from 31.03.2017.
- (ii)Notification No. 50/2017-Customs dated 30.06.2017 is also proposed to be amended retrospectively to insert correct CTH of Stearic Acid in the notifications with effect from 01.07.2017.
- Notification No. 86/2018-Customs dated 31st December, 2018 amending notification No. 296/76-Customs dated 2nd August, 1976 is proposed to be given retrospective effect so as to exempt IGST and compensation cess leviable under section 3(7) and section 3(9) of the Customs Tariff Act, 1975 respectively, on the temporary importation of vehicles under the Customs Convention on the Temporary Importation of Private Road Vehicles (carnet de passages-en-douane) for the period 1st July, 2017 to 31st December, 2018.
- Retrospective effect, for the period 21st October, 2015 to 22nd February, 2016 to notification No. 5/2016-Customs (ADD) dated 22nd February, 2016 to insert correct classification of product under consideration for ADD namely All Fully Drawn or Fully Oriented Yarn/Spin Draw Yarn/Flat Yarn of Polyester (non-textured and non - POY) (from 5402 to 5402 47). This notification amended the notification No. 51/2015-Customs (ADD) dated 21st October, 2015.
- Retrospective effect, for the period 8th March, 2016 to 4th July, 2016 to notification No. 29/2016-Customs (ADD) dated 5th July, 2016 to exclude ter polymer from the ambit of product under consideration for ADD on Polypropylene. This notification amended notification No. 7/2016-Customs dated 8th March, 2016.

4. Amendments in the first schedule to the customs tariff act, 1975

	Amendments			
A.	**Tariff rate changes forBasic Customs Duty [to be effective from 06.07.2019]* [Clause [87(a)] of the Finance (No. 2) Bill, 2019]**		**Rate of Duty**	
S. N	**Heading, sub-heading tariff item**	**Commodity**	**From**	**To**
		Construction Materials		
1.	3918	Floor covering of plastics, Wall or ceiling coverings of plastics	10%	15%
2.	6905, 6907	Ceramic roofing tiles and ceramic flags and pavings, hearth or wall tiles	10%	15%
3.	8302	Base metal fittings, mountings and similar articles suitable for furniture, doors, staircases, windows, blinds, hinge for auto mobiles	10%	15%

		Precious Metals		
4.	7106	Silver (including silver plated with gold or platinum) unwrought or in semi-manufactured forms, or in powdered form	10%	12.5%
5.	7107 00 00	Base metals clad with silver, not further worked than semi-manufactured .	10%	12.5%
6.	7108	Gold (including gold plated with platinum) unwrought or in semi- manufactured forms, or in powder form	10%	12.5%
7.	7109 00 00	Base metals or silver, clad with gold, not further worked than semi- manufactured.	10%	12.5%
8.	7110	Platinum, unwrought or in semi-manufactured form, or in powder form	10%	12.5%
9.	7111 00 00	Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured	10%	12.5%
10.	7112	Waste and scrap of precious metals or of metal clad with precious metals; other waste and scrap containing precious metal compounds, of a kind used principally for the recovery of precious metal.	10%	12.5%
		Automobile parts		
11.	6813	Friction material and articles thereof (for example, sheets, rolls, strips, segments, discs, washers, pads), not mounted, for brakes, for clutches or the like, with a basis of asbestos, of other mineral substances or of cellulose, whether or not combined with textile or other materials.	10%	15%
12.	7009	Glass mirrors, whether or not framed, including rear-view mirrors.	10%	15%
13.	8301 20 00	Locks of a kind used in motor vehicles.	7.5%	10%
14.	8421 23 00	Oil or petrol filters for internal combustion engines.	7.5%	10%
15.	8421 31 00	Intake air-filters for internal combustion engines.	7.5%	10%
16.	8421 39 20, 8421 39 90	Air purifiers or cleaners and other filtering or purifying machinery and apparatus for gases.	7.5%	10%
17.	8512 10 00, 8512 20 10, 8512 20 20	Lighting or visual signaling equipment of a kind used in bicycles or motor vehicles.	10%	15%
18.	8512 20 90, 8512 30 90	Other visual or sound signalling equipment for bicycles or motor vehicles.	7.5%	15%
19.	8512 30 10	Horns for vehicles	10%	15%
20.	8512 90 00	Parts of visual or sound signalling equipment for bicycles or motor vehicles	7.5%	10%

