

# BUDGET

## 2019

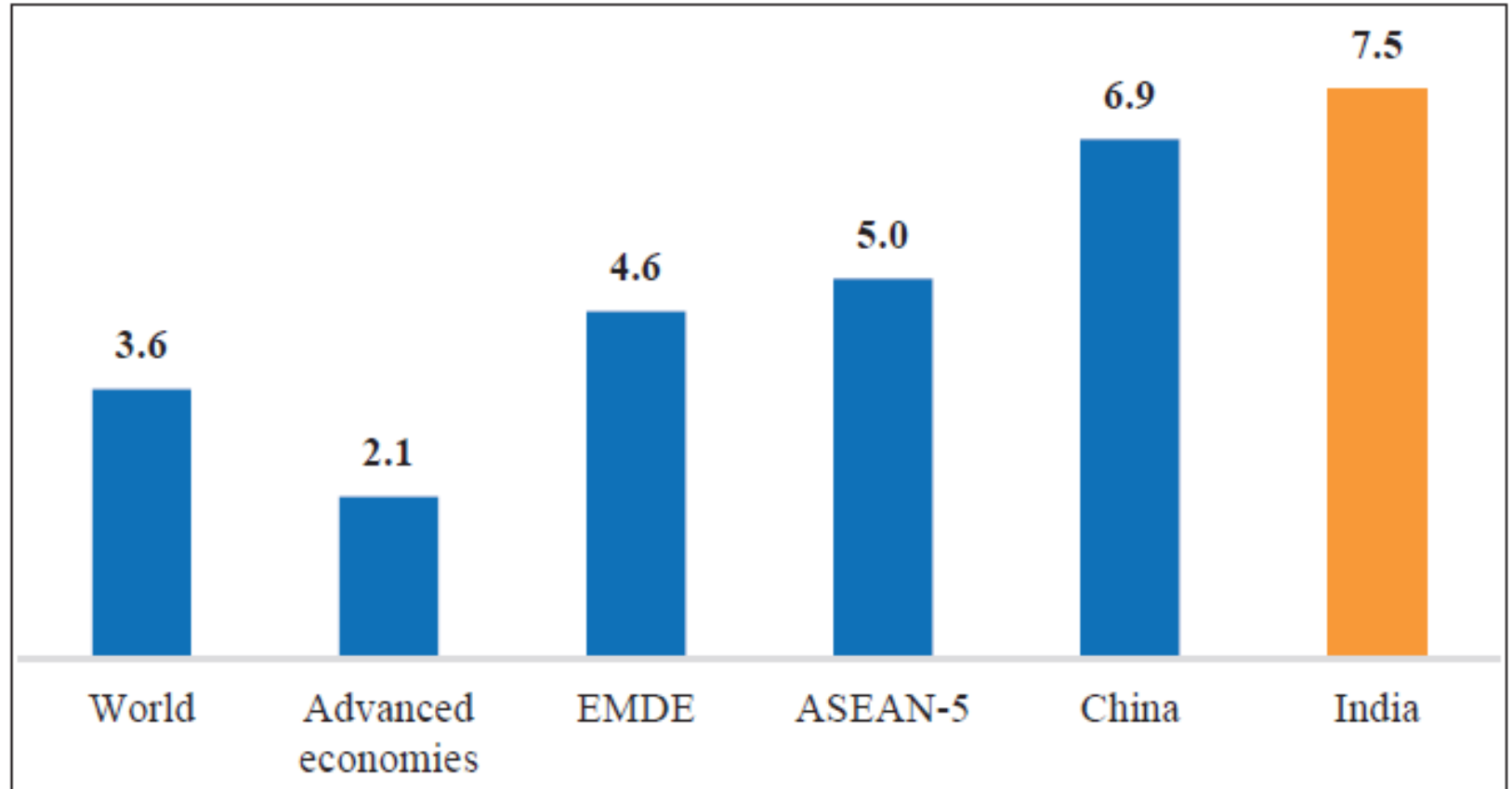


### Budget Analysis 2019-20

# **BUDGET OVERVIEW**

**Budget Analysis 2019-20**

**Date : 5<sup>th</sup> July 2019**



**Growth of GDP in India and the world**



Particulars	Unit	2015-16	2016-17	2017-18	2018-19
<b>GDP - Growth Rate</b>	%	8	8.2	7.2	6.8
<b>Per Capita Net National Income</b>	Rs	94797	104659	114958	126406
<b>Index of Industrial Production Growth</b>	%	3.3	4.6	4.4	3.6
<b>Electricity Generation Growth</b>	%	5.6	4.7	4	3.5
<b>CPI (Combined) inflation (average)</b>	%	4.9	4.5	3.6	3.4
<b>Foreign Exchange Reserves (end of year)</b>	US\$ billion	360.2	370	424.5	412.9
<b>Gross Fiscal Deficit</b>	% of GDP	3.9	3.5	3.5	3.4
<b>Exports</b>	US\$ million	2,66,365	2,80,138	3,08,970	2,26,753
<b>Imports</b>	US\$ million	3,96,444	3,92,580	4,69,006	3,45,166
<b>Trade Balance</b>	US\$ million	-1,30,079	-1,12,442	-1,60,036	-1,18,413
<b>Foreign Investment(net) of which</b>	US\$ million	31,891	43,224	52,401	43,718

Values in US\$ billion

S. No.	Year	Exports	Growth (%)	Import	Growth (%)	Trade Balance
1	2009-10	178.75	-3.53	288.37	-5.05	-109.62
2	2010-11	249.82	39.76	369.77	28.23	-119.95
3	2011-12	305.96	22.48	489.32	32.33	-183.36
4	2012-13	300.40	-1.82	490.74	0.29	-190.34
5	2013-14	314.41	4.66	450.20	-8.26	-135.80
6	2014-15	310.34	-1.29	448.03	-0.48	-137.70
7	2015-16	262.29	-15.48	381.01	-14.96	-118.72
8	2016-17	275.85	5.17	384.36	0.88	-108.51
9	2017-18	303.53	10.03	465.58	21.13	-162.06
10	2018-19	330.07	8.75	514.03	10.41	-183.96

