







Foreword

Nirmala Sitharaman's maiden budget and the first budget of Modi Sarkar. 2, struck all the right chords by addressing the current pain points of the economy, yet at the same time maintaining fiscal rectitude. Hon'ble FM's disclosure of a lower fiscal deficit of 3.3%, sends just the right signal to global investors that India retains its pole status as a stable and attractive economy, amongst the midst of the global slowdown.

Union Budget 2019 has outlined several new reform initiatives like big privatization push, relaxation of norms for foreign portfolio investors, further liberalization of FDI/FPI policy, incentives for making GIFT as a global financial hub, and a paradigm shift in moving government borrowings to foreign markets. All these announcements bear the unmistakable stamp of a clear cut recognition within GOI that India's humungous infrastructure dependent growth needs, as also outlined in the FM's budget speech, cannot be met without

resorting to substantial foreign funding.

Laudable initiatives for fixing liquidity issues in the financial sector involve more than expected hikes in capital infusion for banks, which will get INR 70,000 crore (INR 700 billion), and NBFCs, which can offload some of its higher-rated assets to banks to obtain liquidity while the banks themselves have been given a partial credit guarantee for 10% of any losses for six months after these NBFC assets are taken over.

To boost 'Make in India', GOI seeks to woo foreign majors with a package of direct/indirect tax benefits and beyond to build hitech facilities for semiconductor fabrication, solar photo-voltaic cells, computers and laptops, and electric battery charging infrastructure. If the red carpet works, this will be the first effort by India to directly seek benefit from the global shift in investment away from high-cost China due to the current US-China imbroglio.

In absence of any big bang measures in this budget to create more jobs, an area on which the opposition has constantly targeted the Modi government, the Hon'ble FM has betted on her investment acceleration initiatives in job-creating sectors, to take care of this concern. Recognizing the need to unshackle the entrepreneur spirit of the Aam Admi, one area where the budget seeks to make a big difference is in the MSME sector. where loan up to INR 1 crore (INR 10 million) are targeted to be sanctioned in less than an hour, and a platform is to be created for speeding up payments due to MSME for supplies made by them. The startup ecosystem is being spruced up and the onus is now being shifted to the taxman who seek to challenge the share valuations, and are now to accept them as long as the investments are from e-verified sources. The angel tax issue controversy should hopefully now find a

permanent burial.

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There are many announcements in the budget on utilizing through PPP mode, the huge and idle lying land parcels held by railways and government institutions. This should help enhance the level of activity in the real estate sector. Affordable housing gets even better, with interest deductions on properties costing up to INR 45 lac (INR 4.5 million) now going up to INR 3.5 lac (INR 0.35 million) a year. For the environment conscious, the budget has incentives for faster adoption of next generation technologies such as electric vehicles.

On the direct tax front, relief measures include the extension of lower tax rate of 25% to

Companies with a turnover of up to INR 400 crore (INR 4 billion), which though may cover 99.3% companies numerically, but the major export oriented companies would still have to pay higher tax and continue to remain uncompetitive, due to lowering of tax rates globally. Other tax measures announced include benefits on purchase of affordable housing, on purchase of electric vehicles etc. Individuals and firms who deposited cash during demonetization will get another chance to come clean. Faceless scrutiny may soon become a reality with E-assessments being fine-tuned for implementation. High net worth individuals may heave

a sigh of relief that the budget makes no mention of inheritance tax.

On the downside, there was no reduction in personal tax rates, though this was only expected, due to little leg room with the GOI. Instead, surcharge rates have been spiked for high income earners, a measure which has sharply divided public opinion on the merits thereof. The flip side to ease of filing returns through pre-filled tax return forms, with information sourced through multiple points such as banks, stock exchanges, mutual funds, etc., is the increasing compliance burden to report even lower transactions as well as the



apprehension of the common citizen on the ever increasing GOI oversight on their personal information.

On the indirect tax front, hike in import duties, besides increasing costs for many items, may be seen as akin to going back to the old era of promoting import substitution, rather than following the progressive means of seeking to bolster exports through enhancing industry competiveness.

The amnesty scheme to resolve pre GST era disputes, by way of providing relief varying from 40% to 70% of tax due is a very welcome step. This will allow businesses to withdraw from litigating on legacy issues and focus on their core activities.

India has been the bright spot in global economy, growing faster than all major economies in the last few years. In the new term, especially in the back drop of the slowing growth, and the ambitious target of taking the economy very soon to the 5 trillion USD level, the expectation from the Government was that it will propel the economy by unshackling it from the barriers holding it back. In this regard, the FM has delivered a steady budget. The Budget is growth oriented in the sense that it bets more on investments

than consumption to anchor it, spurs private investment, keeps government's fiscal consolidation track record intact and uses a variety of methods to bolster the investment cycle led by government spending. Critics may doubt that the budget is long on announcements but short on details. That the proof of the pudding lies in eating it, need not be emphasized. Yet, after what was aptly put across by the Hon'ble FM during her speech "यकीन हो तो कोई रास्ता निकलता है, हवा की ओट भी लेकर चराग जलता है ", nothing more needs to be said.

Verendra Kalra





Budget Financials

	(Amount i	n INR	billion)
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	Particulars	2017-18 Actuals	2018-19 BE	2018-19 RE	2019-20 BE
1	Revenue Receipts (2+3)	14,352	17,257	17,297	19,628
2	Tax Revenue(Net to Centre)	12,425	14,806	14,844	16,496
3	Non-tax revenue	1,927	2,451	2,453	3,132
4	Capital Receipts(5+6+7)	7,067	7,165	7,276	8,236
5	Recoveries of loans	156	122	132	148
6	Other receipts	1,000	800	800	1,050
7	Borrowings & other liabilities	5,911	6,243	6,344	7,038
8	Total Receipts (1+4)	21,420	24,422	24,572	27,863
9	Scheme Expenditure (10+13)	21,420	24,422	24,572	27,863
10	On Revenue account	18,788	21,418	21,406	24,478
11	Interest Payments	5,290	5,758	5,876	6,605
12	Grants in aid for creation of capital assets	1,910	1,953	2,003	2,073
13	On Capital account	2,631	3,004	3,166	3,386
14	Revenue deficit (10-1)	4,436	4,160	4,109	4,850
		(2.60)	(2.20)	(2.20)	(2.30)
15	Effective Revenue deficit (14-12)	2,526	2,207	2,106	2,777
		(1.50)	(1.20)	(1.10)	(1.30)
16	Fiscal deficit {9-(1+5+6)}	5,911	6,243	6,344	7,038
		(3.50)	(3.30)	(3.40)	(3.30)
17	Primary deficit (16-11)	621	485 HU	0105.01468	433
		(0.40)	(0.30)	(0.20)	(0.20)

Capital receipts = (Recoveries of Ioans + Disinvestment Receipts + Borrowings and other liabilities)

Revenue Deficit = (Revenue Receipts – Revenue Expenditure)

Effective Revenue Deficit = (Capital Expnediture – Grants of creation of capital assets)

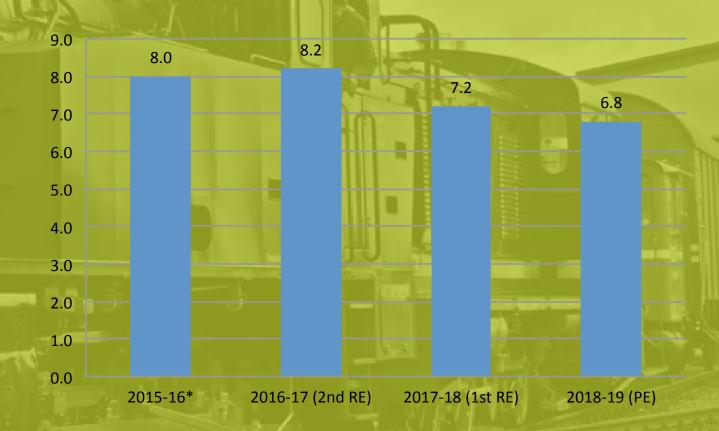
Fiscal deficit = (Total Receipts – Borrowings and other liabilities – Total Expenditure)

Primary Deficit = (Fiscal Deficit - Interest Payments)

BE = Budget Estimates RE= Revised Estimates

Economic Indicators

GDP Growth (Market prices, 2011-12 as base	Year	%
vear)	2015-16 (3rd RE)	8.0
	2016-17 (2nd RE)	8.2
	2017-18 (1st RE)	7.2
	2018-19 (PE)	6.8





Growth in Foreign Trade [Average] %



Forex Reserves

In USD billion

360.20

370.00

424.50

412.90

In USD billion

Year

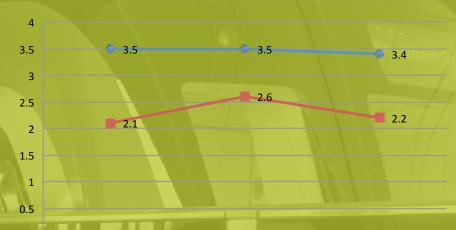
2015-16

2016-17

2017-18

2018-19

Deficit Trends (% of GDP)



	2016-17	2017-18	2018-19 (RI	E)
Year	Gross Fi	scal Deficit	Revenue Deficit	
2016-17	3.5		2.1	
2017-18	3.5		2.6	
2018-19 (RE	3.4		2.2	



(5.0)

(20.0)

68.00

67.00

66.00

65.00 64.00

63.00

62.00 61.00

2015-16

2016-17

2017-18

2018-19

Exchange Rate (INR per USD)

(IIIII per oob)	
Year	Exchange Rate (INR per USD
2015-16	65.47
2016-17	67.07
2017-18	64.45
2018-19	70.04

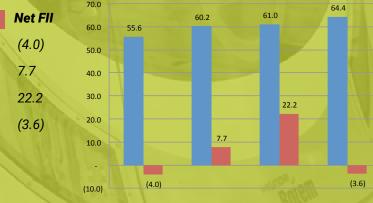


61.0

64.4

2017-18

2018-19



ECONOMIC SURVEY 2018-19

The Economic Survey 2018-19 adopts a "blue sky thinking" approach to myriad issues using evidence and suggestion for informed policymaking. It lays down a strategy to achieve the vision of an inclusive India by 2022 and a USD 5 trillion economy by 2024-25. The theme of the Survey-"Shifting Gears" is intended to achieve a sustained growth rate of 8%.

Volume I of the Survey captures the approach of the government to develop new ideas for policymaking. **Volume II** serves as a ready reckoner for the existing status and policies in a sector and is supported by relevant statistical tables and data.

Survey states that pathways for trickle-down opened up during the last five years; and benefits of growth and macroeconomic stability reached the bottom of the pyramid. A real GDP growth rate of 8% can only be sustained by "virtuous Cycle" of savings, investment and exports catalyzed and supported by a favorable demographic phase. Investment, especially private investment, is the "key driver" that drives demand, creates capacity, increases labor productivity, introduces new technology, allows creative destruction and generates jobs.

Presenting data as a public good, emphasizing legal reforms, ensuring policy consistency, encouraging behavior change using principles of behavioral economics, nourishing MSMEs to create more jobs and become more productive, reducing the cost of capital, rationalizing the risk-return trade-off for investments has been described in the Survey as the key ingredients for a self-sustaining virtuous cycle.

The Survey further emphasizes on using the insights of **behavioral economics** to create an aspirational agenda for social change. From 'Beti Baco Beti Padhao' to 'BADLAV' (Beti Aapki Dhan Lakshmi Aur Vijay Lakshmi). From 'Swachh Bharat' to 'Sundar Bharat'. From 'Give it up" for the LPG subsidy to 'Think about the Subsidy'. From 'Tax evasion' to 'Tax compliance'.

Survey focuses on enabling MSMEs to grow for achieving greater profits, job creation and enhanced productivity. To unshackle MSMEs and thereby enable them to grow, all size-based incentives must have a sunset clause of less than ten years with necessary grand-fathering. Deregulating labour law restrictions can create significantly more jobs, as seen by the

recent changes in Rajasthan when compared to the rest of the States. Direct credit flow to young firms in high employment elastic sectors to accelerate employment generation by re-calibrating Priority Sector Lending (PSL) guidelines.

Society's optimal consumption of data is higher than ever given technological advances in gathering and storage of data. The Survey states that the Government must intervene in creating data as a public good, especially of the poor and in social sectors. Merging the distinct datasets held by the Government already would generate multiple benefits.

With regards to the judiciary, the Survey highlighted that delays in contract enforcement and disposal resolution are arguably now the single biggest hurdle to the ease of doing business and higher GDP growth in India. Around 87.5 per cent of pending cases are in the District and Subordinate courts. 100 per cent clearance rate can be achieved by filling out merely 2279 vacancies in the lower courts and 93 in High Courts. States of Uttar Pradesh, Bihar, Odisha and West Bengal need special attention.

The chapter pertaining to **India's** demography states that sharp slowdown in population growth is expected in next 2 decades. National Total Fertility Rate expected to be below replacement rate by 2021. Working age population to grow by roughly 9.7mn per year during 2021-31 and 4.2mn per year during 2031-41. Significant decline to be witnessed in elementary school-going children (5-14 age group) over next two decades. Further, the Survey mentions that States need to consolidate/ merge schools to make them viable rather than build new ones. Policy makers need to prepare for ageing by investing in health care and by increasing the retirement age in a phased manner.

The Survey enforces that 2.5 times increase in per capita energy consumption needed for India to increase its real per capita GDP by USD 5000 at 2010 prices, and enter the upper-middle income group. India now stands at 4th in wind power, 5th in solar power and 5th in renewable power installed capacity. Share of renewable (excluding hydro above 25 MW) in total electricity generation increased from 6% in 2014-15 to 10% in 2018-19.

Thermal power still plays a dominant role at 60% share.

Market share of electric cars only 0.06% in India while it is 2% in China and 39% in Norway. Access to fast battery charging facilities needed to increase the market share of electric vehicles.