21.	8512 40 00, 8539 10 00, 8539 21 20, 8539 29 40	Windscreen wipers, defrosters and demisters, Sealed beam lamp units and other lamps for automobiles.	10%	15%
22.	8706	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705.	10%	15%
23.	8707	Bodies (including cabs), for the motor vehicles of headings 8701 to 8705	10%	15%
		Electronics and Electrical equipments		
24.	8415 90 00	Indoor and outdoor unit of split –system air conditioner.	10%	20%
25.	8518 21 00, 8518 22 00	Loudspeaker	10%	15%
26.	8521 90 90	Digital Video Recorder (DVR) and Network Video Recorder (NVR)	15%	20%
27.	8525 80	CCTV camera and IP camera	15%	20%
28.	9001 10 00	Optical Fibres, optical fibre bundles and cables	10%	15%
		Miscellaneous changes in Tariff Schedule		
29.	9804	Chapter Note 7 to be inserted in Chapter 98 so as to exclude printed books imported for personal use from the purview of heading 9804. This heading covers all dutiable articles imported for personal use and attracts 28% IGST. This amendment would exclude printed books from this heading and they would be subject to the applicable merit rate.		
B.	**Amendments not affecting rates of duty [Clause 87(b) of the Finance (No. 2) Bill, 2019]**			
30.	8421 31 00	First Schedule to the Customs Tariff Act, 1975 is amended to: 1. Create specific tariff lines for specific products, presently classified as others; 2. Rectify the errors to align it with HSN. These changes would come into effect from a date to be notified by the Central Government in the official gazette.		

*Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

5. Other proposals involving changes in basic customs duty rates and clarificatory amendments in respective notifications.

S. N.	Heading, sub-heading tariff item	Commodity	From	To
		Defence		
1.	Any Chapter	Specified Defence equipment and their parts imported by the Ministry of Defence or the Armed Forces	Applicable rate	Nil

		Medical Devices		
2.	Any Chapter	Raw material, parts or accessories for use manufacture of artificial kidneys, disposable sterilized dialyzer and micro-barrier of artificial kidney	Applicable rate	Nil
		Food processing		
3.	0801 32 10	Cashew kernel broken	Rs 60/ Kg or 45%, whichever is higher	70%
4.	0801 32 20, 0801 32 90	Cashew kernel whole, Cashew nuts shelled, others	Rs 75/ Kg or 45%, whichever is higher	70%
		Nuclear Fuels and Nuclear Energy projects		
5.	2612 10 00	All forms of Uranium ores and Concentrates for generation of nuclear power (Uranium concentrate U3O8 already exempt)	2.5%	Nil
6.	2844 20 00	All goods for use in generation of Nuclear power (Certain goods such as sintered natural uranium dioxide already exempt)	7.5%	Nil
7.	9801	All goods required for setting up of the following power projects under project imports: - 1. Mahi Banswara Atomic Power project- 1 to 4, Mahi Banswara site Rajasthan 2. Kaiga Atomic Power project – 5 & 6, Kaiga site, Karnataka 3. Gorakhpur Atomic Power project- 3 & 4, GHAVP, Haryana 4. Chutka Atomic Power project- 1 & 2, Chutka site, Madhya Pradesh	Applicable rate	Nil
		Oils and associated chemicals		
8.	Chapter 15, 2915 70, 3823 11 00, 3823 12 00, 3823 13 00, 3823 19 00	Palm stearin and other oils, having 20% or more free fatty acid, Palm Fatty Acid Distillate and other industrial monocarboxylic fatty acids, acid oils from refining, for use in manufacture of soap and oleochemicals.	Nil	7.5%
		Petroleum and Petrochemicals		
9.	2709 00 00	Petroleum Crude	Nil	Re. 1 per tone

