

# BUDGET ANALYSIS



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## **HIGHLIGHTS OF THE FINANCE BILL, 2019**

### **DIRECT TAX**

- Tax rate reduced to 25% for companies having Turnover upto Rs.400 crores.
- Surcharge increased to 25% and 37% to individuals with income exceeding Rs.2 crores and Rs.5 crores respectively
- Aadhaar can be used as an alternate to PAN.
- 2% TDS on withdrawals of ` 1 crore in a year from your bank account for business payments.
- No charge on digital payments.
- Angel investment will not be taxed and scrutinized.
- Benefits of carry forward losses given to Start ups
- TDS on Insurance proceeds is now at 5% on gain only.
- Even individuals need to deduct tax in certain circumstances.
- NBFC payments covered under section 43B
- Buyback of shares by listed companies covered under tax deduction at source by companies and is exempt from tax for shareholders.
- Deduction of additional Rs.1,50,000/- interest on Housing loan on affordable housing.
- Deduction of Rs.1,50,000/- for interest paid on Electric car loan.
- 80IBA – deduction of profits of affordable housing extended.
- Digital payments added with bank payments in all restrictive cases.
- Made way for E-assessment on country wide level as a measure to curb corruption.
- Economic criteria added for compulsory filing of returns
- No change in Tax Slabs other than corporate tax.

## MAJOR IMPORTANT AMENDMENTS PROPOSED IN FINANCE BILL, 2019

### PROVISIONS RELATING TO INCOME TAX

#### Rate of Taxes :

The Rates of Tax proposed in Finance Bill, 2019 are tabulated as under :

Type of Assessee	Income Slab	Tax	Surcharge
<b>Individual / HUF</b>	Upto Rs.250,000/-	NIL	
	Rs.2,50,001 to 5,00,000 Tax rebate up to Rs.12,500	5%	
	Rs.500,001/- to Rs.10,00,000/-	20%	
	Rs.10,00,001/- to Rs.50,00,000/-	30%	
<b>Individual above 60 Years Age</b>	Upto Rs.300,000/-	NIL	
	Rs.3,00,001 to 5,00,000 Tax rebate up to Rs.12,500	5%	
	Rs.500,001/- to Rs.10,00,000/-	20%	
	Rs.10,00,001/- to Rs.50,00,000/-	30%	
<b>Individual above 80 Years Age</b>	Upto Rs.500,000/-	NIL	
	Rs.500,001/- to Rs.10,00,000/-	20%	
	Rs.10,00,001/- to Rs.50,00,000/-	30%	
<b>For All Above</b>	Rs.50,00,001/- to Rs.1,00,00,000/-	30%	10%
	Rs.1,00,00,001/- to Rs.2,00,00,000/-	30%	15%
	Rs.2,00,00,001/- to Rs.5,00,00,000/-	30%	25%
	Rs.5,00,00,001/- and above	30%	37%

<b>Co-op Society</b>	Upto Rs.10,000/-	10%	
	Rs.10,001/- to Rs.20,000/-	20%	
	Rs.20,001/- to Rs.1,00,00,000/-	30%	
	Above Rs.100,00,000/-	30%	12%
<b>Partnership Firm, LLP and Local Authority</b>	Income upto Rs.1,00,00,000/-	30%	
	Above Rs.100,00,000/-	30%	12%
<b>Domestic Company turnover/gross receipts of previous year 2017-18 does not exceed Rs.400 crores.</b>	Profit upto Rs.1,00,00,000/-	25%	
	Profit above Rs.1 crores and upto 10 crores	25%	7%
	Profit above Rs.10 crores	25%	12%
<b>Startups u/s. 115BA</b>	Full Income	25%	
<b>Other Domestic Companies</b>	Profit upto Rs.1,00,00,000/-	30%	
	Profit above Rs.1 crores and upto 10 crores	30%	7%
	Profit above Rs.10 crores	30%	12%
<b>Foreign Companies</b>	Profit upto Rs.1,00,00,000/-	40%	
	Profit above Rs.1 crores and upto 10 crores	40%	2%
	Profit above Rs.10 crores	40%	5%
<b>Corporate Dividend Tax</b>		15%	12%
<b>MAT / AMT</b>		18.50%	As applicable
<b>U/s. 111A</b>		15%	

Health and Education Cess of 4% will be payable on Income Tax and Surcharge.

**All the amendments are w.e.f. Asst. Year 2020-21 unless otherwise mentioned.**

**For NRI : Section 9(1) New clause (viii) - Income deemed to accrue or arise in India.**

It is proposed to provide that certain income, being any sum of money paid or any property situated in India transferred on or after the 5th day of July, 2019 by a person resident in India to a person outside India, shall be deemed to accrue or arise in India AND accordingly, tax will be payable in India by such non-resident person on such transfer.

**For Employee : Section 10(12A) - Payment from the National Pension System Trust**

Any payment from the National Pension System Trust to an employee on closure of his account or on his opting out of the pension scheme referred to in section 80CCD, to the extent it does not exceed Sixty per cent of the total amount payable to him at the time of such closure or his opting out of the scheme, shall be exempt from tax.