**Merchandise Trade**

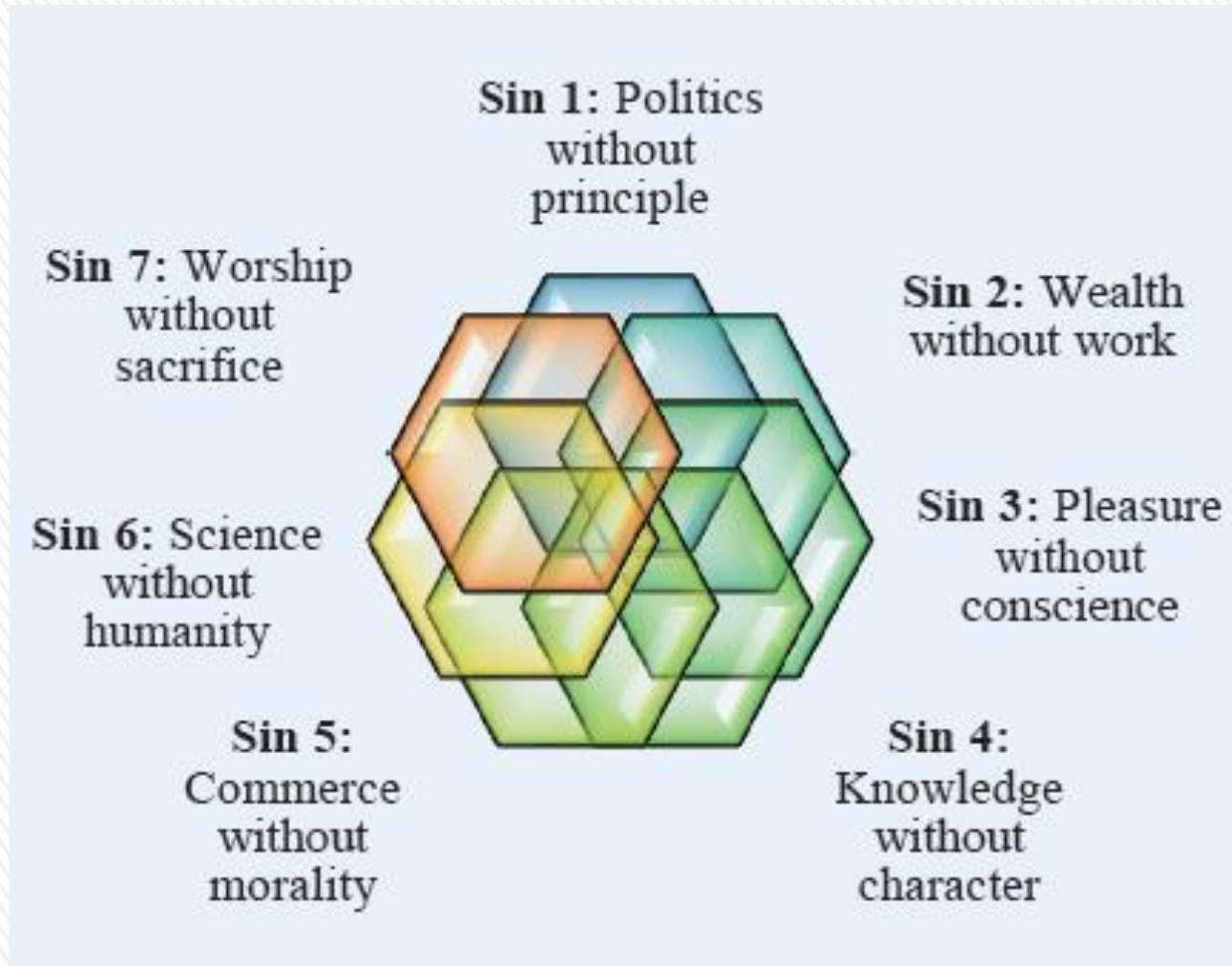


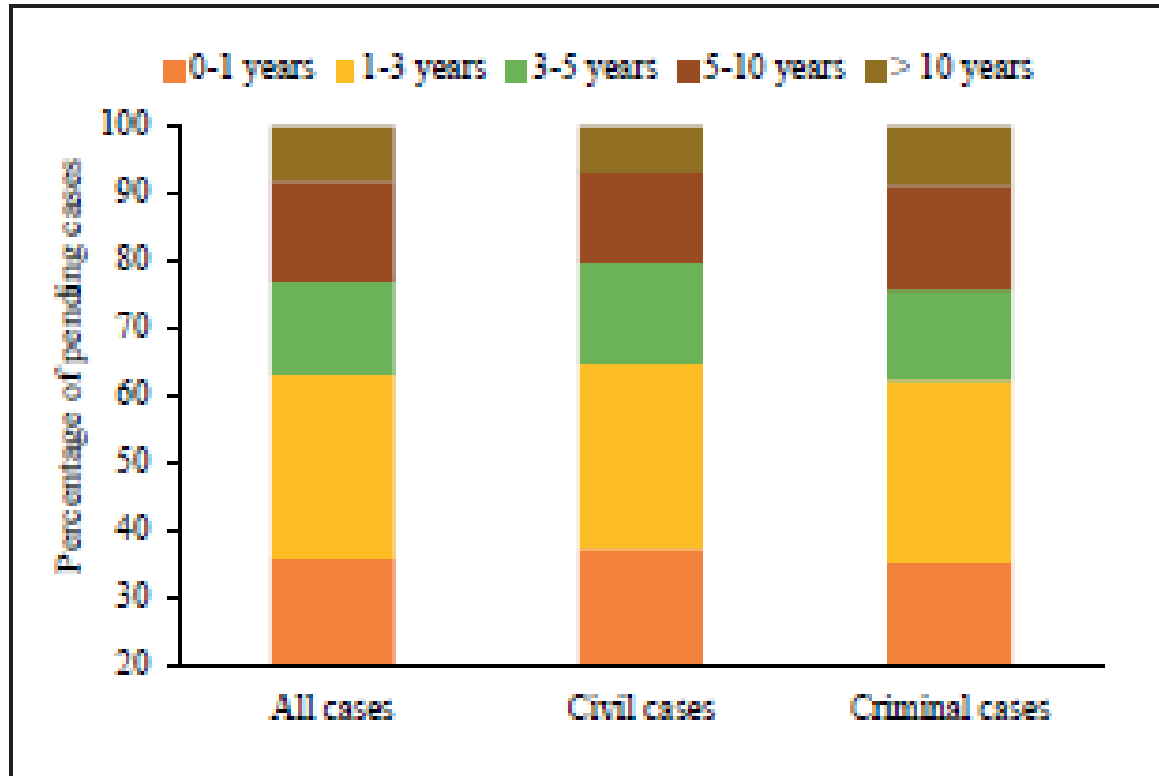
# Way Forward for Faster Recovery

- » Stable Micro Economic Conditions
- » Structural Reforms
- » Credit Growth and Demand
- » Lower Interest Rate
- » Higher Capacity Utilisation and Lower NPA to drive CAPEX
- » Cash Transfer, Higher Food Prices to push rural consumption
- » Lower Fuel Prices



# Way Forward to Avoid the Sins





**Distribution of Pending Cases (age-wise) in D&S courts : 3.53 Nos.**



# Risk Factors to be considered

- » **International Trade Wars**
- » **Poor Monsoon**
- » **Weak Exports Prospects**
- » **NBFC & NPA Crisis**
- » **Bleak Outlook for Global Economy**



# Expectations from this Budget

- » Measures to allow India to gain export share in amid current turmoil
- » Change in tax policy for start ups to foster innovation and Growth in industrial production
- » Changes in Capital Gain Tax to regain investments
- » Address restrictive labour laws
- » Lower Cost of Capital
- » Reward Schemes for Honest Tax Payers
- » Revive Consumption to spur economy activity & job creation
- » Push for "Make in India" through increase in import duty