10.	2710	Naphtha	5%	4%
11.	2903 15 00	Ethylene dichloride (EDC)	2%	Nil
12.	2910 20 00	Methyloxirane (Propylene Oxide)	7.5%	5%
		Plastic and Rubber		
13.	3904	Poly Vinyl Chloride	7.5%	10%
14.	3926 90 91, 3926 90 99	Articles of plastics	10%	15%
15.	4002 31 00	All goods i.e. Butyl Rubber	5%	10%
16	4002 39 00	Chlorobutyl rubber or bromobutyl rubber	5%	10%
		Paper and Paper products		
17.	48	1. Newsprint 2. Uncoated paper used for printing of newspapers 3. Lightweight coated paper used for printing of magazines	Nil	10%
18.	4901 10 10, 4901 91 00, 4901 99 00	Printed books (including covers for printed books) and printed manuals, in bound form or in loose-leaf form with binder, executed on paper or any other material including transparencies.	Nil	5%
		Textiles		
19.	5101	Wool Fibre	5%	2.5%
20.	5105	Wool Tops	5%	2.5%
		Flooring materials		
21.	2515 12 20, 6802 10 00, 6802 21 10, 6802 21 20, 6802 21 90, 6802 91 00, 6802 92 00	Marble Slabs	20%	40%
		Inputs for Optical Fibres		
22.	28 or 70	Raw materials used in manufacture of Preform of Silica:- 1. Refrigerated Helium Liquid (2804 29 10) 2. Silicon Tetra Chloride and Germanium Tetra Chloride (2812 19 20, 2812) 3. Silica Rods (7002 20 90) 4. Silica Tube (7002 31 00)	Applicable Rate	Nil

23.	5603 94 00	Water blocking tapes for manufacture of optical fiber cable	Nil	20%
		Precious Metals		
24.	7106	Silver dore bar, having silver content not exceeding 95%	8.5%	11%
25.	7108	Gold dore bar, having gold content not exceeding 95%	9.35%	11.85%
26.	71 or 98	1. Gold (excluding ornaments studded with stones or pearls) imported by an eligible passenger as baggage 2. Silver (excluding ornaments studded with stones or pearls) imported by an eligible passenger as baggage	10%	12.5%
		Iron and Steel, Other base metals		
27.	7218	Stainless steel in ingots or other primary forms; semi-finished products of stainless less	5%	7.5%
28.	7224	Other alloy steel in ingots or other primary forms; semi-finished products of other alloy steel	5%	7.5%
29.	7225, 7225 19 90	Inputs for the manufacture of CRGO steel:- 1. MgO coated cold rolled steel coils 2. Hot rolled coils 3. Cold-rolled MgO coated and annealed steel 4. Hot rolled annealed and pickled coils 5. Cold rolled full hard	5%	2.5%
30.	7226 99 30	Amorphous alloy ribbon	10%	5%
31.	7229	Wire of other alloy steel (other than INVAR)	5%	7.5%
32.	8105 20 10	Cobalt mattes and other intermediate products of cobalt metallurgy	5%	2.5%
		Capital goods		
33.	8474 20 10	Stone crushing (cone type) plants for the construction of roads	Nil	7.5%
34.	82, 84, 85 or 90	Capital goods used for manufacturing of following electronic items, namely- 1. Populated PCBA 2. Camera module of cellular mobile phones 3. Charger/Adapter of cellular mobile phone 4. Lithium Ion Cell 5. Display Module 6. Set Top Box 7. Compact Camera Module	5%	2.5%