Survey says that efficacy of MGNREGS increased with use of technology in streamlining it. Significant reduction in delays in the payment of wages with adoption of NeFMS and DBT in MGNREGS. Demand and supply of work under MGNREGS increased, especially in distressed districts. Vulnerable sections of the society viz. women, SC and ST workforce increased under MGNREGS during economic distress.

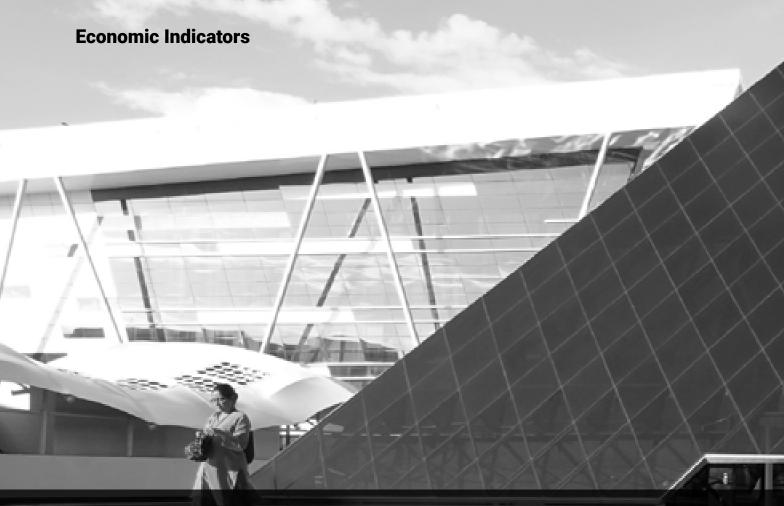
Survey proposes a well-designed minimum wage system as a potent tool for protecting workers and alleviating poverty and emphasizes that an effective minimum wage policy as an inclusive mechanism for more resilient and sustainable economic development.

STATE OF THE ECONOMY IN 2018-19: A MACRO VIEW

India is still the fastest growing major economy in 2018-19.
Growth of GDP moderated to 6.8% in 2018-19 from 7.2% in 2017-18. Inflation contained at 3.4% in 2018-19. Non-Performing Assets as percentage of Gross Advances reduced to 10.1% at end December 2018 from 11.5% at end March 2018.

Growth in fixed investment picked up from 8.3% in 2016-17 to 9.3% next year and further to 10.0% in 2018-19.

Current account deficit remains manageable at 2.1% of GDP. Fiscal deficit of Central Government declined from 3.5% of GDP in 2017-18 to 3.3% in 2018-19. Prospects of pickup in growth in 2019-20 is on the back of further increase in private investment and acceleration in consumption.



flagship programmes such
SAUBHAGYA scheme, PMAY etc.
Institutional mechanism is needed to
deal with time-bound resolution of disputes in
infrastructure sector.

Services Sector

Services sector (excluding construction) has a share of 54.3% in India's GVA and contributed more than half of GVA growth in 2018-19. The IT-BPM industry grew by 8.4% in 2017-18 to USD 167 billion and is estimated to reach USD 181 billion in 2018-19. The services sector growth declined marginally to 7.5% in 2018-19 from 8.1% in 2017-18. Accelerated sub-sectors being, Financial services, real estate and professional services and the decelerated ones being, Hotels, transport, communication and broadcasting services. Services share in employment was 34% in 2017.

Growth in Gross Value Added at constant (2011-12) Basic Prices (%):

AGRICULTURE

Agriculture sector in India typically goes through cyclical movement in terms of its growth. GVA in agriculture improved from a negative 0.2% in 2014-15 to 6.3% in 2016-17 but decelerated to 2.9% in 2018-19. GCF in agriculture as percentage of GVA marginally declined to 15.2% in 2017-18 as compared to 15.6% in 2016-17. The public sector GCF in agriculture as a percentage of GVA increased to 2.7% in 2016-17 from 2.1% in 2013-14. Diversification of

livelihoods is critical for inclusive and sustainable development in agriculture and allied sectors.

Industry and Infrastructure

Overall Index of Eight Core Industries registered a growth rate of 4.3% in 2018-19. India's ranking improved by 23 to 77th position in 2018 among 190 countries assessed by the World Bank Doing Business (DB) Report, 2019. Road construction grew @ 30 km per day in 2018-19 compared to 12 km per day in 2014-15. Rail freight and passenger traffic grew by 5.33% and 0.64% respectively in 2018-19 as compared to 2017-18. Total telephone connections in India touched 118.34 crore in 2018-19. The installed capacity of electricity has increased to 356,100 MW in 2019 from 344,002 MW in 2018.

Public Private Partnerships are quintessential for addressing infrastructure gaps. Building sustainable and resilient infrastructure has been given due importance with sector specific

Industry	2014-15	2015-16*	2016-17 (2nd RE)	2017-18 (1st RE)	2018-19 (PE)
Agricultural & Allied	-0.2	0.6	6.3	5.0	2.9
Industry	7.0	9.6	7.7	5.9	6.9
Mining & Quarrying	9.7	10.1	9.5	5.1	1.3
Manufacturing	7.9	13.1	7.9	5.9	6.9
Electricity, gas & water supply & other utility services	7.2	4.7	10.0	8.6	7.0
Construction	4.3	3.6	6.1	5.6	8.7
Services	9.8	9.4	8.4	8.1	7.5
GVA at Basic Prices	7.2	8.0	7.9	6.9	6.6

^{*}Third Revised Estimates, RE: Revised Estimates, PE: Provisional Estimate

Source: Central Statistics Office

ECONOMIC SURVEY 2018-19

PRICES AND INFLATION

Headline inflation based on CPI-C continuing on its declining trend for fifth straight financial year remained below 4.0% in the last two years. Food inflation based on CFPI also continuing on its declining trend for fifth financial year has remained below 2.0% for the last two consecutive years. CPI-C based core inflation (CPI excluding the food and fuel group) has now started declining since March 2019 after increment during FY 2018-19 as compared to FY 2017-18. Miscellaneous, housing and fuel and light groups are the main contributors of headline inflation based on CPI-C during FY 2018-19 and the importance of services in shaping up headline inflation has increased. CPI rural inflation declined during FY 2018-19 over FY 2017-18. However, CPI urban inflation increased marginally during FY 2018-19. Many States witnessed fall in CPI inflation during FY 2018-19.

EXTERNAL SECTOR

As per WTO, World trade growth slowed down to 3% in 2018 from 4.6% in 2017. Reasons being introduction of new and retaliatory tariff measures, heightened US-China trade tensions, weaker global economic growth, volatility in financial markets (WTO).

In Indian rupee terms growth rate of exports increased owing to depreciation of the rupee while that of imports declined in 2018-19. Net capital inflows moderated in April-December of 2018-19 despite robust foreign direct investment (FDI) inflows, outweighed by withdrawals under portfolio investment.

India's External Debt was USD 521.1 billion at end-December 2018, 1.6% lower than its level at end-March 2018. The key external debt indicators reflect that India's external debt is not unsustainable.

The total liabilities-to-GDP ratio, inclusive of both debt and non-debt components, has declined from 43% in 2015 to about 38% at end of 2018. The share of foreign direct investment has risen and that of net portfolio investment fallen in total liabilities, reflecting a transition to more stable sources of funding the current account deficit.

The Indian Rupee traded in the range of 65-68 per USD in 2017-18 but

depreciated to a range of 70-74 in 2018-19. The income terms of trade, a metric that measures the purchasing power to import, has been on a rising trend, possibly because the growth of crude prices has still not exceeded the growth of India's export prices.

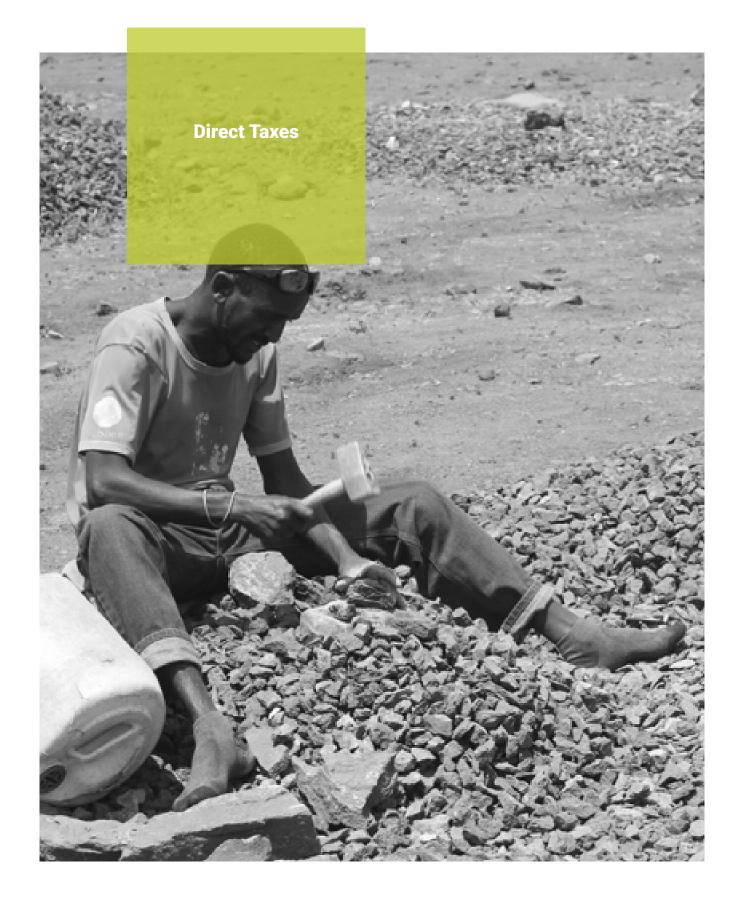
The exchange rate in 2018-19 has been more volatile than in the previous year, mainly due to volatility in crude prices, but not much due to net portfolio flows.

Top export items continue to be Petroleum products, precious stones, drug formulations, gold and other precious metals. Top import items continue to be Crude petroleum, pearl, precious, semi-precious stones and gold.

India's main trading partners continue to be the US, China, Hong Kong, the UAE and Saudi Arabia.

India has signed 28 bilateral / multilateral trade agreements with various country/group of countries. In 2018-19, exports to these countries stood at USD 121.7 billion accounting for 36.9% of India's total exports. Imports from these countries stood at USD 266.9 billion accounting for 52.0% of India's total imports.





RATES OF INCOME TAX

Individual - Taxes

Apart from enhancement of rebate under section 87A to INR 12,500 by the Interim Budget,

Finance Act No. 1 of 2019, that results in no tax for total incomes below INR 5 lac (INR 0.50 Million), no changes have been proposed in the current budget. The rates of income tax are the same as

those specified for AY 2019-20. Comparative chart of tax rates as applicable to individual are as follows:

Total Income	Proposed (AY 2020-21)	Existing tax rate (AY 2019-20)
Up to INR 2.50 lac (INR 0.25 Million)	Nil	Nil
INR 2.50 lac to INR 5.00 lac (INR 0.25 to INR 0.50 Million) INR 2.50 lac to INR 5.00 lac (INR 0.25 to INR 0.50 Million) if TI < 5 lac	05% Nil	05% 05%
INR 5.00 lac to INR 10.00 lac (INR 0.50 to INR 1 Million)	20%	20%
Above INR 10.00 lac (INR 1 Million)	30%	30%

Basic exemption limit remains unchanged for

- resident individuals above 60 years but less than 80 years of age at any time during the FY of INR 3.00 lac (INR 0.30 Million), and
- resident individuals 80 years of age or more of INR 5,00,000 (INR 0.50 Million)

Rates of Surcharge

Major amendment is brought in the applicable rates of surcharge, applicable for individual, HUF, AOP, BOI, AJP (including non-residents), applicable and effective rates are enumerated as under:

Total Income	Propos	sed	Existing	tax rate	Increase in
	Rates	Effective%	Rates	Effective%	MMR
Exceeding INR 50 lac (INR 5 Million) to INR 1 crore (INR 10 Million)	10%	34.32%	10%	34.32%	NIL
Exceeding INR 1 crore (INR 10 Million) to INR 2 crore (INR 20 Million)	15%	35.88%	15%	35.88%	NIL
Exceeding INR 2 crore (INR 20 Million) to INR 5 Crore (INR 50 Million)	25%	39.00%	15%	35.88%	3.12%
Exceeding INR 5 Crore (INR 50 Million)	37%	42.74%	15%	35.88%	6.86%

Co-operative societies/ Firms/ Local authorities

The rates of tax continue to be the same as that specified for AY 2019-20.

Companies

Tax rates are the same as that in the previous FY, except for in comparison to AY 2019-20, the slab

rate of 25% was available to only those domestic companies whose total turnover/ gross receipts in the previous year 2016-17 did not exceed INR 250 crores (INR 2.5 Billion), which is now proposed at INR 400 crores (INR 4 Billion) turnover in previous year 2017-

The effective tax rates applicable are as under:

Type of Company	Taxable Income < INR 10 million	INR 10 million < Taxable Income < INR 100 million	Taxable income > INR 100 million
Domestic Company (Turnover not exceeding INR 400 crores (INR 4 billion)	26.00%	27.82%	29.12%
Domestic Company (Compliant with conditions of section 115BA)	26.00%	27.82%	29.12%
Domestic Company (Others)	31.20%	33.38%	34.94%
Foreign Company	41.60%	42.43%	43.68%

WIDENING OF TAX BASE

Tax Deduction at Source (TDS) on payment by Individual/HUF to contractors and professionals

Under the existing regime, there is no liability on an individual or Hindu undivided family (HUF) to deduct tax at source on any payment made to a resident contractor or professional when it is for personal use. Also there is no obligation on Individual of HUF carrying on business or

profession, not subjected to audit, to deduct tax at source on such payment to a resident, even if the payment is for the purpose of business or profession.

It is proposed to insert a new section 194M in the Act to provide for levy of TDS at the rate of 5% on the sum, or the aggregate of sums, paid or credited in a year on account of contractual work or professional fees by an individual or a Hindu undivided family, not required to deduct tax at source

under section 194C and 194J of the Act, if such sum, or aggregate of such sums, exceeds INR 50 lac (INR 5 Million) in a year. However, in order to reduce the compliance burden, it is proposed that such individuals or HUFs shall be able to deposit the tax deducted using their PAN and shall not be required to obtain TAN.