# Whether Budget fulfills expectations?

- » GDP is USD 2.7 trillion & Govt to achieve USD 5 trillion in next five years
- » FM proposes new regulatory framework for aviation financing
- » Govt to ease up FDI regulations for various sectors like media, insurance & others
- » FM proposes 'One Nation One Grid' for power availability & a fresh tariff package for power companies
- » Govt to create payment platform for MSMEs bills
- » Pension Yojana for traders - Govt to launch PM Karamyogi Mandhan Yojana
- » Govt to ease up FDI regulations for various sectors like media, insurance & others
- » FPIs to be offered greater canvas for investments in equities
- » Housing for All – Rs. 1.95 Crore houses to be built by 2022
- » Budget allocates Rs 80250 Crore for road upgrade under PM Gram Sadak Yojana

# Whether Budget fulfills expectations?

- » FM proposes zero budget farming & to ensure doubling of agriculture income
- » Govt to launch Jal Jivan Mission to regulate demand and supply of drinking water
- » Gandhi-Pedia being developed to sensitize youth
- » Education - Govt to set up National Research Foundation
- » Budget earmarks Rs 400 Cr for developing World Class Educational Institutions
- » Govt to legislate to set up Higher Education Commission
- » Aadhaar facility extended to NRIs with Indian passport holders after arrival in India
- » Govt to open four new embassies in Africa
- » Govt proposes to vest more powers in RBI to efficiently regulate NBFCs
- » Finance Bill proposes to vest powers in RBI to regular housing finance
- » Govt to release coins of denominations of Rupee 1, Rs 2, 5, 10 & 20 soon



# Whether Budget fulfills expectations?

- » The tax collection has increased to 11.37 lakh crore to 2018-19 from 6.37 lakh crore from 2013-14
- » FM proposes to hike turnover limit to Rs 400 Cr for 25% corporate tax rate
- » E-vehicles purchase - Govt to provide subsidy of Rs 1.5 lakh on loans taken
- » Finance Bill proposes investment - linked exemption benefits to solar, computer and semi-conductor sectors - It's 2.5 lakh
- » To popularize sports at all levels, National Sports education board to be set up under Khelo India.
- » Relief to startups - FM promises no scrutiny of returns in relation to valuation of shares
- » Affordable housing - Additional income tax relief of Rs 1.5 lakh announced for loans taken till 2020
- » FM proposes tax relief to NBFCs at par with scheduled banks
- » Ambit of STT restricted



# Whether Budget fulfills expectations?

- » FM proposes PAN & Aadhar interchangeable
- » FM proposes to introduce auto-filled income tax returns
- » Finance Bill proposes 2% TDS on cash withdrawal of above Rs 1 Crore for business purpose
- » The Govt. Will invest widely in agricultural infrastructure and support private entrepreneurship in driving value addition to farmers produce and those from allied activities too, like bamboo, timber and also for generating renewable energy.
- » FM proposes to hike surcharge on income earners in the brackets of above Rs 2 Crore and Rs 5 Crore
- » FM proposes to exempt all defence imports from Customs duty if goods are not domestically manufactured
- » FM proposes to withdraw Customs exemption to several goods
- » Customs duty exemption granted to certain parts of e-vehicles



# Whether Budget fulfills expectations?

- » FM proposes to hike road cess and special excise duty on petrol; also hikes duty on gold
- » Customs penal provisions further tightened to deal with fraud cases
- » FM proposes Legacy Dispute Resolution Scheme to liquidate excise and service tax cases
- » Seven key things to look out about GST in Economic Survey
- » Enhancement of Custom Duty and withdrawal of exemption
- » **“Sab Ka Vishwas”** - Dispute Resolution Scheme 2019 in Indirect taxes for reduction of litigations **introduced newly..**



# **Customs Act 1962 & GST Act 2017**

**Budget Analysis 2019-20**

- ❑ **Section 41:departure manifest or export manifest or export report**
  - ❑ **Section provides reporting of export consignments from port now includes imported goods also and even custom station has been included otherwise liable for payment. Report to be furnished in the manners specified.**
- ❑ **New Chapter XXIIB for verification of identity & compliances has been inserted**
- ❑ **Section 99B :**
  - ❑ **Authentication or proof of possession of Aadhar card or/and any other information as asked by the proper officer has to be submitted.**
  - ❑ **Class of person to be notified.**
  - ❑ **If identity is not furnished or document has been not furnished or wrongly furnished then suspension of activity of clearance of import and export consignment, sanction of refund / drawback / license / registration or any benefit under the Act will be made.**



- ❑ **Section 103: Power to screen or X-ray bodies of suspected persons for detecting secreted goods**
  - ❑ Now Section provides screening and x-ray of person irrespective of safeguarding of any provision under any act and required to be produced nearest magistrate
- ❑ **Section 104 : Power to arrest :**
  - ❑ Now arrest can be made not only in India but even outside India for any person importing or exporting prohibited goods, evasion or attempt of evasion of duty exceeding Rs. 50 Lacs wrongfully availing the drawback or exemption or license / authorisation under FTDR.
- ❑ **Section 110A: Seizure of goods, documents and things**
  - ❑ Now the powers have been granted to attach the bank account provisional
- ❑ **Section 114AB: Penalty of use of false licenses / authorizations / instruments :**
  - ❑ Penalty will be equal to the face value of the instrument
- ❑ **Section 117 :Penalties for contravention, etc., not expressly mentioned**
  - ❑ Penalty has been enhanced from Rs. 1 Lac to Rs. 4 Lacs



- ❑ **Section 125: Option to pay fine in lieu of confiscation.**
  - ❑ Provisions of composing the file in lieu of confiscation is withdrawn. Now no fine will be imposed and confiscation of goods will be mandated
- ❑ **Section 135 : Evasion of Duty or Prohibition :**
  - ❑ Now instruments i.e. authorisations, scrips etc. has been also included so as to impose penalty confiscation
- ❑ **Section 149 : Amendment of Documents :**
  - ❑ Scope enlarged
  - ❑ New Rules will be specified
- ❑ **Section 157: General Power to make Regulations :**
  - ❑ Authentication and identification provision has been inserted
- ❑ **Section 158: Provisions with respective Rules & Regulations :**
  - ❑ Penalty amount has been enhanced from Rs. 50,000/- to Rs. 2 Lacs



- ❑ **Retrospective amendment from 1<sup>st</sup> July 2011 to the following notifications :**
  - ❑ GSR – G.S.R. 423(E), dated the 1st June, 2011, G.S.R. 499(E), dated the 1st July, 2011
  - ❑ G.S.R. 185(E), dated the 17th March, 2012
  - ❑ G.S.R. 785(E), dated the 30th June, 2017
  - ❑ G.S.R. 1270(E), dated the 31st December, 2018