35.	84, 85 or 90	Capital goods used for manufacturing of specified electronic items, namely- 1. Cathode Ray tubes; 2. CD/CD-R/DVD/DVD-R; 3. Deflection components, CRT monitors/CTVs; 4. Plasma Display Panel	Nil	Applica-ble
		Electronics		
36.	8504 40	Charger/Power adapter for CCTV camera/IP camera/DVR/NVR	Nil	15%
37.	85	Specified electronic items like plugs, sockets, switches, connectors, relays.	Nil	Applica-ble rate
		Automobile And Automobile Parts		
38.	8421 39 20, 8421 39 90	Catalytic convertor (All goods under these tariff items other than cat-alytic converters will continue at 7.5%)	5%	10%
39.	8702, 8704	Completely Built Unit (CBU) of vehicles falling under heading 8702, 8704	25%	30%
40.	Any Chapter	Following parts of electric vehicles: - 1. E-Drive assembly, 2. On board charger, 3. E-compressor and 4. Charging Gun	Applicable rate	Nil
41.	87	Prescribing actual user condition in respect of existing exemption from BCD to parts of Hybrid vehicles	-	-
		Oil rigs and other goods used for oil exploration		
42.	84 or any other chapter	Providing option to pay BCD at transaction value on the disposal of goods, imported without payment of customs duty for petroleum operations / coal bed Methane operations where such disposal is made in unserviceable and mutilated condition	Applicable rate on de-preciated value	7.5% on trans-action value
		Export Promotion for Sports goods		
43.	39 , 4407	Foam/EVA foam (39) and Pine Wood (4407) are being included in the list of items allowed duty free import upto 3% of FOB value of sports goods exported in the preceding financial year subject to specified conditions	Applicable rate	Nil
	Clarifications and Miscellaneous changes regarding Basic Customs Duty			
		Fisheries		
44.	2309	Clarification is being issue that prawn feed and shrimp larvae feed, other than in pellet form will also attract 5% customs duty applicable on other fish feed in pellet form.		

6. Proposals involving changes in export duty rates

S.N.		Export duty changes	From	To
1.	41	EI tanned Leather	15%	Nil
2.	41	Hides, skins and leathers, tanned and untanned, all sorts	60%	40%

7. Amendment in the sixth schedule to the finance act, 2018

S.N.	Amendments in scheduled rate of Road and Infrastructure Cess levied as additional duty of customs, on Petrol and Diesel [to be effective from 06.07.2019]* [Clause [201] of the Finance (No. 2) Bill, 2019] [effective rate is prescribed by notification as detailed in VII below]	Rate of Duty	
		From	To
1.	Motor spirit commonly known as petrol	Rs. 8 per litre	Rs 10 per litre
2.	High speed diesel oil	Rs. 8 per litre	Rs 10 per litre

*Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

8. Effective change in rate of Road and Infrastructure Cess on Petrol and Diesel

S.N.	Description	Rate of Duty	
	Change in effective rate of Road and Infrastructure Cess, levied as additional duty of customs, on Petrol and Diesel.	From	To
1.	Motor spirit commonly known as petrol	Rs. 8 per litre	Rs 9 per litre
2.	High speed diesel oil	Rs. 8 per litre	Rs 9 per litre

8. Other Miscellaneous changes

1.	To rephrase the existing entry to make the intention explicitly clear that prawn feed, shrimp larvae feed in any form are entitled to concessional rate of 5% whereas fish feed in pellet form only attracts 5%
2.	To include HS 8486 in the notification No. 25/1998-Customs so as to explicitly exempt from BCD all the machines used for the manufacture of semi-conductors as included in the notification
3.	To include “Headphones, earphones and combined microphone/speaker sets of Line Telephone handsets” in notification No. 25/2005-Customs dated 1st March 2005 as these items were included in the ITA agreement, by changing the description of goods against tariff sub heading 8518 30 00
4.	To amend entry at S. No. 6A of the notification No. 57/2017-Customs so as to explicitly exclude microphones, receivers, speaker, connectors and SIM socket from the said entry

EXCISE

Certain Amendments have been carried out in excise act to increase the excise duties, which are in sync with various economic and fiscal policies of the government.

Amendments carried out through the Finance (No. 2) Bill, 2019 come into effect on the date of its enactment, unless otherwise specified.