This amendment will take effect from **September 1, 2019**.





VKC Insight:

With the amendment, similar to compliances specified under sections 194-IB (TDS on payment of monthly rent by individuals and HUFs in excess of INR 50,000) and 194-IA (TDS on transfer of immovable property), Rules detailing mode and periodicity of payment and format of returns are anticipated to be notified soon thereafter.

TDS at the time of purchase of immovable property

It is proposed to amend the Explanation to said section 194-IA and 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.

This amendment will take effect from **September 1, 2019**.

Deemed accrual of gift made to a person outside India

Section 9 of the Act relates to Income deemed to accrue or arise in India. Under the existing provisions of the Act, a gift of money or property is taxed in the hands of donee, except for certain exemptions provided in clause (x) of sub-section (2) of section 56. It has been reported that gifts are made by persons being residents

in India to persons outside India and are claimed to be non-taxable in India as the income does not accrue or arise in India.

To ensure that such gifts made by residents to persons outside India are subject to tax, it is proposed to provide that income of the nature referred to in sub-clause (xviia) of clause (24) of section 2, arising from any sum of money paid, or any property situate in India transferred, on or after July 5, 2019 by a person resident in India to a person outside India shall be deemed to accrue or arise in India. However, the existing provision for exempting gifts as provided in proviso to clause (x) of sub-section (2) of section 56 will continue to apply for such gifts deemed to accrue or arise

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

Mandatory furnishing of return of income by certain persons

Currently, a person other than a company or a firm is required to furnish the return of income only if his TI exceeds the maximum amount not chargeable to tax, subject to certain exceptions. Therefore, a person entering into certain high value transactions is not necessarily required to furnish his return of income. In order to ensure that persons who enter into certain high value transactions do furnish their return of income, it is proposed to amend section 139 of the Act so as to provide that a person shall be mandatorily required to file his return of income, if during the previous year, he:

 has deposited an amount or aggregate of the amounts exceeding INR 1 crore (INR 10 Million) in one or more current account maintained with a banking company or a cooperative bank; or

- has incurred expenditure of an amount or aggregate of the amounts exceeding INR 2 lac (INR 0.2 Million) for himself or any other person for travel to a foreign country; or
- has incurred expenditure of an amount or aggregate of the amounts exceeding INR 1 lac (INR .1 Million) towards consumption of electricity; or
- Fulfills such other prescribed conditions, as may be prescribed.

Further, currently, a person claiming rollover benefit of exemption from capital gains tax on investment in specified assets like house, bonds etc., is not required to furnish a return of income, if after claim of such rollover benefits, his total income is not more than the maximum amount not chargeable to tax.

In order to make furnishing of return compulsory for such persons, it is proposed to amend the sixth proviso to section 139 of the Act to provide that a person who is claiming such rollover benefits on investment in a house or a bond or other assets, under sections 54, 54B, 54D, 54EC, 54F,

54G, 54GA and 54GB of the Act, shall necessarily be required to furnish a return, if before claim of the rollover benefits, his total income is more than the maximum amount not chargeable to tax.

VKC Insight:

Pertinent to note that there are umpteen judicial precedents adjudicating the issue of availability of exemption under section 54 even if the return was not furnished within the due date specified under section 139(1), provided the investment was made within the return furnished under section 139(4). Since the 6th proviso being amended via the amendment above falls under section 139(1), the amendment comes as an overrule of all such preceding court judgements.

Inter-changeability of PAN & Aadhaar and mandatory quoting in prescribed transactions.

Existing sub-section (1) of section 139A of the Act, inter alia, provides that every person specified therein, who has not been allotted a PAN, shall apply to the Assessing Officer for allotment of PAN.

It has been observed that in many cases persons entering into high value transactions, such as purchase of foreign currency or huge withdrawal from the banks, do not possess a PAN. In order to keep an audit trail of such transactions, for widening and deepening of the tax base, it is proposed to insert a new clause (vii) in the aforesaid sub-section so as to provide that every person, who intends to enter into certain prescribed transactions and has not been allotted a PAN. shall also apply for allotment of a PAN.

To ensure ease of compliance, it is also proposed to provide for inter-changeability of PAN with the Aadhaar number. Accordingly the provisions of section 139A are proposed to be amended so as to provide that,-

- every person who is required to furnish or intimate or quote his PAN under the Act, and who, has not been allotted a PAN but possesses the Aadhaar number, may furnish or intimate or quote his Aadhaar number in lieu of PAN, and such person shall be allotted a PAN in the prescribed manner:
- every person who has been allotted a PAN, and who has linked his Aadhaar number under section 139AA, may

furnish or intimate or quote his Aadhaar number in lieu of a PAN

Section 139A, inter alia, provides that every person, receiving a document relating to a transaction for which PAN is required to be quoted shall ensure that the PAN has been duly quoted therein.

It is proposed to provide that every person receiving such documents shall also ensure that the PAN or the Aadhaar number. as the case may be, has been duly quoted. A new sub-section (6A) is also proposed to be inserted to ensure quoting of PAN or Aadhaar number for entering into prescribed transactions and authentication thereof in the prescribed manner. Duty is also proposed to be cast upon the person receiving any document relating to such transactions, through newly proposed subsection (6B), to ensure that PAN or Aadhaar number, as the case may be, is duly quoted, and authenticated. In order to ensure proper compliance of the provisions relating to quoting and authentication of PAN or Aadhaar. the penalty provision contained in section 272B is proposed to be amended suitably.

This amendment will take effect from **September 1, 2019**.

Consequence of not linking PAN with Aadhaar

It is proposed to amend subsection (2) of section 139AA to provide that if a person fails to intimate the Aadhaar number on or before the notified date, the PAN allotted to such person shall be made inoperative in the prescribed manner.

This amendment will take effect from **September 1, 2019**.

Widening the scope of Statement of Financial Transactions (SFT)

Existing provisions of section 285BA of the Act, inter alia, provide for furnishing of statement of financial transaction (SFT) or reportable account by person specified therein. In order to enable pre-filling of return of income, it is proposed to obtain information by widening the scope of furnishing of statement of financial transactions by mandating 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 INR 50,000 on aggregate value of transactions during a FY, 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 amend the provisions of subsection of aforesaid section so as 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.

This amendment will take effect from September 1, 2019.

MEASURES FOR PROMOTING CASHLESS ECONOMY

Prescription of electronic mode of payments

There are various provisions in the Act which prohibit cash transactions and allow/encourage payment or receipt only through account payee cheque, account payee draft or electronic clearing system through a bank account, like Section 13A, 35AD, 40A, 43(1), 43CA, 44AD, 80JJA; in order to encourage other electronic modes of payment, it is proposed to amend the above section so as to include such other electronic mode as may be prescribed, in addition to the already existing permissible modes of payment in the form of an account payee cheque or an account payee bank draft or the electronic clearing system through a bank account.

Similarly, for section 269SS, 269ST and 269T, 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.

These amendments will take effect from September 1, 2019.

VKC Insight:

Pertinent to note that in the Budget speech, Hon'ble Minister of Finance, Ms. Nirmala Sitharaman, has already elaborately referred to the low cost digital modes of payment to their customers, referred to payment such as BHIM UPI, UPI-QR Code, Aadhaar Pay, certain Debit cards, NEFT, RTGS etc.

TDS on cash withdrawal of INR 1 Crore

In order to further discourage cash transactions and move towards less cash economy, it is proposed to insert a new section 194N in the Act to provide for levy of TDS at the rate of 2% on cash withdrawal in excess of INR 1 crore (INR 10 Million) in aggregate made during the year, from a banking company or cooperative bank or post office, to any person from an account maintained by the recipient.

It is proposed to exempt payment made to certain recipients, such as the Government, banking company, cooperative society engaged in carrying on the business of banking, post office, banking correspondents and white label ATM operators, who are involved in the handling of substantial amounts of cash as a part of their business operation, from the application of this provision. It is proposed to

empower the Central Government to exempt other recipients, through a notification in the official Gazette in consultation with the Reserve Bank of India.

These amendments will take effect from September 1, 2019.

Mandating acceptance of payments through prescribed electronic modes

In order to achieve the mission of the Government to move towards a cashless economy, it is proposed to insert a new section 269SU in the Act so as to provide that every person, carrying on business, shall, provide facility for accepting payment through the prescribed electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, if his total sales, turnover or gross receipts in business exceeds INR 50 crore (INR 500 Million) during the immediately preceding previous year.

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 a sum of INR 5,000, 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.

Further, it is proposed to make a consequential amendment in the Payment and Settlement Systems Act, 2007 so as to provide that no bank or system provider shall impose any charge upon anyone, either directly or indirectly, for using the modes of electronic payment prescribed under section 269SU of the Income-tax Act.

These amendments will take effect from November 1, 2019.

TAX INCENTIVES

Incentives to International Financial Services Centre (IFSC):

In order to promote the development of world class financial infrastructure in India, some tax concessions have already been provided in respect of business carried on from an IFSC. To further promote such development and bring these IFSC at par with similar IFSC in other countries, following

additional benefits are proposed:

- Under the existing provisions of the section 47 of the Act, any transfer of a capital asset, being bonds or Global Depository Receipts or Rupee denominated bond of an Indian company or derivative, made by a non-resident through a recognised stock exchange located in any IFSC and where the consideration for such transaction is paid or payable in foreign currency shall not be regarded as transfer.
- With a view to provide taxneutral transfer of certain
 securities by Category III
 Alternative Investment Fund
 (AIF) in IFSC, it is proposed to
 amend the said section so as
 to provide that any transfer
 of a capital asset, specified in
 the said clause by such AIF,
 of which all the unit holders
 are non-resident, are not
 regarded as transfer subject
 to fulfillment of specified
 conditions.
- It is also proposed to widen the types of securities listed in said clause by empowering the Central Government to notify other securities for the purposes of this clause.
- With a view to facilitate external borrowing by the

- units located in IFSC, it is proposed to amend the section 10 of the Act so as to provide that any income by way of interest payable to a non-resident by a unit located in IFSC in respect of monies borrowed by it on or after September 1, 2019, shall be exempt.
- The existing provisions of the section 115-O of the Act, provide that
 no tax on distributed profits shall be chargeable in respect of the total
 income of a company, being a unit of an IFSC, deriving income solely
 in convertible foreign exchange, for any AY on any amount declared,
 distributed or paid by such company, by way of dividends (whether
 interim or otherwise) on or after the April 1, 2017, out of its current
 income, either in the hands of the company or the person receiving
 such dividend.
- To facilitate distribution of dividend by companies operating in IFSC, it
 is proposed to amend the provision of the said section to provide that
 any dividend paid out of accumulated income derived from operations
 in IFSC, after April 1, 2017 shall also not be liable for tax on distributed
 profits. This amendment will take effect from September 1, 2019.
- The existing provisions of the section 115R of the Act, provide that any amount of income distributed by the specified company or a Mutual Fund to its unit holders shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income.
- In order to incentivize relocation of Mutual Fund in IFSC, it is proposed to amend the said section so as to provide that no additional income-tax shall be chargeable in respect of any amount of income distributed, on or after the September 1, 2019, by a Mutual Fund of which all the unit holders are non-residents and which fulfills certain other specified conditions. This amendment will take effect from September 1, 2019.
- The existing provisions of the section 80LA of the Act, inter alia, provide profit linked deduction of an amount equal to 100% of income for the first five consecutive AYs and 50% of income for the next five consecutive AYs, to units of an IFSC.
- With a view to further incentivize operation of units in IFSC, it is proposed to amend the said section so as to provide that the deduction shall be increased to 100% for any ten consecutive years.

- The assessee, at his option, may claim the said deduction for any ten consecutive AYs out of fifteen years beginning with the year in which the necessary permission was obtained.
- Section 115A of the Act provides the method of calculation of income-tax payable by a non-resident (not being a company) or by a foreign company where the total income includes any income by way of dividend (other than referred in section 115-0), interest, royalty and fees for technical services: etc. Section 80LA, provides for deduction in respect of certain incomes to a unit located in an IFSC. However. sub-section (4) of section 115A prohibits any deduction under chapter VIA which includes section 80LA.
- In order to ensure that units located in IFSC claim full deduction, it is proposed to amend section 115A of the Act so as to provide that the conditions contained in subsection (4) of section 115A shall not apply to a unit of an IFSC for under section 80LA is allowed.

Incentives to Non-Banking Finance Companies (NBFCs)

The existing provisions of section 43D of the Act, inter-alia provides that interest income in relation to certain categories of bad or doubtful debts received by certain institutions or banks or corporations or companies, shall be chargeable to tax in the previous year in which it is credited to its profit and loss account or actually received, whichever is earlier. This provision is an exception to the accrual system of accounting which is regularly followed by such assesses for computation of total income. The benefit of this provision is presently available to public financial institutions, scheduled banks, cooperative banks, State financial corporations, State industrial investment corporations and public companies like housing finance companies. With a view to provide a level playing field to certain categories of NBFCs who are adequately regulated, it is proposed to amend section 43D of the Act so as to include deposit-taking NBFCs and systemically important non deposit-taking NBFCs within the scope of this section.

Consequentially, as per matching principle in taxation, it is proposed to amend section 43B of the Act to provide that any sum payable by the assessee as interest on any loan or advances from a deposit-taking NBFCs and systemically important non deposit-taking NBFCs shall be allowed as deduction if it is actually paid on or before the due date of furnishing the return of income of the relevant previous year.

Relaxation in conditions of special taxation regime for offshore funds

Section 9A of the Act provides for a safe harbour in respect of offshore funds. It provides that in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager located in India and acting on behalf of such fund shall by itself not constitute business connection in India of the said fund. Further, an eligible investment fund shall not be said to be resident in India merely because the eligible fund manager undertaking fund management activities on its behalf is located in India. The benefit under section 9A is available subject to the conditions provided in sub-sections (3), (4) and (5) of the said section.