- ❑ **Section 5: Levy of a lower rate of duty under a trade agreement :**
  - ❑ When exemption has been granted under such agreement, it will not be effective when alteration of description or name or composition of article or import of any article in CKD or SKD form or change in country of origin or export in any manner
  
- ❑ **Section 9C : Appeal :**
  - ❑ Appeal against Antidumping duties can be made to CESTAT only for any subsidy or dumping in relation to import of article or import of any article in increased quantity which causes serious injury to domestic unit requiring imposition of safeguard duty in relation to import of such article
  
- ❑ **Retrospective amendment from 1<sup>st</sup> July 2011 to the following notifications :**
  - ❑ G.S.R. 186 (E), dated the 22nd February, 2016
  - ❑ G.S.R. 804(E), dated the 21st October, 2015,
  - ❑ G.S.R.665 (E), dated the 5th July 2016
  - ❑ G.S.R. 285 (E), dated the 8th March, 2016,
  
- ❑ **Alignment of the classification for specific tariff lines for specific products recently classified as others.**



## ❑ **Section 2(4) : Adjudicating Authority :**

- ❑ "adjudicating authority" means any authority, appointed or authorised to pass any order or decision under this Act, but does not include the Central Board of Excise and Customs, the Revisional Authority, the Authority for Advance Ruling, The national appellate authority for advance ruling the Appellate Authority for Advance Ruling, the Appellate Authority and the Appellate Tribunal

## ❑ **Section 10 : Composition Levy:**

- ❑ Explanation has been inserted. Interest or discount on deposits, loans and advances will not be considered for calculation of exempted turnover in the state or union territory.
- ❑ Section 10(2A) has been inserted. Highest rate of tax has been restricted to 3%.
- ❑ Section 10(5) has been inserted. For the calculation of aggregate rate of tax, interest or discount on extending deposit, loans and advances.

## ❑ **Section 22: Persons liable for registration**

- ❑ Second Proviso has been inserted to enhance the aggregate turnover from Rs. 20 Lacs to Rs. 40 Lacs who are engaged in supply of goods only. Even if interest / discount earned on extending deposits, loans and advances will be considered as supply of goods only.

## ❑ **Section 25: Procedure for registration**

- ❑ Authentication, procedure or submission of Aadhar Card will be mandatory.
- ❑ If such authentications or Aadhar card is not submitted registration deemed to be considered as invalid.
- ❑ For the firms / company, individual / Karta / Partner / Managing Director / Whole Time Director, Members of Managing Committee of Association, Board of Trustees, Authorized Representative etc will have to submit the Aadhar Card.

## ❑ **Section 31: Tax, Invoice, Credit Note & Debit Notes**

- ❑ Class of registered persons to be notified for e-payment and rules to be framed accordingly.

## ❑ **Section 39: Furnishing of returns.**

- ❑ Quarterly return to be furnished for the class of person having turnover less than Rs. 5 Cr. Other than ISD.
- ❑ Monthly Return to be furnished for class of person having turnover more than Rs 5 Cr. Other than ISD.
- ❑ Sub Section 39(7) : All the registered persons has to pay the tax on the last date of the filing the monthly return even if such person is required to file the quarterly return.

❑ **Section 44: Annual Return:**

- ❑ Powers have been granted to extend the date of filing the annual return for the reasons to be recorded in writing.

❑ **Section 49 : Payment of Tax:**

- ❑ Tax, penalty, interest, fees of any other payment can be made from electronic cash ledger for central tax, state tax, integrated tax

❑ **Section 50 : Interest on delayed payment of Tax:**

- ❑ Interest will be paid only on tax which is required to be paid from electronic cash ledger.

❑ **Section 52 : Collection of tax at source:**

- ❑ Powers have been granted to extend the date of filing the TDS return for the reasons to be recorded in writing.
- ❑ Powers have been granted to extend the date of filing the Annual Statement for the reasons to be recorded in writing.



**❑ Section 53A: Transfer of Certain Amount :**

- ❑ Any balance in Electronic Credit Ledger of Central Tax, State Tax & Integrated tax can be transferred to each other.

**❑ Section 54 : refund of Tax :**

- ❑ New proviso has been inserted to prescribed rules to disburse the refund of state tax

**❑ Section 95 : Advance Ruling :**

- ❑ National Appellate Authority has been included.

**❑ Section 101A : Constitution of National Appellate Authority for Advance Ruling**

- ❑ New Section has been introduced

**❑ Section 102,103,104,105,106 : Rectification of Advance Ruling**

- ❑ National Appellate Authority has been included.



❑ **Section 168 : Power to issue instructions or directions.**

- ❑ Now, Board Circulars can be issued for Section 44(1) and Section 52 (4) &(5) i.e. Annual Return and TDS return and TDS Annual Statement

❑ **Section 171 : Anti-Profiteering :**

- ❑ Any person who has not passed the benefit to the consumer will be required to pay the penalty of 10% of the amount so profiteered . Profiteered shall mean the amount determined on account of not passing the benefit of reduction of tax on supply of goods or services or both or benefit of Input tax credit to the recipient by way of commensurate reduction in the price of goods or services of goods.



❑ **Section 17A : Transfer of certain amounts.**

- ❑ Any balance in Electronic Credit Ledger of Central Tax, State Tax & Integrated tax can be transferred to each other.



# Sab Ka Vishwas (Legacy, Disputes, Resolutions) Scheme 2019

- ❑ **This Scheme is applicable for any amount in arrears on account of :**
  - ❑ Appeal to be filed or not filed against any order
  - ❑ Order in appeal, which attained the finality
  - ❑ Admitted tax Liability but not paid till 30<sup>th</sup> June 2019
  
- ❑ **Scheme will be applicable to any pending amount relating to**
  - (a) the Central Excise Act, 1944 or the Central Excise Tariff Act, 1985 or Chapter V of the Finance Act, 1994 and the rules made thereunder;
  - (b) the following Acts, namely:—
    - (i) the Agricultural Produce Cess Act, 1940;
    - (ii) the Coffee Act, 1942;
    - (iii) the Mica Mines Labour Welfare Fund Act, 1946;



# Sab Ka Vishwas (Legacy, Disputes, Resolutions) Scheme 2019

## ❑ Scheme will be applicable to any pending amount relating to

(iv) the Rubber Act, 1947;

(v) the Salt Cess Act, 1953;

(vi) the Medicinal and Toilet Preparations (Excise Duties) Act, 1955;

(vii) the Additional Duties of Excise (Goods of Special Importance) Act, 1957;

(viii) the Mineral Products (Additional Duties of Excise and Customs) Act, 1958;

(ix) the Sugar (Special Excise Duty) Act, 1959;

(x) the Textiles Committee Act, 1963;

(xi) the Produce Cess Act, 1966;

(xii) the Limestone and Dolomite Mines Labour Welfare Fund Act, 1972;

(xiii) the Coal Mines (Conservation and Development) Act, 1974;

(xiv) the Oil Industry (Development) Act, 1974;



# Sab Ka Vishwas (Legacy, Disputes, Resolutions) Scheme 2019

## ❑ Scheme will be applicable to any pending amount relating to

(xv) the Tobacco Cess Act, 1975;

(xvi) the Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare

Cess Act, 1976;

(xvii) the Bidi Workers Welfare Cess Act, 1976;

(xviii) the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978;

(xix) the Sugar Cess Act, 1982;

(xx) the Jute Manufacturers Cess Act, 1983;

(xxi) the Agricultural and Processed Food Products Export Cess Act, 1985;

(xxii) the Spices Cess Act, 1986;

(xxiii) the Finance Act, 2004;

(xxiv) the Finance Act, 2007;

(xxv) the Finance Act, 2015;

(xxvi) the Finance Act, 2016;

(c) any other Act, as the Central Government may, by notification in the Official Gazette, specify.