1. Amendments in the fourth schedule to the central excise act, 1944

S.N.	Amendments affecting rate of Basic Excise Duty [to be effective from 06.07.2019]* [Clause [90] of the Finance (No. 2) Bill, 2019]		Rate of Duty	
	Heading, sub-heading tariff item	Commodity	From	To
1.	2709 20 00	Petroleum Crude	Nil	Re. 1 per tonne

2. Proposals involving change in excise duty rates through notifications

S.N.	Heading, sub-heading tariff item	Commodity	From	To
1.	2402 20 10	Other than filter cigarettes, of length not exceeding 65 millimeters	Nil	Rs. 5 per thousand
2.	2402 20 20	Other than filter cigarettes, of length exceeding 65 millimeters but not exceeding 70 millimeters	Nil	Rs. 5 per thousand
3.	2402 20 30	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimeters or its actual length, whichever is more) not exceeding 65 millimeters	Nil	Rs. 5 per thousand
4.	2402 20 40	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimeters or its actual length, whichever is more) exceeding 65 millimeters but not exceeding 70 millimeters	Nil	Rs. 5 per thousand
5.	2402 20 50	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimeters or its actual length, whichever is more) exceeding 70 millimeters but not exceeding 75 millimeters	Nil	Rs. 5 per thousand
6.	2402 20 90	Other (Cigarettes containing tobacco)	Nil	Rs. 5 per thousand
7.	2402 90 10	Cigarettes of tobacco substitutes	Nil	Rs. 5 per thousand

8.	2403 11 10	Hookah or gudaku tobacco	Nil	0.5%
9.	2403 19 10	Smoking mixtures for pipes and cigarettes	Nil	1%
10.	2403 19 21	Other than paper rolled biris, manufactured without the aid of machine	Nil	5 paisa per thousand
11.	2403 19 29	Other (Biris)	Nil	10 paisa per thousand
12.	2403 19 90	Other smoking tobacco	Nil	0.5%
13.	2403 91 00	“Homogenised” or “reconstituted” tobacco	Nil	0.5%
14.	2403 99 10	Chewing tobacco	Nil	0.5%
15.	2403 99 20	Preparations containing chewing tobacco	Nil	0.5%
16.	2403 99 30	Jarda scented tobacco	Nil	0.5%
17.	2403 99 40	Snuff	Nil	0.5%
18.	2403 99 50	Preparations containing snuff	Nil	0.5%
19.	2403 99 60	Tobacco extracts and essence	Nil	0.5%
20.	2403 99 90	Other (manufactured tobacco and substitutes)	Nil	0.5%
21.	2709 20 00	Crude Petroleum oil produced in specified oil fields under production sharing contracts or in the exploration blocks offered under the New Exploration Licensing Policy (NELP) through international competitive bidding.	Re. 1 per tonne	Nil

4. Amendment in the sixth schedule to the finance act, 2018

S.N.	Amendments in scheduled rate of Road and Infrastructure cess levied as additional duty of excise, on Petrol and Diesel [to be effective from 06.07.2019]* [Clause [201] of the Finance (No. 2) Bill, 2019] [effective rate is prescribed by notification as detailed in V-B below]	Rate of Duty	
		From	To
1.	Motor spirit commonly known as petrol	Rs. 8 per litre	Rs 9 per litre
2.	High speed diesel oil	Rs. 8 per litre	Rs 9 per litre

* Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

5. Effective change in rate of Special Additional Excise Duty and Road and Infrastructure Cess on Petrol and Diesel

S.N.	Description	Rate of Duty	
A	**Increase in effective rate of Special Additional Excise Duty on Petrol and Diesel**	**From**	**To**
1.	Motor spirit commonly known as petrol	Rs. 7 per litre	Rs 8 per litre
2.	High speed diesel oil	Rs. 1 per litre	Rs 2 per litre
B	**Increase in effective rate of Road and Infrastructure Cess, levied as additional duty of excise, on Petrol and Diesel**	**From**	**To**
1.	Motor spirit commonly known as petrol	Rs. 8 per litre	Rs 9 per litre
2.	High speed diesel oil	Rs. 8 per litre	Rs 8 per litre

REGULATORY CHANGES

Regulatory Changes

The new government with its next tenure brings up the budget with a vision to become $5 trillion economy driven by 'virtuous cycle' of investment which will lead in making India sixth largest economy.