Sub-section (3) of section 9A provides for the conditions for the eligibility of the fund. These conditions, inter-alia, are related to residence of fund, corpus, size, investor broad basing, investment diversification and payment of remuneration to fund manager at arm's length.

Representations have been received for relaxing certain conditions in the implementation of regime of fund managers. To give an impetus to fund management activities in India, certain constraints are proposed to be removed by suitably amending section 9A of the Act, so as to provide that:

- the corpus of the fund shall not be less than INR 100 crore (INR 1 Billion) 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.



These amendments will take effect retrospectively from April 1, 2019 and shall apply to the AY 2019-20 and subsequent AYs.

Tax incentive for electric vehicles

With a view to improve environment and to reduce vehicular pollution, 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 1.5 lac (INR .15 Million) subject to the following conditions:

- the loan has been sanctioned by a financial institution including a nonbanking financial company during the period beginning on the April 1, 2019 to March 31, 2023;
- the assessee does not own any other electric vehicle on the date of sanction of loan.

It is also proposed that where a deduction under this section is allowed for any interest, deduction shall not be allowed in respect of such interest under any other provisions of the Act for the same or any other AY.

Exemption of interest income of a non-resident arising from borrowings by way of issue of Rupee denominated Bonds referred to under section 194LC

The existing provisions of section 194LC of the Act provide that the interest income payable to a non-resident by a specified company on borrowings made by it in foreign currency from sources outside India under a loan agreement or by way of issue of any long-term bond including long-term infrastructure bond, or Rupee denominated bond shall be eligible for TDS at a concessional rate of 5%.

In order to incentivize low cost foreign borrowings through Off-shore Rupee denominated Bond, the press release dated 17th September, 2018, inter alia, announced that interest payable by an Indian company or a business trust to a non-resident, including a foreign company, in respect of Rupee denominated

bond issued outside India during the period from September 17, 2018 to March 31, 2019 shall be exempt from tax. Consequently, no tax was required to be deducted on the payment of interest in respect of the said bond. The exemption announced through the said press release is proposed to be incorporated in the law by amending section 10 of the Act so as to provide exemption to income payable by way of interest to a non-resident by the specified company in respect of monies borrowed from a source outside India by way of issue of Rupee denominated bond, as referred to in section 194LC, during the period beginning from the 17th day of September, 2018 and ending on the March 31, 2019.

This amendment will take effect retrospectively from April 1, 2019 and will, accordingly, apply retrospectively in relation to the AY 2019-20 and subsequent AYs.

Tax incentive for affordable housing

In order to provide an impetus to the 'Housing for all' objective of the Government and to enable the home buyer to have low-cost funds at his disposal, it is proposed to insert a new section 80EEA in the Act so as to provide a deduction in respect of interest up to INR 1.50 lac (INR 0.15 Million) on loan taken for residential house property from any financial institution subject to the following conditions:

- loan has been sanctioned by a financial institution during the period beginning on the April 1, 2019 to March 31, 2020.
- the stamp duty value of house property does not exceed INR 45 lac (INR 4.5 Million).
- assessee does not own any residential house property on the date of sanction of loan.

It is also proposed that where a deduction under this section is allowed for any interest, deduction shall not be allowed in respect of such interest under any other provisions of the Act for the same or any other AY.

The existing provisions of the section 80-IBA of the Act, inter alia, provide that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building housing

projects, there shall, subject to certain conditions, be allowed, a deduction of an amount equal to 100% of the profits and gains derived from such business.

With a view to align the definition of "affordable housing" under section 80-IBA with the definition under GST Act, it is proposed to amend the said section so as to modify certain conditions regarding the housing project approved on or after September 1, 2019. The modified conditions are as under:

- the assessee shall be eligible for deduction under the section, in respect of a housing project if a residential unit in the housing project have carpet area not exceeding 60 square meter in metropolitan cities or 90 square meter in cities or towns other than metropolitan cities of Bengaluru, Chennai, Delhi National Capital Region (limited to Delhi, Noida, Greater Noida, Ghaziabad. Gurgaon, Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan Region); and
- the stamp duty value of such residential unit in the housing

project shall not exceed INR 45 lac (INR 4.5 Million).

VKC Insight:

Section 80EE provided similar incentive for loans sanctioned from April 1, 2016 till March 31, 2017. With the interim budget finance bill 2019 having been passed in February 2019, this amendment should be modified to come into effect from February, 2019 instead to avoid inconvenience to those assessees who had their loans sanctioned between February and March, 2019.

The amendment further expands scope of 80-IBA w.r.t the carpet areas of the establishments in the project from 30/60 square meter carpet areas to 60/90 square meter for metropolitan cities/ other cities respectively. Positive amendment, but the developers, if interested, may have to get their projects re-approved to avail of the enhanced carpet area benefits. The modified conditions further limit the benefit of section only to those residential units, whose stamp duty values do exceed 45 lac, however, this would be applicable only to projects approved on or after September 1, 2019 and not on the already approved, ongoing projects.

Incentives to National Pension System (NPS) subscribers

Under the existing provisions of section 10 of the Act, any payment from the NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme, to the extent it does not exceed 40% of the total amount payable to him at the time of such closure or on his opting out, is exempt from tax. With a view to enable the pensioner to have more disposable funds, it is proposed to amend the said section so as to increase the said exemption from 40% to 60% of the total amount payable to the person at the time of closure or his opting out of the scheme.

Under the existing provisions of section 80CCD of the Income-tax Act, in respect of any contribution by the Central Government or any other employer to the account of the employee referred to in the section, the assessee shall be allowed a deduction in the computation of his total income, of the whole of the amount contributed by the Central Government or any other employer, as does not exceed 10% of his salary in the previous year. In order to ensure that the Central Government employees get full deduction of the enhanced contribution, it is proposed to increase the limit from ten to 14% of contribution made by the Central Government to the account of its employee.

To enable the Central Government employees to have more options of tax saving investments under National Pension System, it is proposed to amend the section 80C so as to provide that any amount paid or deposited by a Central Government employee as a contribution to his Tier-II account of the pension scheme shall be eligible for deduction under the said section.

Incentives for start-ups

Section 79 of the Income Tax Act provides conditions for carry forward and set off of losses in case of a company not being a company in which the public are substantially interested. Clause (a) of this section applies to all such companies, except an eligible start-up as referred to in section 80-IAC, while clause (b) applies only to such eligible start-up.

Under clause (a), no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, unless on the last day of the previous year, the shares of the company carrying not less than 41% 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 or years in which the loss was incurred.

Under clause (b), the loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, if, all the shareholders of such company who held shares carrying voting power on the last day of the year or years 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. The said clause was inserted vide Finance Act, 2017 in order to facilitate ease of doing business and to promote start-up India.

To further facilitate ease of doing business in the case of an eligible start-up, it is proposed to amend section 79 so as to provide that loss incurred in any year prior to the previous year, in the case of closely held eligible start-up, shall be allowed to be carried forward and set off against the income of the previous year on satisfaction of either of the two conditions stipulated currently at clause (a) or clause (b). For other closely held companies, there would be no change, and loss incurred in any year prior to the previous year shall be carried forward and set off only on satisfaction of condition currently provided at clause (a).

The existing provisions of the section 54GB of the Income-tax Act, inter alia, provide for roll over benefit in respect of capital gain arising from the transfer of a long-term capital asset, being a residential property owned by the eligible assessee. To be able to get benefit of this provision, the assessee is required to utilise the net consideration for subscription in the equity shares of an eligible company before the due date of filing of the return of income. The assessee is required to have more than 50% share capital or more than 50% voting rights after the subscription in shares in the eligible company. The said section, inter alia, puts restriction on transfer of assets acquired by the company for five years from the date of acquisition. Currently the benefit of this section was only available for investment in the equity shares of eligible start-ups and that period also got over on March 31, 2019. Thus,

at present no benefit is available for residential property transferred after March 31, 2019.

In order to incentivise investment in eligible start-ups, it is proposed to amend the said section so as to-

- extend the sun set date of transfer of residential property for investment in eligible start-ups from March 31, 2019 to March 31, 2021;
- relax the condition of minimum shareholding of 50% of share capital or voting rights to 25%
- relax the condition restricting transfer of new asset being computer or computer software from the current five years to three years.

Incentives for Category II Alternative Investment Fund (AIF)

The existing provisions of the said section 56 of the Income-tax Act, inter alia, provide that where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the 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 amend the said section to extend this exemption to fund received by venture capital undertakings from Category II AIF as well.

FACILITATING RESOLUTION OF DISTRESSED COMPANIES

Measures for resolution of distressed companies

The existing provisions of section 79 are not applicable to a company where any change in shareholding takes place in a previous year pursuant to a resolution plan approved under the IBC subject to the condition that jurisdictional Pr.CIT or CIT 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. This benefit is proposed to be extended to certain companies. Thus it has been provided in newly substituted section 79 that the provision of this section shall not apply to those companies, and their subsidiary and the subsidiary of such subsidiary, where:

- the National Company Law Tribunal (NCLT) on a petition 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 Companies Act, 2013: and
- a change in shareholding of such company, and its subsidiaries and the subsidiary of such subsidiary, has taken place in a previous year pursuant to a resolution plan approved by NCLT under section 242 of the Companies Act, 2013, after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.

Further, it is also proposed that under section 115JB of the Act for calculating book profit, the aggregate amount of unabsorbed depreciation and loss (excluding depreciation) brought forward shall also be allowed to be reduced in cases of the above mentioned companies.

Prescription of exemption from deeming of fair market value of shares for certain transactions

The existing provisions of the section 56(2)(x) of the Income-tax Act, inter alia, provide for chargeability of income in case of receipt of money or specified property for no or inadequate consideration. For determining the amount of income for receipt of certain shares, the fair market value of the shares is taken into account. Similarly, section 50CA provides for deeming of fair market value of unquoted shares for computing the capital gains from the transfer of such shares. For both these provisions, the fair market value is determined based on the prescribed method. Currently, the provisions of section 56(2)(x) are not applicable to certain specified transactions. However, no such exemption is available under section 50CA.

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.

IMPROVING EFFECTIVENESS OF TAX ADMINISTRATION

Online filing of application seeking determination of tax to be deducted at source on payment to non-residents

Under sub-section (2) of section 195 of the Act, if a person who is responsible for paying any sum to a non-resident which is chargeable to tax under the Act (other than salary) considers that the whole of such sum would not be income chargeable in the case of the recipient, he can make an application to the Assessing Officer to determine the appropriate proportion of such sum chargeable. This provision is used by a person making payment to a non-resident to obtain certificate/order from the Assessing Officer for lower or nil withholding-tax. However, the process is currently manual. In order to use technology to

streamline the process, which will not only reduce the time for processing of such applications, but shall also help tax administration in monitoring such payments, it is proposed to amend the provisions of this section to allow for prescribing the form and manner of application to the Assessing Officer and also for the manner of determination of appropriate portion of sum chargeable to tax by the Assessing Officer.

Similar amendment is also proposed to be made in sub-section (7) of section 195 which are applicable to specified class of persons or cases.

These amendments will take effect from November 1, 2019.

Electronic filing of statement of transactions on which tax has not been deducted

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.

This amendment will take effect from September 1, 2019.

STRENGTHENING ANTI-ABUSE MEASURES

Tax on income distributed to shareholder in case of listed companies

Section 115QA of the Act provides for the levy of additional Income-tax at the rate of 20% of the distributed income on account of buy-back of unlisted shares by the company. As additional income-tax has been levied at the level of company, the consequential income arising in the hands of

shareholders has been exempted from tax under clause (34A) of section 10 of the Act.

This section was introduced as an anti-abuse provision to check the practice of unlisted companies resorting to buy-back of shares instead of payment of dividends. This practice of widespread abuse was noted, in the past, amongst unlisted companies where the taxpayers preferred it for tax avoidance, as tax rate for capitals gains was lower than the rate of DDT. However, instances of similar tax arbitrage have now come to notice in case of listed shares as well, whereby the listed companies are also indulging in such practice of resorting to buy-back of shares, instead of payment of dividends.

In order to curb such 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 from shareholders by companies not listed on a recognised stock exchange, is 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. Accordingly, it is also proposed to extend exemption under clause (34A) of section 10 of the Act to shareholders of the listed company on account of buy-back of shares on which additional income -tax has been paid by the company.

These amendments will take effect from July 5, 2019.

Cancellation of registration of the Trust or Institution

Section 12AA of the Act prescribes for manner of grating registration in case of trust or institution for the purpose of availing exemption in respect of its income under section 11 of the Act, subject to conditions contained under sections 11, 12, 12AA and 13. Section 12AA also provides for manner of cancellation of said registration. This section provides that cancellation of registration can be on two grounds:

- the Pr.CIT or the CIT is satisfied that activities of the exempt entity are not genuine or are not being carried out in accordance with its objects, and
- it is noticed that the activities of the exempt entity are being carried out in a manner that either whole or any part of its income would cease to be exempt.

In order to ensure that the trust or institution do not deviate from their objects, it is proposed to amend section 12AA of the Income-tax Act, so as to provide that:

- at the time of granting the registration to a trust or institution, the Pr.CIT or the CIT shall, inter alia, 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,
- where a trust or an institution has been granted registration under clause (b) of subsection (1) or has obtained registration at any time under section 12A and subsequently it is noticed that the trust or institution has violated requirements of any other law which was material for the purpose of achieving its objects, and the order, direction or decree, by

whatever name called, holding that such violation has occurred, has either not been disputed or has attained finality, the Pr.CIT or the CIT may, by an order in writing, cancel the registration of such trust or institution after affording a reasonable opportunity of being heard.

These amendments shall be effective from September 1, 2019.

REMOVING DIFFICULTIES FACED BY TAX PAYERS

Facilitating demerger of Ind-AS compliant companies

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. It has been represented that Indian Accounting Standards (Ind-AS) compliant companies are required to record the property and the liabilities of the undertaking at a value different from the book value of the demerged company.

