

## **“Thanking Our Taxpayers”**

**Nirmala Sitharaman**

*Minister of Finance*

*“I begin by thanking our taxpayers who, as responsible citizens, perform their duty by paying their taxes. It is because of their valuable contribution that our Government is able to work for our collective dream of inclusive and all round development of our nation.”*

## **BUDGET HIGHLIGHTS 2019-20**

### **Income Tax**

- Currently, the lower rate of 25 % is only applicable to companies having annual turnover up to Rs 250 Crore. Proposal to widen this to include all companies having annual turnover up to Rs 400 crore. This will cover 99.3% of the companies. Now only 0.7% of companies will remain outside this rate.
- Propose to enhance surcharge on individuals having taxable income from Rs 2 crore to Rs 5 crore and Rs 5 crore and above so that effective tax rates for these two categories will increase by around 3 % and 7 % respectively. ***(Thus, total income of individual exceeding 2 crore upto 5 crore will attract surcharge @ 25% and Total income exceeding 5 crore will attract surcharge @ 37%.)***

### **Goods and Services Tax**

- Proposal to move to an electronic invoice system wherein invoice details will be captured in a central system at the time of issuance. This will eventually be used to prefill the taxpayer's returns. There will be no need for a separate e-way bill. Its roll out would begin from January, 2020.
- A simplified single monthly return is being rolled out. Taxpayer having annual turnover of less than Rs 5 crore shall file quarterly return.
- Free accounting software for return preparation has been made available to small businesses.
- A fully automated GST refund module shall be implemented.

### **Customs**

- Basic Customs Duty is being increased on items such as cashew kernels, PVC, Vinyl flooring, tiles, metal fittings, mountings for furniture, auto parts, certain kinds of synthetic rubbers, marble slabs,

optical fibre cable, CCTV camera, IP camera, digital and network video recorders etc.

- Exemptions from custom duty on certain electronic items which are now being manufactured in India are being withdrawn.
- End Use based exemptions on palm stearin, fatty oils, and exemptions to various kinds of papers are also being withdrawn.
- To encourage domestic publishing and printing industry, 5 % custom duty is being imposed on imported books.
- To further promote domestic manufacturing, customs duty reductions are being proposed on certain raw materials and capital goods of CRGO sheets, amorphous alloy ribbon, ethylene di-chloride, propylene oxide, cobalt matte, naphtha, wool fibres, inputs for manufacture of artificial kidney and disposable sterilised dialyser, and fuels for nuclear power plants.
- To further incentivise e-mobility, customs duty is being exempted on certain parts of electric vehicles. Customs duty is also being exempted on capital goods required for manufacture of specified electronic goods.
- Proposal to increase custom duty on gold and other precious metals from 10% to 12.5%.
- Misuse of duty free scrips and drawback facility involving more than fifty lakh rupees will be a cognizable and non-bailable offence.

#### **Other Indirect Tax**

- Propose to increase Special Additional Excise duty and Road and Infrastructure Cess each by one rupee a litre on petrol and diesel.
- A nominal basic excise duty is being imposed on Tobacco products and

crude.

- Propose to introduce a **Legacy Dispute Resolution Scheme** that will allow quick closure of pending Service tax and Excise litigations.

### **Mega Investment in Sunrise and Advanced Technology Areas**

the government will launch a scheme to invite global companies through a transparent competitive bidding to set up mega-manufacturing plants in sunrise and advanced technology areas such as Semi-conductor Fabrication (FAB), Solar Photo Voltaic cells, Lithium storage batteries, Solar electric charging infrastructure, Computer Servers, Laptops, etc. and provide them investment linked income tax exemptions under section 35 AD of the Income Tax Act, and other indirect tax benefits.

### **Electric Vehicles**

Government has already moved GST council to lower the GST rate on electric vehicles from 12% to 5%. Also to make electric vehicle affordable to consumers, our government will provide additional income tax deduction of Rs 1.5 lakh on the interest paid on loans taken to purchase electric vehicles. This amounts to a benefit of around Rs. 2.5 lakh over the loan period to the taxpayers who take loans to purchase electric vehicle.