# Sab Ka Vishwas (Legacy, Disputes, Resolutions) Scheme 2019

## Tax Dues Means?

- Total duty disputed in appeal pending as on 30<sup>th</sup> June 2019
- Total duty disputed by the department when appeal filed by the department
- Duty demanded in the Show Cause Notice as on 30<sup>th</sup> June 2019
- Duty demanded in Audit Report
- Duty admitted but not paid
- Duty Arrears



Particulars	Duty	Required to be paid	Relief
Show Case Notice or Appeals as on 30 <sup>th</sup> June 2019	Rs. 50 Lacs or less	30%	70%
Show Case Notice or Appeals as on 30 <sup>th</sup> June 2019	More than Rs. 50 Lacs	50%	50%
Show Case Notice for Late Fees	Any Amount	0%	100%
Amount of arrears	Rs. 50 Lacs or less	40%	60%
Amount of arrears	More than Rs. 50 Lacs	50%	50%
During Audit / Investigation	Rs. 50 Lacs or less	30%	70%
During Audit / Investigation	More than Rs. 50 Lacs	50%	50%



- Amount paid during investigation or as a deposit to be deducted from the total tax to be paid
- If such amount is more than amount to be paid, no refund to be granted



- Appeals which has been finally heard
- Person who has convicted for offense for the matters he intends to file the declaration
- Show Cause Notice for which final hearing is heard
- Audit / investigation where amount is not quantified
- The person after being subjected to any enquiry or investigation or audit or person files the return but not paid
- Person who has filed application before settlement commissioner
- Good falling under forth schedule of Central Excise Act 1944



- Designated Committee will verify the declaration.
- Designated Committee to issue the statement to determine the amount to be paid
- Amount to be paid electronically in cash
- Appeals where relief is claim, to be withdrawn and proof to be submitted to Designated Committee
- Discharge Certificate to be issued by the Designated Committee
- Rectification of errors can be done within 30 days of issue of statement



- Further duty, interest, penalty
- Prosecution
- No re-opening the statement
- No Appeal
- No Input Tax Credit
- Rules to be notified



# Customs Tariff Changes

Hon'ble Finance Minister, Ms. Nirmala Sitharaman in her Budget Speech has put forth the objectives for making changes in Customs Duty:

- » Securing our borders, achieving higher domestic value addition through make in India, reducing import dependence, protection to MSME sector, promoting clean energy, curbing non-essential imports;
- » In order to provide domestic industry a level playing field, basic customs duty is being increased on various items
- » Customs Tariff Changes has been brought in through Notifications 18/2019-Cus. to 27/2019-Cus dated 6 July 2019

- ❑ **Chapter 1 to 7: No Changes**
- ❑ **Chapter 8:** BCD on Cashew Kernel-**broken** falling under chapter 0801 32 10 and Cashew Kernel-**whole** falling under chapter 0801 32 20 **is increased to 70%** from Rs. 60 per KG or 45% and Rs. 75 per KG or 45% whichever is higher, respectively.
- ❑ **Chapter 9 to 14: No Change**
- ❑ **Chapter 15:** The end use-based exemption on goods having free fatty acid (FFA) 20% or more is being withdrawn
- ❑ **Chapter 16-22: No Change**

- ❑ **Chapter 23:** Concessional rate 5% applicable to prawn fees, shrimp larvae feed in all forms and fish feed in pellet form has been clarified
  
- ❑ **Chapter 24: No Change**
  
- ❑ **Chapter 25:** BCD on Marble Slabs falling under 2515 12 20 is increased to 40% from 20%.
  
- ❑ **Chapter 26:** BCD is exempted on Uranium Ores and Concentrates falling under tariff item 2612 10 00 for use in generation of nuclear power

- ❑ **Chapter 27:** Tariff rate of Additional Duty of Customs (commonly known as **Road and Infrastructure Cess**) levied on imported Petrol and Diesel has been increased to Rs. 10 / ltr. from Rs. 8/ltr. However, effective rate is made to Rs 9/ ltr. by notification number 18/2019 Cus dated 06 July 2019.
- ❑ Nominal BCD of Rs. 1 per tonne is imposed on imported Petroleum crude falling under tariff item 2709 00 00
- ❑ BCD on Naphtha falling under 2710 is reduced to 4% from 5%
- ❑ **Chapter 28:** BCD is exempted on all goods falling under tariff item 2844 2000 for use in generation of nuclear power

- ❑ **Chapter 29:** BCD on Ethylene dichloride falling under tariff 29031500 is exempted.
- ❑ BCD on Methyloxirane (Propylene Oxide) falling under tariff item 2910 20 00 is reduced to 5% from 7.5%
- ❑ The end use exemption on goods falling under 291570 i.e. Palmitic & Stearic Acid is withdrawn by notification 25/2019 dtd. 6.7.2019
- ❑ **Chapter 30-37: No Change.**
- ❑ **Chapter 38:** End use exemption on goods falling under tariff 3823 11 00, 3823 12 00, 3823 13 00, 3823 19 00 is withdrawn.

# Customs Tariff Changes

- ❑ **Chapter 39:** BCD on Poly Vinyl Chloride (PVC) falling under heading 3904 is increased to 10% from 7.5%
- ❑ BCD on all goods falling under tariff item 3918, 3926 9091 and 3926 9099 (Plastic Articles) is increased to 15% from 10%.
- ❑ **Chapter 40:** BCD on butyl rubber falling under item 4011 3110 and Chlorobutyl Rubber or Bromobutyl Rubber falling under item 4011 39 10 is increased to 10% from 5%
- ❑ **Chapter 41:** EI tanned leather falling under chapter 41 is exempted.
- ❑ Export duty is reduced to 40% from 60% on Hides, Skins and leather of all sorts

- ❑ **Chapter 42 to 47 : No Change**
- ❑ **Chapter 48:** Exemption from BCD is withdrawn on Newsprint falling under heading 4801, uncoated paper used in printing newspaper and Lightweight coated paper used in printing Magazines falling under heading 4810.
- ❑ **Chapter 49:** BCD is increased to 5% on Printed books and Printer manuals
- ❑ **Chapter 50: No Change**
- ❑ **Chapter 51:** BCD on Wool Fibre and Tops is reduced to 2.5% from 5%

- ❑ **Chapter 52 to 53: No Change**
- ❑ **Chapter 54:** Classification of dyed woven fabrics (containing more than 85% of Nylon or other polyamides) being rectified from 5407 20 to 5407 42. This is a technical change.
- ❑ **Chapter 56:** BCD Exemption withdrawn on water blocking tape (Used in manufacture of telecommunication grade optical fibres or optical fibre cables)
- ❑ **Chapter 57 to 67: No Change**
- ❑ **Chapter 68:** BCD on goods falling under Tariff item: 6813 (Friction Material and articles) increased to 15% from 10% .