In order to facilitate, it is proposed to amend section 2 of the Act 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 the property and liabilities of the undertakings received by it are recorded at a value different from the value appearing in the books of account of the demerged company immediately before the demerger in compliance to

the Indian Accounting Standards specified in Annexure to the Companies (Indian Accounting Standards) Rules, 2015.

Relaxing the provisions of sections 201 and 40 of the Act in case of payments to non-residents

Section 201 of the Act provides that where any person, including the principal officer of a company or an employer (hereinafter called 'the deductor'), who is required to deduct tax at source on any sum in accordance with the provisions of the Act, does not deduct or does not pay such tax or fails to pay such tax after making the deduction, 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 he fails to deduct tax on a payment made to a resident, 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 an accountant's certificate to this effect.

This relief in section 201 is available to the deductor, only in respect of payments made to a resident. In case of similar failure on payments made to a non-resident, such relief is not available to the deductor. To remove this anomaly, it is proposed to amend the proviso to sub-section (1) of section 201 to extend the benefit of this proviso to a deductor, even in respect of failure to deduct tax on payment to non-resident. Consequent to this amendment, it is also proposed to amend the proviso to sub-section (1A) of section 201 to provide for levy of interest till the date of filing of return by the non-resident payee (as is the case at present with resident payee).

This amendment will take effect from September 1, 2019.

For the same reason, it is also proposed to amend clause (a) of section 40 to provide that where an assessee fails to deduct tax in accordance with the provisions of Chapter XVII-B on any sum paid to a non-resident, but is not deemed to be an assessee in default under the first proviso to subsection (1) of section 201, then it shall be deemed that the assessee has deducted and paid the tax on such sum on the date of furnishing of the return of income by the payee referred to in that proviso. Thus, there will be no disallowance under section 40 in respect of such payments.

Clarification with regard to power of the Assessing Officer in respect of modified return of income filed in pursuance to signing of the Advance Pricing Agreement (APA)

Section 92CC of the Act empowers the Central Board of Direct Taxes (CBDT) to enter into an APA, with the approval of the Central Government, with any person for determining the Arm's Length Price (ALP) or specifying the manner in which ALP is to be determined in relation to an international transaction which is to be entered into by that person. The APA is valid for a period, not exceeding five previous years, as may be specified therein.

This section also provides for rollback of the APA for four years. Thus, once the APA is entered into, the ALP of the international transaction, which is subject matter of the APA, would be determined in accordance with such APA.

In order to give effect to the APA, section 92CD also provides for mechanism, including filing of modified return of income by the taxpayer and manner of completion of assessments by the Assessing Officer having regard to terms of the APA.

Sub-section (3) of this section deals with a situation where assessment or re-assessment has already been completed, before expiry of the time allowed for filing of modified return. Apprehensions have been expressed stating that due to the use of words "assess or reassess or recompute", the Assessing Officer may start fresh assessment or reassessment in respect of completed assessments or reassessments of the assessees who have modified their returns of income in accordance with the APA entered into by them, while the intention of the legislature is for Assessing Officer to merely

modify the total income consequent to modification of return of income in pursuance to APA.

It is, therefore, proposed to amend sub-section (3) of section 92CD to clarify that in cases where assessment or reassessment has already been completed and modified return of income has been filed by the tax payer under sub-section (1) of said section, the Assessing Officers shall pass an order modifying the total income of the relevant AY determined in such assessment or reassessment, having regard to and in accordance with the APA.

This amendment will take effect from September 1, 2019.

Clarification with regard to provisions of secondary adjustment and giving an option to assessee to make one-time payment

In order to align the transfer pricing provisions with international best practices, section 92CE of the Act provides for secondary adjustments in certain cases. It, inter alia, provides that the assessee shall be required to carry out secondary adjustment where the primary adjustment to transfer price, has been made suo motu, or made by the Assessing Officer and accepted by him; or is determined by an advance pricing agreement entered into by him under section 92CC of the Act; or is made as per safe harbour rules prescribed under section 92CB of the Act; or is arising as a result of resolution of an assessment through mutual agreement procedure under an agreement entered into under section 90 or 90A of the Act. The proviso to said sub-section provides exemption in cases where the amount of primary adjustment made in any previous year does not exceed INR 1 crore (INR 10 Million); and the primary adjustment is made in respect of an AY commencing on or before April 1, 2016. Several concerns have been expressed regarding effective implementation of secondary adjustments regime and seeking clarity in law.

In order to address such concerns and to make the secondary adjustment regime more effective and easy to comply with, it is proposed to amend section 92CE of the Act so as to provide that:

 the condition of threshold of INR 1 crore (INR 10 Million) and of the primary adjustment made upto AY 2016-17 are alternate conditions;

- the assessee shall be required to calculate interest on the excess money or part thereof;
- the provision of this section shall apply to the agreements which have been signed on or after April 1, 2017; however, no refund of the taxes already paid till date under the pre amended section would be allowed;
- the excess money may be repatriated from any of the associated enterprises of the assessee which is not resident in India;
- in a case where the excess money or part thereof has not been repatriated in time, the assessee will have the option to pay additional income-tax at the rate of 18% on such excess money or part thereof in addition to the existing requirement of calculation of interest till the date of payment of this additional tax. The additional tax is proposed to be increased by a surcharge of 12%;
- 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;

- 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
- 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.

The amendments proposed in para (i) to (iv) above will take effect retrospectively from the April 1, 2018 and will, accordingly, apply in relation to the AY 2018-19 and subsequent AYs. Further, the amendments proposed in para (v) to (viii) will be effective from September 1, 2019

Concessional rate of Short-term Capital Gains (STCG) tax to certain equity-oriented fund of funds.

In order to incentivise fund of funds set up for disinvestment of CPSEs, Finance Act, 2018 has provided concessional rate of long-term capital gains tax under section 112A of the Act for the transfer of units of such fund of funds. In order to further incentivise these funds of funds, it is proposed to amend section 111A so as to extend the concessional rate of tax for short-term capital gains in respect of transfer of units of such fund of funds.

Provide for pass through of losses in cases of Category I and Category II Alternative Investment Fund (AIF)

Section 115UB of the Act, inter alia, provides for pass through of income earned by the Category I and II AIF, except for business income which is taxed at AIF level. Pass through of profits (other than profit & gains from business) has been allowed to individual investors so as to give them benefit of lower rate of tax, if applicable. Pass through of losses are not provided under the existing regime and are retained at AIF level to be carried forward and set off in accordance with Chapter VI.

In order to remove the genuine difficulty faced by Category I and II AIFs , it is proposed to amend section 115UB to provide that:

 the business loss of the investment fund, if any, shall be allowed to be carried forward and it shall be set-off by it in accordance with the

- provisions of Chapter VI and it shall not be passed onto the unit holder;
- the 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;
- the loss other than business loss, if any, accumulated at the level of investment fund as on March 31, 2019, shall be deemed to be the loss of a unit holder who held the unit on March 31, 2019 in respect of the investments made by him in the investment fund and allowed to be carried forward by him for the remaining period calculated from the year in which the loss had occurred for the first time taking that year as the first year and it shall be setoff by him in accordance with the provisions of Chapter VI;
- the loss so deemed in the hands of unit holders shall not be available to the investment fund for the purposes of chapter VI.

Provision of credit of relief provided under section 89

Section 89 of the Income-tax 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.

These amendments will take effect retrospectively from April 1, 2007 and will, accordingly, apply in relation to the AY 2007-08 and subsequent AYs.

VKC Insight:

Returns of the taxpayers were processed with demands on account of the calculation of 'assessed tax' as provided in section 234B and 234C without reduction of the relief provided under section 89 of the Act. This is a welcome amendment and being retrospective in nature, will provide relief in quite a number of cases.

TDS on non-exempt portion of life insurance pay-out on net basis

Under section 194DA of the Act, a person is obliged to deduct tax at source, if it pays any sum to a resident under a life insurance policy, which is not exempt under sub-section (10D) of section 10. The present requirement is to deduct tax at the rate of 1% of such sum at the time of payment. Several concerns have been expressed that deducting tax on gross amount creates difficulties to an assessee 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). From the point of views of tax administration as well, it is preferable to deduct tax on net income so that the income as per TDS return of the deductor can be matched automatically with the return of income filed by the assessee.

The person who is paying a sum to a resident under a life insurance policy is aware of the amount of insurance premium paid by the assessee.

Hence, it is proposed to provide for tax deduction at source at the rate of 5% on income component of the sum paid by the person.

This amendment shall be effective from September 1, 2019.

VKC Insight:

In certain cases, TDS having been deducted on gross component of the LIC payouts, adjustments were made to the returned incomes of the taxpayers under section 143(1)(a) on such gross payouts. The prospective amendment certainly brings clarity to the situation and deduction of tax correctly by the person paying the sum would prevent unnecessary exchange of information supporting the amount of insurance premium paid before the tax authorities.

Clarification regarding definition of the "accounting year" in section 286 of the Act

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, in respect of the international group of which it is a constituent, furnish a report, to the prescribed authority within a period of twelve months from the end of the said reporting accounting year, in the form and manner as may be prescribed.

Several concerns have been expressed that in case of an alternate reporting entity (ARE) resident in India whose ultimate parent entity is not 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, it has been requested that this unintended anomaly as regards the interpretation of accounting year in case of ARE, resident in India may be removed.

In order to address such concerns and to bring clarity in law, it is proposed to suitably amend section 286 so as to provide that the accounting year in case of the ARE of an international group, the parent entity of which is not resident in India, the reporting accounting year shall be the one applicable to such parent entity.

This amendment is clarificatory in nature and will take effect retrospectively from the April 1, 2017 and will, accordingly, apply in relation to the AY 2017-18 and subsequent AYs.

RATIONALISATION OF PROVISIONS

Rationalisations of provisions relating to maintenance, keeping and furnishing of information and documents by certain persons

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.

Compliance with the notification of exemption issued under section 56(2)(viib)

The provisions of section 56(2)

(viib) of the Act provides for charging of the consideration received for issue of shares by certain companies, where such consideration exceeds the fair market value of such shares. However, the Central Government is empowered to notify that the provisions of this section shall not be applicable to consideration received by a notified company. Certain notifications issued under this sub-clause by the Central Government provide for exemption, subject to the fulfilment of certain conditions. With a view to ensure compliance to the conditions specified in the notification, it is proposed to provide that in case of failure to comply with the conditions, the consideration received for issue of shares which exceeds the face value of such shares shall be deemed to be the income of the company chargeable to income-tax for the previous year in which the failure to comply with any of the said conditions has taken place.

Consequential amendment to section 56

The existing provisions of the section 56 of the Income-tax Act, inter alia, provide that income by way of interest received on compensation or on enhanced compensation referred to in section 145A(b) shall be chargeable to tax. The Finance Act, 2018 substituted the provisions of section 145A with sections 145A and section 145B. However, no consequential amendment is made in section 56. It is proposed to amend section 56 of the Act to provide the correct reference of section 145B(1) in section 56, in place of the existing reference of section 145A(b).

This amendment will take retrospective effect from **April 1, 2017** and will accordingly apply in relation to AY 2017-18 and subsequent AYs.

Rationalisation of penalty provisions relating to under-reported income

Section 270A contains provisions relating to penalty for under-reporting and misreporting of income. The existing provisions provide for various situations for the purposes of levy of penalty under this section. However, these provisions do not contain the mechanism for determining under-reporting of income and quantum of penalty to be levied in the case where the person has under-reported income and furnished the return of income for the first time under section 148 of the Act. In order to provide for manner of computing the quantum of penalty in a case where the person has under-reported income and furnished his return for the first time

under section 148, it is proposed to suitably amend the provisions of section 270A.

These amendments will take effect retrospectively from April 1, 2017 and will, accordingly, apply in relation to AY 2017-2018 and subsequent AYs.

Rationalisation of the provisions of section 276CC

The existing provisions of section 276CC of the Act, inter alia, provide that prosecution proceedings for failure to furnish returns of income against a person shall not proceeded against, for failure to furnish the return of income in due time, if the tax payable by such person, not being a company, on the total income determined on regular assessment does not exceed INR 3,000. The existing provisions do not provide for taking into account tax collected at source and selfassessment tax for the purposes of determining the tax liability.

Since the intent of said provision has always been to take into account pre-paid taxes, while determining the tax payable, it is proposed to amend the said section so as to make the legislative intention clear and to include the self-assessment tax,

if any, paid before the expiry of the AY, and tax collected at source for the purpose of determining tax liability.

Further, in order to rationalise the existing threshold limit of tax payable under said section, it is further proposed to amend the said section so as to increase the threshold of tax payable from the existing INR 3,000 to INR 10,000.

VKC Insight:

The amendment is clarificatory in nature. Pertinent to note that vide FA 2018, and to prevent abuse by shell companies or by companies holding Benami properties, the section 276CC was amended so as the exclude a company from the above relaxation. Accordingly, the relief of enhanced threshold limit of INR 10,000 is applicable in the case of entities, other than a company.

Rationalisation of provision relating recovery of tax in pursuance of agreements with foreign countries

The existing provisions of section 228A of the Act provide inter alia that where an agreement is entered into by the Central Government with the Government of any foreign country for recovery of income-tax under the Income-tax Act and the corresponding law in force in that country and where such foreign country sends a certificate for the recovery of any tax due under such corresponding law from a person having any property in India, the Board, on receipt of such certificate may, forward it to the Tax Recovery Officer within whose jurisdiction such property is situated for the recovery of tax in pursuance of agreement with such foreign country.

In order to provide assistance in recovery of tax as per treaty obligation with the other country, it is proposed to amend the said section so as to provide for tax recovery where details of property of the persons are not available but the said person is a resident in India.

It is also proposed to amend the said section so as to provide for tax recovery, where details of property of an assessee in default under the Act are not available but the said assessee is a resident in a foreign country. These amendments will take effect from **September 1, 2019**.

Rationalisation of provisions relating to claim of refund.

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.

These amendments will take effect from **September 1, 2019**.