### **Start-ups**

- To resolve the so-called 'angel tax' issue, 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.
- No inquiry or verification can be carried out by the Assessing Officer without obtaining approval of his supervisory officer.
- Proposal to extend the period of exemption of capital gains arising from sale of residential house for investment in start-ups up to 31.3.2021 and relax certain conditions of this exemption.

- Proposal to relax some of the conditions for carry forward and set off of losses in the case of start-ups.

### **Affordable housing**

Proposal to allow an additional deduction of up to Rs 1,50,000/- for interest paid on loans borrowed up to 31<sup>st</sup> March, 2020 for purchase of an affordable house valued up to Rs 45 lakh. *(Presently, it is Rs. 2,00,000. Therefore, a person purchasing an affordable house will now get an enhanced interest deduction up to Rs 3.5 lakh. This will translate into a benefit of around Rs 7 lakh to the middle class home-buyers over their loan period of 15 years.)*

### **International Financial Services Centre (IFSC)**

Proposal to provide several direct tax incentives to an IFSC including 100 % profit-linked deduction under section 80-LA in any ten-year block within a fifteen-year period, exemption from dividend distribution tax from current and accumulated income to companies and mutual funds, exemptions on capital gain to Category-III AIF and interest payment on loan taken from non-residents.

### **Securities Transaction Tax (STT)**

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

### **Simplification and Ease of living**

Proposal to implement series of measures that will leverage technology to make compliance easier for the taxpayers.

### **Interchangeability of PAN and Aadhaar**

Proposal to make PAN and Aadhaar interchangeable and allow those who do not have PAN to file Income Tax returns by simply quoting their Aadhaar number and also use it wherever they are required to quote PAN.

### **Pre-filing of Income-tax Returns**

Pre-filled tax returns will be made available to taxpayers which will contain details of salary income, capital gains from securities, bank interests, and dividends etc. and tax deductions. This will not only significantly reduce the time taken to file a tax return, but will also ensure accuracy of reporting of income and taxes.

### **Faceless e-assessment**

A scheme of faceless assessment in electronic mode involving no human interface is being launched this year in a phased manner. To start with, such e-assessments shall be carried out in cases requiring verification of certain specified transactions or discrepancies. Cases selected for scrutiny shall be allocated to assessment units in a random manner and notices shall be issued electronically by a Central Cell, without disclosing the name, designation or location of the Assessing Officer. The Central Cell shall be the single point of contact between the taxpayer and the Department.

### **Digital Payments**

- Proposal to levy TDS of 2% on cash withdrawal exceeding ₹ 1 crore in a year from a bank account.
- Proposal that the business establishments with annual turnover more than ₹ 50 crore shall offer such low cost digital modes of payment to their customers and no charges or Merchant Discount Rate shall be imposed on customers as well as merchants.

### **Vision for the decade**

In 2014, the Indian economy was at approximately US\$ 1.85 trillion. Within 5 years it has reached US\$ 2.7 trillion. Hence, it is well within the capacity to reach the US\$ 5 trillion in the next few years. In the interim Budget of 2019-20 presented in February 2019, the government gave themselves a Vision for the Decade. The FM flags the ten points of Vision:

- a. Building physical and social infrastructure;

- b. Digital India reaching every sector of the economy;
- c. Pollution free India with green Mother Earth and Blue Skies;
- d. Make in India with particular emphasis on MSMEs, Start-ups, defence manufacturing, automobiles, electronics, fabs and batteries, and medical devices;
- e. Water, water management, clean Rivers;
- f. Blue Economy;
- g. Space programmes, Gaganyaan, Chandrayan and Satellite programmes;
- h. Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables;
- i. Healthy society – Ayushman Bharat, well-nourished women & children. Safety of citizens;
- j. Team India with Jan Bhagidari. Minimum Government Maximum Governance.