- ❑ **Chapter 69:** BCD on goods falling under Tariff item: 6905 (Roofing Tiles) and 6907 (Tiles, paving blocks) increased to 15% from 10%
- ❑ **Chapter 70:** BCD on goods falling under Tariff item 7009 (Mirror Glass) increased from 10% to 15%
- ❑ Raw materials used in manufacture of Preform of Silica is exempted.
- ❑ **Chapter 71:** BCD on Gold and Silver imported through baggage of passengers (falling under Chapter 71 or 98) is being increased to 12.5% from 10%

# Customs Tariff Changes

- Chapter 71: BCD on goods falling under below tariff items is being increased:

Tariff Item	Product Description	Previous Tariff Rate	Current Tariff Rate
7106	Silver, Medallions, Silver Coins(Silver content not below 99.9%)	10%	12.5%
7106 92	Semi Manufactured forms of silver	10%	12.5%
7106	Silver Dore Bar(Silver Content not exceeding 95%)	9.35%	11.85%
7107 00 00	Base metals clad with silver	10%	12.5%
7108	Gold Bars and Gold Coins( Gold content not below 99.5%)	10%	12.5%
7108	Gold Dore bar( Gold content not exceeding 95%)	9.35%	11.85%
7109 00 00	Base metals or silver clad with gold	10%	12.5%
7110	Platinum	10%	12.5%
7110 11	Platinum( unwrought or in powder form)	10%	12.5%
7111 00 00	Base metals, silver or gold, clad with platinum	10%	12.5%
7112	Waste or scrap of precious metals or metal clad with precious metals.	10%	12.5%

- ❑ **Chapter 72:** BCD on goods falling under 7218, 7224, 7229 tariff items (steel in ingots & other form) is being increased to 7.5% from 5%
- ❑ BCD on Magnesium Oxide(MgO) coated cold rolled steel -Hot Rolled Coils, Cold Rolled used in CRGO is reduced to 2.5% from 5%
- ❑ BCD on Amorphous alloy Ribbon increased to 10% from 5%
- ❑ **Chapter 73-80: No Change**
- ❑ **Chapter 81:** BCD on cobalt mattes and other intermediate products of cobalt metallurgy (falling under Tariff items: 8105 20 10) reduced to 2.5% from tariff rate 5%

- ❑ **Chapter 82: No Change**
- ❑ **Chapter 83:** BCD on Locks used in Motor Vehicles falling under tariff item 8301 20 00 and base metal used in Furniture etc increased to 15% from 10%
- ❑ **Chapter 84 to 85:** BCD on goods falling under below tariff items is being increased

Tariff Item	Product Description	Previous Tariff Rate	New Tariff Rate
8415 90 00	Indoor and outdoor units of split system Air conditioner	10%	20%
8421 23 00	Oil or Petrol Filters	7.5%	10%
8421 31 00	Intake Air Filters for internal combustion engines	7.5%	10%
8421 39 20	Catalytic convertors	5%	10%
8421 39 90	Catalytic convertors	5%	10%

- ❑ BCD exemption withdrawn on stone crushing (cone type) plants for construction of roads. (Tariff item: 8474 20 10) . BCD applicable at 7.5%
- ❑ Exemption from BCD withdrawn on charger or adapter of Digital Video recorder (DVR), Network Video recorder (NVR), CCTV camera & IP camera, now BCD @ 15% will be leviable.
- ❑ BCD has been exempted on parts of line telephone handsets. Exemption from BCD has been removed on specified electronic items.
- ❑ BCD increased to 15% on micro phones, receivers, sim sockets of mobile phones & general speakers & BCD @ 10% will be leviable on connectors for use of cellular mobile phones.

- ❑ BCD is increased on following goods

Tariff item	Description	Previous rate	New rate
85121000	Equipment used on bicycle	10	15
85122010	Lamps & blinkers	10	15
85122020	Other Automobile lighting equipment	10	15
85123010	Horns	10	15
85124000	Windscreen wipers, defrosters & demisters	10	15
85122090	Other	7.5	15
85123090	Other	7.5	15
85129000	Parts	7.5	10
85391000	Sealed bean lamp units	10	15
85392120	Other for automobiles	10	15
85392940	Other for automobile lamps	10	15

- ❑ BCD is increased on following goods

Tariff item	Product Name	Previous rate	New rate
85182100	Loud speakers	10	15
85182200	Loud speakers	10	15
85219090	Digital Video recorder & Network video recorder	15	20
852580	CCTV camera & IP camera	15	20

- ❑ Chapter 86- No change

- ❑ **Chapter 87** : BCD on import of completely built units (CBU) of motor vehicles has been increased to 30% from 25%.

Tariff item	Description	Previous rate	New rate
8706	Chassis fitted with engines for motor vehicles	10	15
8707	Bodies (including cabs) for the motor vehicles	10	15

- ❑ **Chapter 88-89: No change**
- ❑ **Chapter 90:** BCD on optical fibres, optical fibre bundles & cables has been increased to 15% from 10%.
- ❑ BCD has been exempted on raw materials, parts & accessories for use in the manufacture of artificial kidney, disposable dialyzers & micro barriers of artificial kidney

❑ Chapter 91-98: No change

❑ Miscellaneous:

Exemption from BCD has been provided to specified military equipment & their parts imported by Ministry of Defence or armed forces by way of notification & this notification is valid up to 30<sup>th</sup> June 2024.

BCD has been exempted on specified capital goods for manufacture of specified electronic items such as PCB, charger of cellular mobile phone, display panel etc.

BCD has been exempted on the goods imported under Project imports for setting up of the few Atomic power projects.

# Income Tax Analysis 2019-20

Date : 5<sup>th</sup> July, 2019

CA. Manoj Behede

# Individual / HUF

INCOME (INR)	Existing Rate	Proposed Rate
Up to Rs. 2,50,000	NIL	NIL
2,50,001 to 500,000	5%	5%
5,00,001 to 10,00,000	20%	20%
10,00,001 and above	30%	30%

➤ No Change in tax rates for any class of individuals.



## Senior Citizen (Age above 60 Years)

INCOME (INR)	Existing Rate	Proposed Rate
Up to Rs. 3,00,000	NIL	NIL
3,00,001 to 500,000	5%	5%
5,00,001 to 10,00,000	20%	20%
10,00,001 and above	30%	30%

- No Change in tax rates for any class of Senior Citizen.