VKC Insight:

For improving tax compliance, completion of proceedings and effective utilization of information in tax administration, provision of sub-section (4) of section 139 for filing of belated returns, was modified vide FA 2016, to limit filing of belated Incometax returns till before the end of the relevant AY or before the completion of the assessment, whichever is earlier. Vide FA 2017, section 139(1) was amended to ensure returns are filed within the due date and introducing the provisions of section 271F for delay in filing of returns. Despite the amendments, refunds for returns that were not filed within the aforesaid period, were claimed by filing Form 30 as per Rule 41 of the Act, as prescribed in Section 239. The above amendment will curb such practice and force all taxpayers to comply and file

returns within the limitation periods prescribed under the Act.

Enhancing time limitation for sale of attached property under rule 68B of the Second Schedule of the Act

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 FY 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 3 years to 7 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 3 years.

These amendments will take effect from September 1, 2019.

Rationalisation of the BM Act

The existing provisions of section 2 of the BM Act provide inter alia that the "assessee" means a person who is resident in India within the meaning of section 6 of the Income-tax Act. In order to clarify the legislative intent behind enacting the BM Act, which was to tax such foreign income and assets, which were not charged to tax under the Income-tax Act, it is proposed to amend the said section so as to provide that the "assessee" shall mean a person being a resident in India within the meaning of section 6 of the Income-tax Act, in the previous year, or a person being a non-resident or not ordinarily resident in India within the meaning of clause (6) of section 6 of the Income-tax Act, in the previous year, who was resident in India either in the previous year to which the income referred to in section 4 relates, or in the previous year in which the undisclosed asset located outside India was acquired. It is also proposed to provide that the previous year of acquisition of the undisclosed asset located outside India shall be determined without giving effect to the provisions of section 72(c) of the BM Act. Further, a clarificatory amendment is also proposed to be made to section 10 of the BM Act so as to include the expressions "reassess" and "reassessment" in sub-section (3) and (4) of the said section.

These amendments will take effect retrospectively from July 1, 2015.

The existing provisions of the section 84 of the BM Act provide, inter alia, for application of certain provisions of the Income-tax Act to the BM Act with necessary modifications. Considering the significance of cases assessed under the BM Act, it is proposed to amend the said section so as to provide that the provisions of section 144A of the Income-tax Act shall be applicable to the BM Act with necessary modifications.

Further, a clarificatory amendment is also proposed to be made in section 17 of the BM Act to clarify that the Commissioner (Appeals) may also vary the penalty order so as to enhance or reduce the penalty.

This amendment shall be effective from September 1, 2019.

Rationalisation of the IDS, 2016

The existing provisions of section 187 of the Finance Act, 2016 provide, inter alia, that the tax, surcharge and penalty in respect of the undisclosed income, declared under the IDS, 2016 (the Scheme) shall be paid on or before a notified due date.

In order to address genuine concern of the declarants, it is proposed to amend the said

section so as to provide that where the amount of tax, surcharge and penalty, has not been paid within the due date, the Central Government may notify the class of persons who may make the payment of such amount on or before a notified date, along with the interest on such amount, at the rate of 1% of every month or part of a month, comprised in the period, commencing on the date immediately following the due date and ending on the date of such payment.

Further, the existing section 191 of the Finance Act, 2016 provides, inter alia, that any amount of tax, surcharge or penalty paid in pursuance of a declaration made under the Scheme shall not be refundable.

In order to address genuine concern of the declarants, it is proposed to amend the said section so as to provide that the Central Government may notify the class of persons to whom the amount of tax, surcharge and penalty, paid in excess of the amount payable under the Scheme shall be refundable.

This amendment will take effect retrospectively from June 1, 2016.

VKC Insight:

There were instances where taxes were deposited:

- by the declarants in excess of that as required under IDS,
- by the declarants in time, but processed by the Banking Institutions with a few days delay,
- by a few taxpayers inadvertently in ITNS 286, instead of ITNS 280 for self-assessment tax.

Going by the stringent rules of the Scheme, this is a welcome move and relaxation in genuine cases.

Rationalisation of provisions relating to STT

As per the existing provisions section 99 of the Finance (No.2) Act, 2004, the value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be, the settlement price. In order to rationalise the levy of STT where the option is exercised, it is proposed to amend the said section so as to provide that value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be the difference between the strike price and the

settlement price.

This amendment will take effect from **September 1, 2019**.

Rationalizing the provisions of the PBPT Act

The existing provisions of section 23 of the PBPT Act provide that the Initiating Officer, with the prior approval of the Approving Authority, shall conduct any inquiry or investigation. This power is exercised by the Initiating Officer where no case is pending before him. However, it is 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).

In order to clarify that no prior approval of the Approving Authority would be required in cases where notice under section 24(1) has been issued, it is proposed to suitably amend the provisions of section 23 of the PBPT Act.

This amendment will take effect from **November 1, 2016**.

Further, section 24(3) of the PBPT Act provides for attachment of 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 section 24 so as to provide that the period of 90 days in respect of provisional attachment of the property under section 24(3) and passing of order under section 24(4) shall be reckoned from the end of the month in which the notice under section 24(1) is issued.

This amendment will take effect from September 1, 2019.

The existing provisions of section 24(4) of the PBPT Act provide for passing of order by the Initiating Officer, of section 24(5) provide for making of reference by the Initiating Officer and of section 26(7) provide for passing of order by the Adjudicating Authority. However, no exclusion is provided for the period during which the proceedings are stayed by the Court. In order to provide for the exclusion and adequate time to pass the order or make the reference, it is proposed to suitably amend the provisions of sections 24 and 26.

This amendment will take effect from September 1, 2019.

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 INR 25,000 for failure to comply with the summons issued or to furnish information under section 19 or section 21 respectively of the PBPT Act.

This amendment will take effect from September 1, 2019.

With a view to enable admissibility of certified copies of records or other documents in the custody of the authority as evidence in any proceeding under the PBPT Act, it is proposed to insert a new section 54B in the said Act so as to provide that entries in the records or other documents in the custody of an authority shall be admitted in evidence in any proceedings for the prosecution of any person for an offence under the PBPT Act.

This amendment will take effect from September 1, 2019.

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

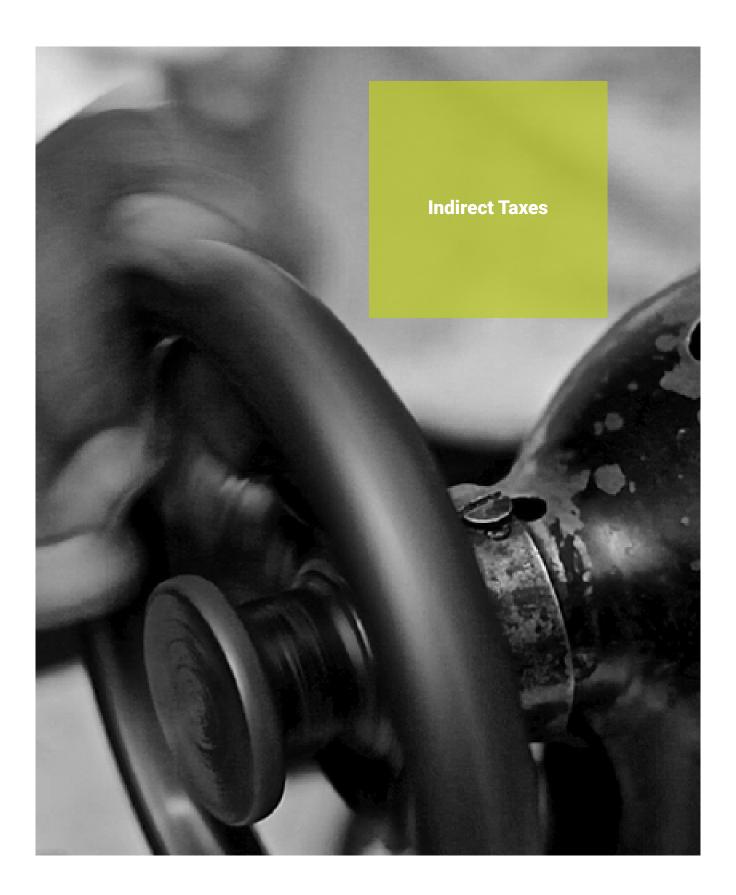
section so as to provide that no prosecution shall be instituted against any person in respect of any offence under the said Act without the previous sanction of the competent authority.

This amendment will take effect from September 1, 2019.

Extension of tax concession to SUUTI

SUUTI was created vide the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002. SUUTI is the successor of UTI. The mandate of SUUTI is to liquidate Government liabilities on account of the erstwhile UTI. SUUTI is exempt from income-tax or any other tax or any income, profits or gains derived, or any amount received in relation to the specified undertaking uptil March 31, 2019. It is proposed to extend the exemption for a further period of two years till March 31, 2021.

This amendment will take effect retrospectively from April 1, 2019.



INDIRECT TAXES

Amendments carried out in the Finance Bill, 2019 will come into effect from the date when the same will be notified, concurrently with the corresponding amendments to the Acts passed earlier by the States & Union territories with legislature.

GOODS AND SERVICE TAX (GST)

- Clause (4) of section 2 of the CGST Act, 2017 is being amended. After the words "the Appellate Authority for Advance Ruling", the words "the National Appellate Authority for Advance Ruling" shall be inserted; so as to also exclude "the National Appellate Authority for Advance Ruling" from the definition of "Adjudicating Authority".
- A new sub-section is being inserted in section 10 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 FY up to INR 50 lac (INR 5 Million). Further, explanation is being added to Section 10 to clarify that:
 - * 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
 - * 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 April 1, till the date when the taxpayer becomes liable for registration shall not be taken into account.
- Section 22 is being amended to insert second proviso so that the Government may, at the request of a State and on the recommendations of the Council, enhance the aggregate turnover from INR 20 lac (INR 2 Million) to such amount not exceeding INR 40 lac (INR 4 Million) in case of supplier who is engaged exclusively in the supply of goods, subject to such conditions and limitations, as may be notified. Explanation is also being inserted so that a person shall be considered to be engaged exclusively in the supply of goods even if he is engaged in exempt supply 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.
- Section 25 is being amended to insert subsection:
 - * (6A) Every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in such form and manner and within such time as may be prescribed: Provided that if an Aadhaar number is not assigned to the registered person, such person shall be offered alternate and viable means of identification in such manner as Government may, on the recommendations of the Council, prescribe: Further that in case of failure to undergo authentication or furnish proof of possession



of Aadhaar or furnish alternate and viable means of identification, registration allotted to such person shall be deemed to be invalid and the other provisions of this Act shall apply as if such person does not have a registration.

(6B) On and from the date of notification, every individual shall, in order to be eligible for grant of registration, undergo authentication, or furnish proof of possession of Aadhaar number, in such manner as the Government may, on the recommendations of the Council, specify in the said notification: Provided that if an Aadhaar number is not assigned to an individual, such individual shall be offered alternate and viable means of identification in such manner as the

- Government may, on the recommendations of the Council, specify in the said notification.
- * (6C) On and from the date of notification, every person, other than an individual, shall, in order to be eligible for grant of registration, undergo authentication, or furnish proof of possession of Aadhaar number of the Karta, Managing Director, Whole Time Director, such number of partners, Members of Managing Committee of Association, Board of Trustees, Authorised Representative, Authorized Signatory and such other class of persons, in such manner, as the Government may, on the recommendation of the Council, specify in the said notification:

Provided that where such person or class of persons have not been assigned the Aadhaar

- number, such person or class of persons shall be offered alternate and viable means of identification in such manner as the Government may, on the recommendations of the Council, specify in the said notification.
- * (6D) The provisions of sub-section (6A) or sub-section (6B) or sub-section (6C) shall not apply to such person or class of persons or any State or Union territory or part thereof, as the Government may, on the recommendations of the Council, specify by notification.
 Explanation has been inserted to clarify that for the purposes of this section, the expression "Aadhaar number" shall have the same meaning as assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.".
- A new Section 31A "Facility of digital payment to recipient" is being inserted, so that specified suppliers shall have to mandatorily give the option of specified modes of electronic payment to their recipients.
- Section 39 is being amended 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.
- Section 44 is being amended to insert the proviso so as to empower the Commissioner to extend the due date for furnishing Annual return (prescribed FORM GSTR-9/9A) and reconciliation statement (prescribed FORM GSTR-9C).
- Section 49 is being amended to:

- * insert a new sub section (10) to provide that a registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under this Act, to the electronic cash ledger for integrated tax, central tax, State tax, Union territory tax or cess, in such form and manner and subject to such conditions and restrictions as may be prescribed and such transfer shall be deemed to be a refund from the electronic cash ledger under this Act.
- * insert a new sub section (11) to provide for where any amount has been transferred to the electronic cash ledger under this Act, the same shall be deemed to be deposited in the said ledger as provided in sub-section (1).
- Section 50 is being amended to insert a proviso so as to provide for charging interest only on the net cash tax liability, except in those cases where returns are filed subsequent to initiation of any proceedings under section 73 or 74 of the CGST Act.
- Section 52 is being amended to insert proviso 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.
- A new section 53A "Transfer of certain amounts" is being inserted so as to provide for transfer of amount between Centre and States consequential to amendment in section 49, allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person.
- Section 54 is being amended to insert new subsection (8A) so as to provide that the Central Government may disburse refund amount to the taxpayers in respect of refund of State taxes as well.

- Section 95 is being amended to insert new clause
 (f) to define "National Appellate Authority" to mean
 the "National Appellate Authority for Advance
 Ruling referred to in section 101A."
- New sections 101A, 101B and 101C are being inserted so as to provide for constitution, qualification, appointment, tenure, conditions of services of the National Appellate Authority for Advance Ruling; to provide for procedures to be followed for hearing appeals against conflicting
- advance rulings pronounced on the same question by the Appellate Authorities of two or more States or Union territories in case of distinct persons
- Section 102 is being amended to allow the National Appellate Authority to amend any order passed by it so as to rectify any error apparent on the face of the record, within a period of six months from the date of the order, except under certain specified circumstances.