MSME's And Social Enterprises

To support the financing of MSME's, an online portal is to be introduced by the Government which will provide ease in providing of loans upto 1 crore to MSME's within 59 minutes.

To eliminate the delays in payments to MSME's, government is planning to create a payment platform for MSMEs to enable filing of bills and payment thereof on the platform itself.

Benefits to Start-Ups

At present, start-ups are not required to justify fair market value of their shares issued to certain investors including Category-I Alternative Investment Funds (AIF). It is proposed to extend this benefit to Category-II Alternative Investment Funds also.

Moreover, to discuss the issues related to growth, funding, tax planning and promotion of the start-ups it is proposed to start an exclusive television programme within the DD bouquet of channels for start-ups, which is to be designed and managed by themselves.

Attracting FDI By Increase in Limits

India attracted $64.4 bn worth of FDI in 2018-19 and it is proposed to increase this number by increasing - the foreign investment limit in many sectors for financing and development of the industry. Following proposal have been placed to facilitate FDI:

- 100% FDI is permitted in insurance intermediaries
- Statutory limit of 24% for FPI investment in a company can be increased and replaced with the sectoral foreign investment limit "SFIL" and the company may have an option to reduce this SFIL limit as per their ease.
- It is proposed to permit transfer of FII/FPI investment in debt securities issued by IDFNBFCs to domestic investors, to augment the financing options for infrastructure industry.
- An action plan to deepen the market for long term bonds including for deepening markets for corporate bond repos, credit default swaps etc., with specific focus on infrastructure sector, will be put in place.
- A Credit Guarantee Enhancement Corporation for which regulations have been notified by the RBI, will be set up in 2019- 20 to enhance the sources of capital for infrastructure financing.
- It is also planned to examine the ideas of FDI in aviation, media (animation, AVGC) and insurance sectors in consultation with all stakeholders and may clear the path of FDI investment in such sectors. Further, local sourcing norms will be eased for FDI in Single Brand Retail sector.
- Merge the NRI-Portfolio Investment Scheme Route with the Foreign Portfolio Investment Route.

Changes in financial and banking sector

A. Non-Banking Financial Companies (NBFCs) are playing an extremely important role in sustaining -

consumption demand as well as capital formation in small and medium industrial segment. NBFCs that are fundamentally sound should continue to get funding from banks and mutual funds without being unduly risk averse. Therefore, for purchase of high-rated pooled assets of financially sound NBFCs of one lakh crore Rupees during the current financial year, it is proposed to provide one time six months' partial credit guarantee to Public Sector Banks for first loss of up to 10%.

B. To bring more participants, especially NBFCs, not registered as NBFCs-Factor, on the TReDS platform, amendment in the Factoring Regulation Act, 2011 is necessary and steps will be taken to allow all NBFCs to directly participate on the TReDS platform.

C. The mandatory requirement of creating a Debenture Redemption Reserve (DRR) by NBFC's for public issues of debt will be done away with.

D. The government will follow the policy of disinvestment in non-financial public sector undertakings and has decided to retain 51% stake inclusive of the stake of Government controlled institutions.

Amendments to the Reserve Bank of India act, 1934

E. Reserve Bank of India (RBI) is the regulator for NBFCs. However, RBI has limited regulatory authority over NBFCs. Appropriate proposals for strengthening the regulatory authority of RBI over NBFCs are being placed in the Finance Bill. Brief of the same is stated below:

Under Section 45-IA which related to requirement of registration and net owned fund for commencing or carrying on the business of a non-banking financial institution, upper cap of net owned funds has been revised from two hundred lakh rupees to hundred crore rupees.