## Super Senior Citizen(Age above 80 years)

INCOME (INR)	Existing Rate	Proposed Rate
Up to Rs. 5,00,000	NIL	NIL
5,00,001 to 10,00,000	20%	20%
10,00,001 and above	30%	30%

- No Change in tax rates for any class of Super Senior Citizen.



## Co-operative Society

INCOME (INR)	Existing Rate	Proposed Rate
Up to Rs. 10,000	10%	10%
Rs. 10,001 to Rs. 20,000	20%	20%
Above Rs. 20,000	30%	30%

- No Change in tax rates for Co-operative Society.



## Firm / Local Authority

INCOME (INR)	Existing Rate	Proposed Rate
On Total Income	30%	30%

- No Change in tax rates for Firm & Local Authority.



## Corporate Tax Rate- Domestic

- » Corporate rates for *domestic companies* is 25% provided total turnover or gross receipts in previous year 2017-18 does not exceed INR 400 Crores. (Earlier this turnover limit was Rs. 250 Crores)
- » Rates (Including Surcharge and Health & Education Cess):

Income	Existing Rate (%)	Proposed Rate (%)
Net Income does not exceed INR 1 Crore	26.00	26.00
Net Income is between INR 1 Crore to 10 Crore	27.82	27.82
Net Income Exceeds INR 10 Crore	29.12	29.12



## Corporate Tax Rate- Domestic

- » Corporate rates for other *domestic companies* is 30% i.e. having turnover above Rs. 400 Crores during 2017-18.
- » Rates (Including Surcharge and Health & Education Cess):

Income	Existing Rate (%)	Proposed Rate (%)
Net Income does not exceed INR 1 Crore	31.20	31.20
Net Income is between INR 1 Crore to 10 Crore	33.38	33.38
Net Income Exceeds INR 10 Crore	34.94	34.94



- » Corporate rates for *foreign companies* are as follows\*
- » Rates (Including Surcharge and Health & Education Cess) for other balance income:

Income	Existing Rate (%)	Proposed Rate (%)
Net Income does not exceed INR 1 Crore	41.60	41.60
Net Income is between INR 1 Crore to 10 Crore	42.43	42.43
Net Income Exceeds INR 10 Crore	43.68	43.68



# Surcharge

S No.	Type of Assessee	Income Slab	Surcharge Rate
1	Individual / HUF / AOP / BOP	Rs. 50 Lacs to Rs. 1 Cr	10%
		More than Rs. 1 Cr to <=2Cr	15%
		More than 2 Cr to <=5Cr	25%
		More than 5 Cr	37%
2	Co-operative Society / Firm / Local Authority	More than Rs. 1 Cr	12%
3	Domestic Company	More than Rs. 1 Cr to 10 Cr	7%
		More than Rs. 10 Cr	12%
4	Other than domestic Company	More than Rs. 1 Cr to 10 Cr	2%
		More than Rs. 10 Cr	5%

### » **Insertion of Section 194N in the Income Tax Act, 1961:**

- > Banking company/ cooperative bank or post office shall deduct TDS @ 2% on cash payments in excess of ₹ 1 Cr in aggregate made during a previous year.
- > However, following recipients have been exempted from applicability:
  - + Government
  - + Banking company
  - + Cooperative society engaged in carrying business of banking
  - + Post office
  - + White label ATM operators
- > This Section shall come into effect from 01-Sep-2019

### » New Sec 269SU in the Income Tax Act, 1961:

- > Every person:
  - + carrying on business
  - + having turnover/ gross receipts/ total ***sales more than ₹ 50 Cr*** during the immediately preceding previous year,
  - + shall provide facility for accepting payment through prescribed electronic modes
  
- > Failure to comply with this provision shall attract penalty of ₹ 5,000 per day till the time such failure continues-**Section 271DB**
  
- > This provisions shall come into effect from 01-Nov-2019
  
- > ***No MDR charges would be levied either on the merchant or the payer.***

### » International Financial Services Center (IFSC)

- > Via Sec 80LA, profit linked exemption to units in IFSC is currently as follows:
  - + 100% for first 5 consec. AY
  - + 50% of next 5 consec. AY
  
- > This section is proposed to be amended as follows to provide the exemption benefit which is linked to profits:
  - + 100% for any 10 consec. AY, out of 15 AYs starting from the year in which the permission for operation was obtained.

## » Major Incentives to IFSC:

- > Transfer, of capital asset (including bonds or derivative) made by a non-resident through a RSE located in IFSC and where consideration is payable in foreign currency, would not be regarded as 'transfer' for the purpose of Sec 47.
  
- > For a non-resident, any interest earned on borrowing made to unit located in IFSC, shall be exempted. This exemption shall be brought to effect by suitably amending section 10. Borrowing should happen on or after 01-Sep-2020.
  
- > This amendment would come into effect from 01-April-2020

## » Major incentives to IFSC:

- > Unit located in IFSC would not have to pay tax on distributed profits, where the income is solely in convertible foreign exchange and where such distributed profits are from its current income or accumulated income.
- > Earlier the benefit was just to profits distributed from current income.
- > This change would come into effect from 01-Sep-2019

- » Deduction of interest paid to regulated NBFC:
  - > Now, w.e.f. 01-April-2020, deduction of interest paid to deposit taking NBFCs shall be available only if the same is paid on or before the due date of furnishing of return for the relevant AY.
  - > This will be new addition to Sec 43B w.e.f. 01-April-2020

# Tax Incentive on Electric Vehicle

- > Sec 80EEB shall be inserted w.e.f. 01-April-2020
  
- > This section shall provide deduction
  - + in respect of interest upto Rs. 1,50,000/- on loan taken
  - + for purchase of EV from any Financial Institution
  - + Subject to conditions:
    - Loan sanctioned between 01-Apr-19 to 31-Mar-23
    - Assesse does not own any other EV on date of sanction of loan
  
- > Note that deduction in respect of such amount then shall not be available under any other section of Income Tax Act

## Additional Deduction for Affordable Housing

- > To home buyers, additional benefit of up to Rs. 1,50,000 has been given by way of deduction in respect of interest on loan borrowed from any FI for purchase of residential house property, subject to following conditions:
  - + Loan sanctioned between 01-Apr-19 and 31-Mar-20
  - + Stamp duty value of such residential house property does not exceed Rs. 45 Lakhs
  - + Assessee does not own any residential house property on date of sanction of loan.
  
- > This benefit would come into effect from 01-April-2020

## » Affordable housing (continued..)

- > Section 80-IBA which provides for profit linked exemption to profits and gains derived from developing and building housing projects.
  