- Section 103 is being amended to provide that the advance ruling pronounced by the National Appellate Authority shall be binding, unless there is a change in law or facts, on the applicants, being distinct person and all registered persons having the same Permanent Account Number and on the concerned officers or the jurisdictional officers in respect of the said applicants and the registered persons having the same Permanent Account Number.
- Section 104 is being amended to provide that advance ruling pronounced by the National Appellate Authority shall be void where the ruling has been obtained by fraud or suppression of material facts or misrepresentation of facts.
- Section 105 is being amended to provide that the National Appellate Authority shall have all the powers of a civil court under the Code of Civil Procedure, 1908 for the purpose of exercising its powers under the Act.
- Section 168 is being amended to provide that Commissioner or Joint Secretary shall exercise the powers specified in the section 44 and section 52 with the approval of the Board.
- Section 171 is being amended to empower the National Anti profiteering Authority (under subsection (2) of section 171 of the Act) to impose penalty equivalent to 10% of the profiteered amount.

Amendment in the IGST Act. 2017:

 A new section 17A is being inserted so as to provide for transfer of amount between Centre and States consequential to amendment in section 49 of the CGST Act allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person.

Retrospective amendments of GST rate notifications

- Notification No. 2/2017-Central Tax (Rate) dated the June 28, 2017, issued under subsection (1) of section 11 of the Central Goods and Services Tax Act, 2017,
- Notification No. 2/2017-Integrated Tax (Rate)
 dated the June 28, 2017, issued under subsection
 (1) of section 6 of the Integrated Goods and
 Services Tax Act, 2017 and
- Notification No. 2/2017-Union Territory Tax
 (Rate) dated the June 28, 2017, issued under sub-section (1) of section 8 of the Union Territory Goods and Services Tax Act, 2017

 Are being amended retrospectively so as to exempt "Uranium Ore Concentrate" from the levy of Central Tax from July 1, 2017 to November 14, 2017.

CUSTOMS

Amendments in Customs Act, 1962

- Section 41 is being amended 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. 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:
 - * 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 subsection (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.
 - * 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:
 - * 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).

- * insert two new clauses (c) and (d) in subsection (4) so as to specify two particular offences which shall be cognizable.
- * insert a new clause (e) in sub-section (6) so as to specify a particular offence which shall be non-bailable.
- * insert an Explanation so as to define the term instrument.
- Section 110 is being amended so as to:
 - * 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.
 - * 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 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 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 to increase the maximum limit of penalty from INR 1 lac (INR 0.1 Million) to INR 4 lac (INR 0.4 Million).
- Section 125 is being amended 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.
- Section 135 is being amended so as 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.
 - * 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 INR 50 lac (INR 5 Million).
 - insert an Explanation to define the term instrument.

- Section 149 is being amended to empower Board to make regulations specifying time, form, manner, restrictions and conditions for amendment of any document.
- Section 157 is being amended to empower the Board to make regulations for purposes of sections 99B and 149 respectively.
- Section 158 is being amended to increase the maximum limit of penalty for violation of any provision of rules or regulations from INR 0.5 Lac (INR 0.05 Million) to INR 2 lac (INR 0.2 Million).

Amendment in Customs Tariff Act, 1975

- Section 9 is being amended so as to insert subsection (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.

AMENDMENTS IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975 (will come into effect immediately owing to declaration under Provisional Collection of Taxes Act, 1931)



AME	ENDMENTS				
Α.		hanges for Basic Customs Duty [to be effective from July 6, 2019])] of the Finance (No. 2) Bill, 2019]	Rate o	f Duty	
SN	HSN Code	Commodity	From	То	Change
	Construction	n Materials		- 30	
1	3918	Floor covering of plastics, Wall or ceiling coverings of plastics	10%	15%	5%
2	6905, 6907	Ceramic roofing tiles and ceramic flags and pavings, hearth or wall tiles	10%	15%	5%
3	8302	Base metal fittings, mountings and similar articles suitable for furniture, doors, staircases, windows, blinds, hinge for auto mobiles	10%	15%	5%
	Precious Me	tals		- 4	111
4	7106	Silver (including silver plated with gold or platinum) unwrought or in semi- manufactured forms, or in powdered form	10%	12.5%	2.5%
5	7107 00 00	Base metals clad with silver, not further worked than semi-manufactured	10%	12.5%	2.5%
6	7108	Gold (including gold plated with platinum) unwrought or in semi- manufactured forms, or in powder form	10%	12.5%	2.5%
7	7109 00 00	Base metals or silver, clad with gold, not further worked than semi- manufactured	10%	12.5%	2.5%
8	7110	Platinum, unwrought or in semi-manufactured form, or in powder form	10%	12.5%	2.5%
9	7111 00 00	Base metals, silver or gold, clad with platinum, not further worked than semi- manufactured	10%	12.5%	2.5%
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%	2.5%
	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%	5%
12	7009	Glass mirrors, whether or not framed, including rear-view mirrors	10%	15%	5%
13	8301 20 00	Locks of a kind used in motor vehicles	10%	15%	5%

			/	1 120	
14	8421 23 00	Oil or petrol filters for internal combustion engines	7.5%	10%	2.5%
15	8421 31 00	Intake air-filters for internal combustion engines	7.5%	10%	2.5%
16	8421 39 20, 8421 39 90	Air purifiers or cleaners and other filtering or purifying machinery and apparatus for gases	7.5%	10%	2.5%
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%	5%
18	8512 20 90, 8512 30 90	Other visual or sound signalling equipment for bicycles or motor vehicles	7.5%	15%	7.5%
19	8512 30 10	Horns for vehicles	10%	15%	5%
20	8512 90 00	Parts of visual or sound signalling equipment for bicycles or motor vehicles	7.5%	10%	2.5%
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%	5%
 22	8706	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705.	10%	15%	5%
 23	8707	Bodies (including cabs), for the motor vehicles of headings 8701 to 8705	10%	15%	5%
	Electronics a	and Electrical equipments			
24	8415 90 00	Indoor and outdoor unit of split -system air conditioner	10%	20%	10%
25	8518 21 00, 8518 22 00	Loudspeaker	10%	15%	5%
26	8521 90 90	Digital Video Recorder (DVR) and Network Video Recorder (NVR)	15%	20%	5%
27	852,580	CCTV camera and IP camera	15%	20%	5%
28	9001 10 00	Optical Fibres, optical fibre bundles and cables	10%	15%	5%
	Miscellaneo	us changes in Tariff Schedule			
29	9804	Chapter Note 7 to be inserted in Chapter 98 so as to exclude printed books importing from the purview of heading 9804. This heading covers all dutiable articles in and attracts 28% IGST. This amendment would exclude printed books from this be subject to the applicable merit rate.	nported	for perso	onal use

SN	HSN Code	Commodity	From	То	Change
	Defence				
1	Any Chapter	Specified Defence equipment and their parts imported by the Ministry of Defence or the Armed Forces	Applicable rate	Nil	-
	Medical Devi	ces			
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 process	sing			
3	0801 32 10	Cashew kernel broken	INR 60/ Kg or 45%, whichever is higher	70%	-
4	0801 32 20, 0801 32 90	Cashew kernel whole, Cashew nuts shelled, others	INR 75/ Kg or 45%,	12.5%	2.5%
	Nuclear Fuels	and Nuclear Energy projects			
5	2612 10 00	All forms of Uranium ores and Concentrates for generation of Nuclear power	2.5%	Nil	(2.5%)
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	(7.5%)
7	9801	All goods required for setting up of the following power projects under project imports:	10%	12.5%	2.5%
	Oils and asso	ociated 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%	7.5%
	Petroleum ar	nd Petrochemicals			
9	2709 00 00	Petroleum Crude	Nil	INR 1 per tonne	-
10	2710	Naphtha	5%	4 %	(1%)
11	2903 15 00	Ethylene dichloride (EDC)	2%	Nil	(2%)
12	2910 20 00	Methyloxirane (Propylene Oxide)	7.5%	5%	(2.5%)
13	Plastic and R	lubber			
14	3904	Poly Vinyl Chloride	7.5%	10%	2.5%
15	3926 90 91, 3926 90 99	Articles of plastics	10%	15%	5%

 16	4002 31 00	All goods i.e. Butyl Rubber	5%	10%	 5%
17	4002 31 00	Chlorobutyl rubber or bromobutyl rubber	5% 5%	10%	5% 5%
17		aper products		10%	
18	48	a. Newsprint b. Uncoated paper used for printing of newspapers c. Lightweight coated paper used for printing of magazines	Nil	10%	10%
19	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%	5%
	Textiles				
20	5101	Wool Fibre	5%	2.5%	(2.5%)
21	5105	Wool Tops	5%	2.5%	(2.5%)
	Flooring mat	erials			
22	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%	20%
	Inputs for O	otical Fibres			
23	28 or 70	Raw materials used in manufacture of Preform of Silica: (i) Refrigerated Helium Liquid (2804 29 10) (ii) Silicon Tetra Chloride and Germanium Tetra Chloride (2812 19 20, 2812) (iii) Silica Rods (7002 20 90) (iv) Silica Tube (7002 31 00)	Applicable rate	Nil	-
24	5603 94 00	Water blocking tapes for manufacture of optical fiber cable	Nil	20%	20%
	Precious Me	tals			
25	7106	Silver dore bar, having silver content not exceeding 95%	8.5%	11%	2.5%
26	7108	Gold dore bar, having gold content not exceeding 95%	9.35%	11.85%	2.5%
27	71 or 98	a) Gold (excluding ornaments studded with stones or pearls) imported by an eligible passenger as baggage (b) Silver (excluding ornaments studded with stones or pearls) imported by an eligible passenger as baggage	10%	12.5%	2.5%
	Iron and Ste	el, Other base metals			
28	7218	Stainless steel in ingots or other primary forms; semi-finished products of stainless less	5%	7.5%	2.5%
29	7224	Other alloy steel in ingots or other primary forms; semi-finished products of other alloy steel	5%	7.5%	2.5%

30	7225, 7225 19 90	Inputs for the manufacture of CRGO steel: a) MgO coated cold rolled steel coils b) Hot rolled coils c) Cold-rolled MgO coated and annealed steel d) Hot rolled annealed and pickled coils e) Cold rolled full hard	5%	2.5%	(2.5%)
31	7226 99 30	Amorphous alloy ribbon	10%	5%	(5%)
32	7229	Wire of other alloy steel (other than INVAR)	5%	7.5%	2.5%
33	8105 20 10	Cobalt mattes and other intermediate products of cobalt metallurgy	5%	2.5%	(2.5%)
	Capital good	S			
34	8474 20 10	Stone crushing (cone type) plants for the construction of roads	Nil	7.5%	7.5%
35	82, 84, 85 or 90	Capital goods used for manufacturing of following electronic items, namely- (i) Populated PCBA (ii) Camera module of cellular mobile phones (iii) Charger/Adapter of cellular mobile phone (iv) Lithium Ion Cell (v) Display Module (vi) Set Top Box (vii) Compact Camera Module	Applicable rate	Nil	-
36	84, 85 or 90	Capital goods used for manufacturing of specified electronic items, namely- (i) Cathode Ray tubes; (ii) CD/CD-R/DVD/DVD-R; (iii) Deflection components, CRT monitors/CTVs; (iv) Plasma Display Panel	Nil	Applicable rate	-
37	850,440	Charger/Power adapter for CCTV camera/IP camera/DVR/NVR	Nil	15%	15%
38	85	Specified electronic items like plugs, sockets, switches, connectors, relays.	Nil	Applicable rate	-
	Automobile a	and automobile parts			
39	8421 39 20, 8421 39 90	Catalytic convertor (All goods under these tariff items other than catalytic converters will continue at 7.5%)	5%	10%	5%
40	8702, 8704	Completely Built Unit (CBU) of vehicles falling under heading 8702, 8704	25%	30%	5%
41	Any Chapter	Following parts of electric vehicles: (i) E-Drive assembly, (ii) On board charger, (iii) E-compressor and (iv) Charging Gun	Applicable rate	Nil	-
42	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					
43	43 84 or any other 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 depreciated value					
	Export Promo	otion for Sports goods				
44	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 FY subject to specified conditions	Applicable rate	Nil	-	
	Clarifications and Miscellaneous changes regarding Basic Customs Duty					
		Fisheries				
45	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.				

	Changes in E	Changes in Export Duty Rates					
SN	HSN Code	Export duty changes	From	То	Change		
	7224	Other alloy steel in ingots or other primary forms; semi-finished products of other alloy steel	5%	7.5%	2.5%		
1	41	El tanned Leather	15%	Nil	(15%)		
2	41	Hides, skins and leathers, tanned and untanned, all sorts	60%	40%	(20%)		

	Amendment in the Sixth Schedule of Finance Act, 2018				
	Amendments in scheduled rate of Road and Infrastructure Cess levied as additional duty of	Rate of	Rate of Duty		
	customs, on Petrol and Diesel [to be effective from July 6, 2019]		То	Change	
1	Motor spirit commonly known as petrol	INR 8 per litre	INR 10 per litre	INR 2 per litre	
2	High speed diesel oil	INR 8 per litre	INR 10 per litre	INR 2 per litre	



EXCISE

- Increase the effective rate of road and infrastructure Cess as additional duty of excise on petrol and diesel from nil to INR 1.
- Seeks to increase the effective rate of Special Additional Excise Duty on Petrol and diesel.
- Crude prices have softened from their highs with increase Special Additional Excise duty and Road and Infrastructure Cess each by INR 1 a litre on petrol and diesel and proposed to increase custom duty on gold and other precious metals from 10% to 12.50%.
- Provisions will be incorporated in the Act to reveal certain bogus entities are resorting to unfair practices for enhanced penalty and prosecution for such offences. Further, misuse of duty free scrips and drawback facility involving more than INR 50,000 will be a cognizable and non-bailable offence.
- Nominal basic excise duty is being imposed on Tobacco products and crude attract National

Calamity and Contingent duty.

 Seeks to exempt 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.