Further the Bank may notify different amounts of net owned fund for different categories of non-banking financial companies.

Following new sections have been inserted:

- 45ID relates to Power of Bank to remove directors from office.Such power can be invoked in the public interest or to prevent the affairs of a nonbanking financial company being conducted in a manner detrimental to the interest of the depositors or creditors, or financial stability or for securing the proper management of such company.
- 45-IE relates to Supersession of Board of directors of non-banking financial company (other than Government Company). Such power can be invoked by appointing an Administrator in the public interest or to prevent the affairs of a non-banking financial company being conducted in a manner detrimental to the interest of the depositors or creditors, or of the non-banking financial company (other than Government Company), or for securing the proper management of such company or for financial stability.
- 45MAA relates to Power to take action against auditors.
- 45MBA relates to Resolution of non-banking financial company. Power has been given to RBI to frame schemes which may provide for any one or more of the following, namely:–

1. amalgamation with any other non-banking institution;
2. reconstruction of the non-banking financial company;
3. splitting the non-banking financial company into different units or institutions and vesting viable -

and non-viable businesses in separate units or institutions to preserve the continuity of the activities of that non-banking financial company that are critical to the functioning of the financial system and for such purpose establish institutions called "Bridge Institutions".

- 45NAA- Power in respect of group companies. This section gives power to RBI to cause an inspection or audit to be made of any group company of a non-banking financial company and its books of account.
- Quantum of penalties has been increased in Section 58B and 58G.

F. Amendment To The Insurance Act, 1938

To facilitate on-shoring of international insurance transactions and to enable opening of branches by foreign reinsurers in the International Financial Services Centre, it is proposed to reduce Net Owned Fund requirement from 5,000 crore to 1,000 crore. Following changes have been placed in Finance Bill:

- Amendment has been made to Section 6 of this Act relating to requirement of capital for registration for carrying on the business of life insurance, general insurance or re-insurance in India.
- As per the amendment no foreign company engaged in re-insurance business through a branch established in an International Financial Services Centre referred to in sub-section (1) of section 18 of the Special Economic Zones Act, 2005, shall be registered unless it has net owned funds of not less than rupees one thousand crore.".

G. Amendments To The National Housing Bank Act, 1987

The National Housing Bank (NHB), besides being the refinancer and lender, is also regulator of the housing finance sector. This gives a somewhat conflicting and difficult mandate to NHB. It has been proposed to return the regulation authority over the housing finance sector from NHB to RBI. Necessary proposals have been placed in the Finance Bill, a brief of which is given below:

- Amendment has been made in Section 29A relating to requirement of registration and net owned fund, amount of net owned fund has been increased from Rs. two crore rupees to Rs. ten crore rupees.
- Powers granted to National Housing Bank has now been given to the Reserve Bank of India like Applications for registration of housing finance institution which is company shall now be made to Reserve Bank of India instead of National Housing Bank.

H. Amendment To The Payment And Settlement Systems Act, 2007

It has been proposed for business establishments with annual turnover more than 50 crore to offer low cost digital modes of payment to their customers and no charges or Merchant Discount Rate to be imposed on customers as well as merchants.

It is proposed that RBI and Banks will absorb these costs from the savings that will accrue to them on account of handling less cash as people move to these digital modes of payment.

Necessary amendments have been made in the Payments and Settlement Systems Act, 2007 to give effect to these provisions.

Amendments to The Prevention of Money-Laundering Act, 2002

Enhanced due-diligence by reporting entities – Section 12AA

The Union Budget 2019 has proposed to insert a new Section 12AA in PMLA, 2002 to require every bank, financial institution, intermediary, etc to:

- Authenticate the identity of clients undertaking specified transactions
- Take additional steps to examine ownership and their financial position (including sources of funds of the client)
- Take additional steps to record reason or purpose for conducting the specified transaction and nature of the relationship between the parties.
- Such norms empower the reporting authority to increase the future monitoring of the business relationship with clients, including greater scrutiny of transaction. The reporting authority shall maintain the information obtained out of due-diligence for a period of 5 years from the date of transactions between a client and reporting authority. Consequential amendment has been made to Section 73 to empower the Govt. to make rules for undertaking the due-diligence under Section 12AA.