- > As per this Section, carpet area of residential unit is
  - + 30 sq.mtrs. In cities of Chennai, Delhi, Kolkata and Mumbai
  - + 60 sq.mtrs. In any other cities
  
- > Now this carpet area meaning has been changed to align with other laws and now stands as follows:
  - + 60 sq.tr. In cities of Chennai, Delhi, Kolkata and Mumbai
  - + 90 sq. mtrs. In any other cities
  
- > This has expanded the scope of Sec 80-IAB

# NPS withdrawal exemption

- > Under section 10, up to 40% of withdrawal amount was exempted from tax when the assessee withdraws on any amount due to account closure or his opting out of scheme.
- > Now the said ***exemption in increased to 60% from the current 40%.***
- > This amendment would come into effect from 01-April-2020

## Enhancement in Scope of Sec 54GB:

- > Earlier, long term capital gain arising on account of sale of residential house property was exempted if the net sale consideration is invested for **subscription of equity shares** in an eligible company.
  
- > However, the investment options have now been increased from equity shares to include following:
  - + *Assessee should hold 25% or more voting rights in the eligible company unlike earlier where it was more than 50%*
  - + *Any property transferred till 31-Mar-21 is eligible unlike earlier where in the limitation date was 31-Mar-19.*


▶ **Online filing of Application from Manual Filing:**

A. There will be online filing of application for seeking determination of tax to be deducted at source on payment to made to non-residents. This application 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.

B. Furnishing of quarterly return in respect of payment of interest to residents without deduction of tax. At present, the section provides for filing of such statements on a floppy, diskette, magnetic tape, CD-ROM, or any other computer readable media.

- ▶ Now *companies listed on recognized stock exchange (earlier applicable to companies not listed on recognized stock exchange)* in addition to the income-tax chargeable in respect of the total income of a domestic company for any assessment year, any amount of distributed income by the company on buy-back of shares from a shareholder shall be charged to income-tax at the rate of 20% on the distributed income.

Also considering its effect, income of shareholder will be exempt under Sec 10 (34A) for selling shares of listed companies on account of buy-back of shares on which additional income -tax has been paid by the company.



▶ **Cancellation of Registration of Trust:**

- ▶ In order to ensure that the trust or institution do not deviate from their objects, power of commissioner has been increased w.r.t. cancellation of registration of trust u/s 12AA which provides as follows:

(i) at the time of granting the registration to a trust or institution, the Principal Commissioner or the Commissioner 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;*

(ii) After granting of registration, 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,*



» **Sec 194M TDS on payment made by individuals/ HUF to contractors and professionals (w.e.f. 1<sup>st</sup> September 2019)**

For individuals and HUF's not liable to tax audit, it was not mandatory to deduct tax at source on payments being made to contractors and professionals. Now, it will be mandatory in case of aggregate payment/ credit in excess of **Rs. 50 Lakhs** in a year is made to a contractor and professionals. Such payment can be made on the basis of PAN and it is not mandatory to obtain TAN.

» **Sec 194IA : TDS at the time of purchase of immovable property (w.e.f. 1<sup>st</sup> September 2019)**

Currently tax is deducted @ 1% on sales consideration which is not defined. Post amendment, sales consideration will include all the charges in the nature of club membership fees, parking fees and other such incidental charges of similar nature whether part of same agreement or different agreement.



» **Sec 9 Income deemed to accrue or arise in India (w.e.f. 1<sup>st</sup> April 2020)**

Currently non –residents are taxable in India in respect of income that accrues or arises in India or is received in India. Due to such provision, gift by resident to Non resident was not accrued in India, hence Non-resident was out of tax net. Post amendment, any such gift to non resident post 5<sup>th</sup> July 2019 will deemed to be accrued or arise in India in the hands of Non resident & it will be taxable.

» **Sec 139 Mandatory Furnishing of return (w.e.f. 1<sup>st</sup> April 2020)**

It will be mandatory to file ITR for person who has entered into following high value transactions:-

- a. Deposited aggregate amounts of Rs. 1 Cr or more in current account(s)
- b. Incurred expenditure of aggregate amount exceeding Rs. 2 Lakhs on travel to foreign country.
- c. Incurred expenditure of aggregate amount exceeding Rs. 1 Lakhs on electricity consumption
- d. Other conditions as may be prescribed.



» **Sec 139 Mandatory Furnishing of return (w.e.f. 1st April 2020)**

Any person claiming rollover benefit of exemption from capital gains tax will be liable to file Income Tax return if before claiming the rollover benefit his total income is more than amount not chargeable to tax.

» **Sec 139A Inter-changability of PAN & Aadhar: (w.e.f. 1st September 2019)**

Aadhar number can be used instead of PAN for certain prescribed transactions. Also under Section 139 (6A) it will be mandatory to quote PAN/ Aadhar number for entering into prescribed transactions on the documents. As per Section 139 (6B) person receiving any such document should ensure that PAN/ Aadhar is quoted on such document.

» **Sec 139AA(2) Consequence of not linking PAN to Aadhar(w.e.f. 1st September 2019)**

Currently is the same are not linked, PAN will be invalid. Post amendment, though PAN will be valid it will be inoperative.

» **Facilitating demerger of Ind-AS compliance companies (w.e.f. 1st April 2020)**

Current in case of demerger, the resultant company is required to record assets and liabilities of demerged company at book value. But in case where the demerged company is Ind AS compliant company, then its property and liability are recorded at value other than that of book value. Post amendment it will not be mandatory for resultant company to record property and liabilities at book value provided the demerger company is in compliance with Indian Accounting Standards as specified.



» **Sec 201 Payment to Non Resident (w.e.f. 1<sup>st</sup> September 2019)**

Currently in case where tax is not deducted at source or not paid on payment made to resident, the deductor is not deemed to be an assessee in default provided the person receiving such payment has paid tax on such income. Post amendment, such a benefit is also applicable in case of payments made to non resident.

There shall be no disallowance of such payment under section 40. (w.e.f. 1<sup>st</sup> April 2020)

» **Sec 89 Credit of relief (w.e.f. 1<sup>st</sup> April 2007)**

Currently interest and penalty under section 140A, 143, and 234 where applicable on tax liability before allowing credit of prepaid taxes under Section 89. Post amendment, credit of taxes under Sec 89 is to be reduced first from total tax liability and then interest and penalty will be charged.



» **Sec 276CC Rationalizing of prosecution proceedings for failure to furnish return (w.e.f. 1<sup>st</sup> September 2019)**

Currently if tax payable is more than Rs. 3000/- without considering TCS and self assessment tax, then prosecution proceedings can be initiated. Post amendment, amount of tax payable shall be Rs. 10,000/- after considering TCS and self assessment tax.

» **Provision relating to rationalizing of STT (w.e.f. 1<sup>st</sup> September 2019)**

Section 99 of Finance (No. 2) Act, 2004

Currently in case of OPTIONS exercised, STT is applicable on settlement price. Post amendment, STT shall be applicable on difference between strike price and settlement price.

» **Sec 194DA non exempt portion of life insurance pay out (w.e.f. 1<sup>st</sup> September 2019)**

Currently the life insurance companies are liable to deduct tax @ 1% on the total pay out being made on account of non exempt portion of life insurance. Now the same has been changed to 5% of Net pay out i.e. pay out after deducting the amount of total insurance premium paid.

# THANK YOU.

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