## **INCOME TAX SLABS**

### **Part 1**

#### **Rates of Income-tax For Individual (See notes A & B), Hindu Undivided Family, Association of Persons, Body of Individuals, Whether Incorporated or not and every Artificial Juridical Person**

<i>Income Slab</i>	<i>Rates of Income-tax</i>
Upto Rs 2,50,000	Nil
From Rs 2,50,001 - Rs 5,00,000	5% of Income over Rs 2,50,000
From Rs 5,00,001 - Rs 10,00,000	Rs 12,500 + 20% of Income over Rs. 5,00,000
Above Rs 10,00,000	Rs 1,12,500 + 30% of Income over Rs 10,00,000

A In the case of Senior Citizens (60 years and above, but below 80 years), the income-tax is nil  
 upto Rs 3,00,000; 5% between Rs 3,00,001 to Rs 5,00,000; 20% on Rs 5,00,001 to Rs 10,00,000 and 30% thereafter.

B In the case of Very Senior Citizens (80 years and above), the income-tax is nil

upto Rs 5,00,000: 20% between Rs 5,00,001 to Rs 10,00,000 and 30% thereafter.

**Health & Education Cess** of 4% will be applicable

**Surcharge:**

Total income exceeding Rs 50 Lac upto 1 crore will attract surcharge @ 10%.

Total income exceeding 1 crore upto 2 crore will attract surcharge @ 15%.

**Total income exceeding 2 crore upto 5 crore will attract surcharge @ 25%.**

**Total income exceeding 5 crore will attract surcharge @ 37%.**

### Part 2

#### Rate of Income-tax of Cooperative Society

<i>Income Slab</i>	<i>Rates of Income-tax</i>
UptoRs 10,000	10 per cent
From Rs 10,001 - Rs 20,000 10,000	Rs 1,000 + 20% of Income over Rs 10,000
Above Rs 20,000 20,000	Rs 3,000 + 30% of Income over Rs 20,000

**Health & Education Cess** of 4% will be applicable

**Surcharge:** Total income exceeding Rs 1 crore will attract surcharge @ 12%.

### Part 3

#### Rate of Income-tax for Firm

<i>Income Slab</i>	<i>Rates of Income-tax</i>
On the whole of the total income	30%

**Health & Education Cess** of 4% will be applicable



*Surcharge:* Total income exceeding Rs 1 crore will attract surcharge @ 12%.

#### **Part 4**

#### **Rate of Income-tax for Local Authority**

<i>Income Slab</i>	<i>Rates Of Income-tax</i>
On the whole of the total income	30%

**Health & Education Cess** of 4% will be applicable

*Surcharge:* Total income exceeding Rs 1 crore will attract surcharge @ 12%.

#### **Part 5**

#### **Rates of Income-tax for companies**

<i>Income slab</i>	<i>Rates of income-tax</i>
--------------------	----------------------------

- I. In the case of a domestic companies
  - (i) Where its total turnover or the gross receipt in the previous year **2017-18 does not exceed Rs. 400 crore** 25% of the total income
  - (ii) Other than referred to in item (i) 30% of the total income
  
- II. In the case of a company other than a domestic company:-
  - (i) On so much of the total income as consists of-
    - (a) Royalties receive from Government or an Indian concern in pursuance of an agreement made by it Government or the Indian concern after the 31<sup>st</sup> day of March, 1961 but before the 1<sup>st</sup> April, 1976 or
    - (b) Fess for rendering technical service received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after

- the 29<sup>th</sup> day of February, 1964 but before the  
1<sup>st</sup> day of April, 1976.
- and where such agreement has, in either case, 50 per cent;  
been approved by the Central Government
- (ii) On the balance, if any, of the total income 40 per cent;
- 

**Surcharges on Income-tax**

- (i) In the case of every domestic company:-  
(a) Total income exceeding Rs one crore but not exceeding Rs ten crore @ 7%; and  
(b) Total income exceeding Rs ten crore @ 12%.
- (ii) In the case of every company other than a domestic company:-  
(a) Total income exceeding Rs one crore but not exceeding ten crore @ 2%;  
and  
(b) Total income exceeding Rs ten crore @ 5%.

**Health & Education Cess** of 4% will be applicable