SERVICE TAX

Amendments carried out through Flnance Act 2019 come into effect on the date of its enactment unless otherwise specified

- Services provided or agreed to be provided by the State Government by way of grant of liquor licence, against consideration in the form of licence fee or application fee or by whatever name it is called, are proposed to be exempted from service tax for during the period commencing from April 1, 2016 and ending with the June 30, 2017.
- Services provided or agreed to be provided by the Indian Institutes of Management, as per the



guidelines of the Central Government, to their students, by way of the following educational programmes, except Executive Development Programme,:

- two-year full time Post Graduate Programmes in Management for the Post Graduate Diploma in Management, to which admissions are made on the basis of Common Admission Test (CAT), conducted by Indian Institute of Management;
- fellow programme in Management;
- 5 year integrated programme in Management.

are proposed to be exempted from service tax for during the period commencing from the July 1, 2003 and ending with the March 31, 2016.

Consideration paid in the form of upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable in respect of service, by way of granting of long term lease of thirty years, or more of plots for development of infrastructure for financial business, provided or agreed to be provided by the State Government Industrial Development Corporations or Undertakings



or by any other entity having 50% or more ownership of Central Government, State Government, Union Territory to the developers in any industrial or financial business area, is proposed to be exempted from Service Tax for the period commencing from the October 1, 2013 and ending with the June 6, 2017.

SABKA VISHWAS LEGACY DISPUTE RESOLUTION SCHEME

"The Sabka Vishwas Legacy Dispute Resolution Scheme, 2019" is being introduced for resolution and settlement of legacy cases of Central Excise and Service Tax. It will resolve disputes of subsumed taxes in GST namely Central Excise, Service Tax and Cesses except those litigations, where applications have already been filed before the Settlement Commission. The scheme will provide relief 40% to 70% on tax dues other than voluntary disclosures The Scheme provides for method of payment of tax dues, arrears and restrictions regarding the manner of payment etc. The Scheme shall become available from a date to be notified by the government.

SECTOR WISE IMPACT

AGRICULTURE SECTOR

- Boost to agro-rural industries through cluster based development under SFURTI scheme with focus on bamboo, honey and khadi.
 100 new clusters to be set up to enable 50,000 artisans during 2019-20.
- PMMSY launched to establish robust fisheries management framework to address critical gaps in strengthening value chain, including infrastructure, modernization, production, productivity and quality control.
- Dairying through cooperatives to be encouraged by creating infrastructure for milk procurement, processing, and marketing.
- Creation of 10,000
 new farmer producer
 organizations to ensure
 economies of scale for
 farmers over next 5 years
- Innovative pilots of 'Zero
 Budget Farming' to be
 replicated across the country
 for doubling farmer's income

INFRASTRUCTURE SECTOR

- To empower MSMEs and social enterprises, 2% interest subvention scheme for all GST registered MSMEs on fresh or incremental loans with outlay of INR 350 crore (3.5 billion) has been launched.
- Payment platform for bill filing for MSMEs to be created to address delays and Social stock exchange for listing social enterprises and voluntary organizations.

FINANCE SECTOR

- Public sector banks to be further provided INR 70,000 crore (INR 700 billion) capital boost credit for a strong impetus to the economy
- Regulation authority over the housing finance sector to return to RBI from NHB to ensure efficient and conducive regulation of the housing sector.

THE RESERVE TO STREET, STREET,

 Strengthening the regulatory authority of RBI over NBFCs to ensure robust regulation

RURAL SECTOR

- INR 60,000 crores (INR 600 billion) crores allocated for MGNREGA in BE 2019-20, increase of 9% from BE 2018-19 of INR 55,000 crores (INR 550 billion)
- 22.6% increase in PMGSY from INR 15,500 crore (INR 155 billion) in 2018-19 RE to INR 19,000 crore (INR 190 billion) in 2019-20 BE. Completion target advanced from 2022 to 2019.
 97% of targeted inhabitations completed and 37000 km built using green technology.
- UJALA scheme leading to an annual cost savings of INR 18,341 crore (INR 183.41 billion) and 35 crore LED bulbs distributed.
- Under PMAY-G, 1.5 crores rural homes completed and 1.9 crore houses proposed for second phase. Average days of 314 for completion in 2014-15 reduced to 114 in 2017-18.
- Constitution of Jal Shakti Mantralaya to ensure Har Ghar Jal to all rural households by 2024 under Jal Jeevan Mission.
 1592 critical and over exploited blocks identified under Jal Shakti Abhiyan. Focus on Integrated demand and supply side management at local level, creation of local infrastructure for rainwater harvesting, groundwater recharge and household waste water management.

SOCIAL SECTOR

- Allocation for ICDS increased from `23,357 crore (INR 233.57 billion) in RE 2018-19 to `27,584 crore (INR 275.84 billion) in BE 2019-20.
- More than 7 crore connections already given and 8 crore free LPG connections to be given under Ujjwala Yojana.
- 70% of beneficiaries under MUDRA scheme are Women.
 To expand women SHG interest subvention programme to all districts INR 1 lakh (INR 0.1 million) loan under MUDRA scheme for one woman in every SHG. Every verified women SHG member having a Jan Dhan Bank Account to be allowed an overdraft of INR 5,000.



PMLVMY to be launched. Pension benefits to around 3 crore retail traders and small shopkeepers with annual turnover less than INR 1.5 crore (INR 15 million).

EDUCATION SECTOR

- New Education Policy to transform the higher education system of India to one of the best global education systems
- National Research Foundation has been created to fund, co-ordinate and promote research
- 'Study in India' Programme to help India attract foreign students to make India a global higher education hub
- Setting up 'Higher Education Commission of India' to promote greater autonomy and focus on academic outcomes
- Setting up of National Sports Education Board for development of sportspersons under Khelo India Scheme

AAI	Airport Authority of India	FIPB	Foreign Investment Promotion Board	PDMA	Public Debt Management Agency
AAR	Authority for Advance Ruling	FMV	Fair Market Value	PE	Permanent Establishment
AE	Associated Enterprise	FOB	Free on Board	PMAY	Pradhan Mantri Awas Yojana
AIF	Alternative Investment Funds	FPO	Follow-on Public Offer	PMGSY	Pradhan Mantri Gram Sadak Yojana
AIIMS	All India Institute of Medical Sciences	FTP	Foreign Trade Policy	PMKYMS	Pradhan Mantri Karam Yogi Maandhan
AMT	Alternate Minimum Tax	GAAR	General Anti Avoidance Rules		Scheme
AO	Assessing Officer	GCF	Gross Capital Formation	PMLVMY	"Pradhan Mantri Laghu Vyapaari Mann-
AOP	Association of Persons	GDP	Gross Domestic Product		Dhan Yojana"
APA	Advance Pricing Agreement	GDR	Global Depository Receipt	PMMSY	Pradhan Mantri Matsya Sampada Yojana
AY	Assessment Year	GOI	Government of India	POEM	Place of Effective Management
B2B	Business-to-Business	GIFT	Gujarat International Finance Tec-city	POS	Point of Supply
BE	Budget Estimate	GST	Goods & Services Tax	PPA	Power Purchase Agreement
BEPS	Base Erosion and Profit Shifting	GSTN	Goods & Services Tax Network	PPP	Public Private Partnership
BHIM	Bharat Interface for Money	GTA	Goods Transport Agency	Pr. CIT	Principal Commissioner of Income-tax
BM Act	Black Money (Undisclosed Foreign Income	HEFA	Higher Education Financing Agency	PSU	Public Sector Undertaking
	and Assets) and Imposition of Tax Act,	HSD	High Speed Diesel	PY	Previous Year
	2015	HUF	Hindu Undivided Family	QFI	Qualified Foreign Investors
BOD	Board of Directors	IBC	Insolvency and Bankruptcy Code, 2016	QIB	Qualified Institutional Buyer
BOI	Body of Individuals	ICD	Inland Container Depot	QIP	Qualified institutional Placement
BPL	Below Poverty Line	ICDS	Integrated Child Development Services	R&D	Research & Development
BSE	Bombay Stock Exchange	ICT	Information & Communication Technology	RBI	Reserve Bank of India
CbC	County-By-Country	IDR	Indian Depository Receipts	REIT	Real Estate Investment Fund
CBDT	Central Board of Direct Taxes		Income Declaration Scheme, 2016	RHF	Rural Housing Fund
CBU	Completely Built Unit	IDS'16	Income Declaration Scheme, 2016	RPF	Recognised Provident Fund
CDT	Commodities Transaction Tax	IEO	Independent Evaluation Officer	RRB	Regional Rural Bank
CFPI	Consumer Food Price Index	IFSC	International Financial Services Centre	RSE	Recognised Stock Exchange
CFS	Consolidated Financial Statements	IGST	Integrated Goods and Service Tax	RSP	Retail Sale Price
CGST	Central Goods and Service Tax	IIFCL	9	RTE	Right to Education
		IIFCL	India Infrastructure Finance Company		Specific Advaloram Duty
CIF	Cost Insurance Freight	115.4	Limited	SAD	,
CIT	Commissioner of Income Tax	IIM	Indian Institute of Management	SARFAES	I The Securitisation and Reconstruction
CKD	Completely Knock Down	IISc	Indian Institute of Science		of Financial Assets and Enforcement of
COA	Cost of Acquisition	IIT	Indian Institute of Technology		Security Interest Act, 2002
COI	Cost of Improvement	IMR	Infant Mortality Rate	SC/ST	Scheduled Cast/Scheduled Tribe
CPSE	Central Public Sector Enterprises	Ind-AS	Indian Accounting Standards	SEBI	Securities & Exchange Board of India
CPSEs	Central Public Sector Enterprises	INR	Indian National Rupee	SETU	Self-Employment and Talent Utilization
CSI	Continental Shelf of India	Invit	Infrastructure Investment Fund	SEZ	Special Economic Zones
CVD	Counter Vailing Duty	IPO	Initial Public Offer	SFC	State Finance Corporations
DAVP	Directorate of Advertising and Visual	IPTV	Internet Protocol Television	SGST	State Goods and Service Tax
	Publicity	IRDA	Insurance Regulatory and Development	SHB	State Housing Bank
DDT	Dividend Distribution Tax		Authority	SHG	Self Help Groups
DEPB	Duty Entitlement Pass Book	IT	Information Technology	SIDBI	Small Industries and Development Bank of
DGCA	Directorate General of Civil Aviation	ITAT	Income Tax Appellate Tribunal		India
DIN	Document Identification Number	JV/ WOS	Joint Venture/Wholly Owned Subsidiary	SITP	Software Information Technology Park
DISCOM	Distribution Company (India)	KCC	Kisan Credit Card	SLBC	State Level Bankers Committee
DOT	Department of Telecommunications	LCD	Liquid Crystal Display	SPV	Special Purpose Vehicle
DRI	Differential Rate of Interest	LLP	Limited Liability Partnership	SSI	Small Scale Industry
DRP	Dispute Resolution Panel	LPG	Liquified Petroleum Gas	STT	Securities Transaction Tax
DTA	Domestic Tariff Area	LTCG	Long-term Capital Gain	SUUTI	Special Undertaking of the Unit Trust of
DTAA	Double Tax Avoidance Agreement	MAT	Minimum Alternate Tax		India
DTC	Direct Tax Code	MCA	Ministery of Corporate affaires	TAN	Tax Collection/ Deduction Account number
DTH	Direct to Home	MRP	Maximum Retail Price	TCS	Tax Collected at Source
DUGJY	Deendayal Upadhyaya Gram Jyoti Yojana	MS	Motor Spirit	TDS	Tax Deducted at Source
ECB	External Commercial Borrowings	MSE	Micro and Small Enterprises	TI	Total Income
ECGC	Export Credit and Guarantee Corporation	MSME	Micro Small and Medium Enterprises	TIES	Trade Infrastructure for Export Scheme
ECS	Electronic Clearing System	MSP	Maximum Selling Price	TP	Tansfer Pricing
EDF	Electronic Development Fund	MUDRA	Micro Units Development Refinance Agency	TPO	Transfer Pricing Officer
EEFC	Exchange Earners' Foreign Currency		National Bank for Agriculture and Rural	TReDS	Trade Receivables Discounting System
EEZ	Exclusive Economic Zones	IVADARD	Development Development	UID	Unique Identification
EHTP	Electronic Hardware Technology Park	NBFC	Non-banking Financial Corporation	UIDAI	Unique Identification Authority of India
		NCD		ULIP	Unit Linked Insurance Plan
EOU	Export Oriented Unit		Non-convertible Debentures National Highways Authority of India	USD	US Dollar
EPCG	Export Promotion Capital Goods Scheme	NHAI	3 , ,		
EPFS	Employee's Provident Fund Scheme	NHB	National Housing Bank	UTGST	Union Territory Goods and Service Tax
ESOP	Employee Stock Option Plan	NPS	National Pension Scheme	UTI	Unit Trust of India
FA	Finance Act	NRI	Non-Resident Indian	VCC	Venture Capital Company
FCCB	Foreign Currency Convertible Bonds	NSE	National Stock Exchange	VCF	Venture Capital Funds
FCEB	Foreign Currency Exchangeable Bonds	ONGC	Oil and Natural Gas Corporation	VCU	Venture Capital Undertaking
FCI	Food Corporation of India	OTS	One Time Settlement	VRS	Voluntary Retirement Scheme
FDI	Foreign Direct Investment	PAN	Permanent Account Number	WPI	Wholesale Price Index
FEMA	Foreign Exchange Management Act	PBP [Act	Prohibition of Benami Property Transactions	WTO	World Trade Organization
FIF	Financial Inclusion Fund	DOF:	Act		
FII	Foreign Institutional Investor	PCBA	Printed Circuit Board Assembly		

This document summarises the important provisions of the Budget 2019 proposals as placed before the Parliament.

Topics presented are grouped into chapters and sections to facilitate an understanding of the proposals. These are, however, not mutually exclusive.

Unless otherwise stated, Direct Tax Proposals will be applicable from AY 2020-2021. Indirect Tax Proposals will however, be applicable with immediate effect under the Provisional Collection of Taxes Act, 1931.

The proposals are subject to amendment as the Finance Bill passes through the Parliament.

All reasonable care has been taken in preparing this document. M/s Verendra Kalra & Co., Chartered Accountants, accepts no responsibility for any errors, if it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained by the person who relies on it.

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