Inter-ministerial Committee – Section 72A

It is also proposed to insert Section 72A to allow power to Central Government to constitute Inter Ministerial Co-ordination Committee that is responsible for coordination and cooperation across all relevant/competent authorities on implementation of Financial Action Task Force standards.

This is required for effective implementation of Financial Action Task Force standards Recommendations and to draw, coordinate, monitor and review the Anti Money Laundering or Countering Financing of Terrorism policies or activities and their implementation to strengthen Anti Money Laundering or Countering Financing of Terrorism framework in line with Financial Action Task Force standards.

Amendment in provisions of prohibition of benami property transactions act:

- **Approval of approving authority:**

The existing provisions of section 23 of the Prohibition of Benami Property Transactions Act ('the PBPT Act') provides that the Initiating Officer, shall conduct inquiry or investigation with the prior approval of the Approving Authority. This power is exercised by the Initiating Officer where no case is pending before him.

However, it was not expressly provided in the PBPT Act that the prior approval of Approving Authority shall not be required where the Initiating Officer has already initiated proceedings by issuing notice under section 24(1).

Thus, the Union Budget, 2019 has proposed to amend Section 23 of the PBPT Act to provide that no prior approval of approving authority would be required where the Initiating Officer has issued show cause notice u/s 24 of the PBPT Act, on the basis of material in his possession that any person is a benamidar.

This amendment will take effect retrospectively from 1st November, 2016.

- **Changes related to attachment of property:**

Section 24(3) of the PBPT Act provides for attachment of benami property for a period of 90 days from the date of issue of notice under section 24(1) of the PBPT Act. Section 24(4) provides for passing of order within 90 days from the date of issuing notice under section 24(1).

In order to rationalize the aforesaid provisions, it is proposed to amend the section 24 so as to provide that with effect from 1st day September 2019, period of 90 day in case of provisional attachment of property under section 24(3) and passing of order under section 24(4) shall be reckoned from the end of the month in which notice under section 24(1) is issued.

- **Exclusions for the period during which the proceedings are stayed by the court :**

In order to provide adequate time to initiating officer to pass the order or make the reference under the PBPT Act, the Union Budget 2019 has provided for exclusion of period during which court proceedings are stayed.
[with effect from 1st September 2019]

- **Section 54A: Penalty for failure to furnish information or comply with summons issued:**

With a view to ensure compliance with the summons issued and information required to be furnished under the PBPT Act, it is proposed to insert a new section 54A in the PBPT Act so as to provide for levy of penalty of Rs 25000 for failure to comply with the summons issued or to failure to furnish information under section 19 or section 21 respectively, of the PBPT Act.
[With effect from 1st September 2019]

- **Section 54B: records or documents in the custody of an authority shall be admitted as an evidence:**

With effect from 1st September 2019 entries in the records or other documents in the custody of an authority shall be admitted as an evidence in any proceedings for prosecution of any person for an offence under the PBPT.

- **Section 55: previous approval of competent authority for prosecution:**

The existing provisions of the section 55 of the PBPT Act provide that no prosecution shall be instituted against any person in respect of any offence under the said Act without the previous sanction of the Board. With a view to rationalise the provisions, it is proposed to amend the said section so as to provide that no prosecution shall be instituted against any person in respect of any offence under the said Act without the previous sanction of the competent authority.
[With effect from 1st September 2019]

Other Changes

- It is proposed to increase minimum public shareholding in the listed companies from current threshold of 25% to 35%.
- It is proposed to initiate steps towards creating an electronic fund raising platform – a social stock exchange - under the regulatory ambit of Securities and Exchange Board of India (SEBI) for listing social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund.

GLOSSARY

J P Chawla & Co. LLP
Chartered Accountants

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

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

About JPC.

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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