**Meaning thereby, 60% Income Received at the time of closure of NPS Account by Employee will not be taxable.**

**For LISTED COMPANIES : Section 10(34A) - Exemption to any income arising to a shareholder on account of buy-back of shares**

This provides for exemption to any income arising to a shareholder on account of buy-back of shares not being listed on a recognized stock exchange by the company as referred to in section 115QA.

It is proposed to amend the said clause so as to provide the said exemption also to the income arising to a shareholder on account of buy-back of shares listed on a recognised stock exchange by the company as referred to in section 115QA.

**Meaning thereby, No Tax will be payable by shareholder on such capital gain on buy back of shares by Listed Companies, as companies will now be required to pay tax u/s. 115QA and hence, net proceeds in hands of share holders will be tax free.**

This amendment will take effect from 5th July, 2019.

**For CHARITABLE TRUSTS : Section 12AA - Procedure for registration.**

It is proposed to provide that the Principal Commissioner or Commissioner, besides satisfying himself about the objects of the trust or institution and the genuineness of its activities, shall also satisfy himself about the compliance to the requirements of any other law which is material for the purpose of achieving its objects.

It is proposed to provide that besides the existing ground of cancellation, the trust or institution has not complied with the provisions of any other law that it was required to comply with due to the reason that the same was material for the purpose of achieving its objects and the order, direction or decree, by whatever name called, holding that such noncompliance has occurred, has either not been disputed or attained finality, shall be an additional ground on which the registration may be cancelled.

**Meaning thereby, Charitable Trusts while obtaining registration for exemption, will have to satisfy condition that they have complied to requirement of any other Laws. Also if existing Charitable Trusts found to be non-compliant to any other laws which are material to them, their Exemption Registration will be liable to be cancelled.**

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

**For Business Expenditure Payments to NRI : Section 40 - Amounts not deductible.**

It is proposed to insert a second proviso so as to provide that where an assessee fails to deduct the whole or any part of the tax in accordance with the provisions of Chapter XVII-B on any such sum but is not deemed to be an assessee in default under the first proviso to section 201(1), then, it shall be deemed that the assessee has deducted and paid the tax on such sum on the date of furnishing of return of income by the payee referred to in the first proviso to section 201(1).

It is further proposed to make a similar consequential amendment in the second proviso to Section 40(a)(ia) to omit the word "resident" to include all the payees.

**Meaning thereby, any business expenditure payment made to NRI without deduction of TDS is currently liable to be disallowed fully and no considered at eligible deductible business expenditure. Now it is proposed that, if NRI demonstrate that he has paid required TAX on same showing the payment received as his Income in his ITR, the payment made by Businessman without TDS will not be disallowed. Welcome Change is proposed in Budget.**

**For BUSINESS EXPENDITURE : Section 43B (da) - Certain deductions to be only on actual payment (NBFC Included)**

It is proposed to provide that in case of any loan or borrowing from any systemically important non-deposit taking non-banking financial company or a deposit taking non-banking financial company, deduction of any sum payable by the assessee as interest on such borrowing, in accordance with the terms and conditions of the agreement governing such loan or borrowing, shall be allowed in computing the income of such borrower only in the previous year in which such sum is actually paid by him.

**Meaning thereby, any unpaid Interest at end of the year to NBFCs will not be allowed as Business Expenditure unless it is actually paid till date of filing of ITR. Otherwise It will be allowed in the year of actual payment.**

**For INTEREST ON NEW HOUSE PROPERTY :** New section 80EEA - Deduction in respect of interest on loan taken for certain house property

The proposed new section 80EEB seeks to provide for a deduction up to one lakh and fifty thousand rupees in respect of interest on loan taken for purchase of an electric vehicle from any financial institution subject to the conditions specified therein.

**Meaning thereby, additional benefit of deduction upto Rs.150,000/- from income if new new house property is purchased and interest paid on loan taken to purchase new house property. However, the house must fall under definition of “ Affordable Housing “.**

**For INTEREST ON PURCHASE OF NEW ELECTRIC VEHICLE :** New section 80EEB - Deduction in respect of interest on loan taken for purchase of electric vehicle.

The proposed new section 80EEB seeks to provide for a deduction up to one lakh and fifty thousand rupees in respect of interest on loan taken for purchase of an electric vehicle from any financial institution subject to the conditions specified therein.

**Meaning thereby, interest paid to upto Rs.150,000/- on loan taken to purchase new electric vehicles will be allowed as deduction. If interest paid as taken as business expenditure, it will not be allowed as again deduction under this section.**

**For LISTED COMPANIES :** Section 115QA - Tax on distributed income to shareholders. (Buyback of Shares)

It is proposed to amend the said sub-section so as to provide that the provisions contained therein shall also apply to the buy- back of shares listed on a recognised stock exchange.

This amendment will take effect from 5th July, 2019.

**Meaning thereby, Listed Companies will have to pay tax on buy back of shares as specified under section 115QA. They are been made at par with other unlisted companies.**

**For COMPULSORY FILING OF INCOME TAX RETURN :** Section 139 - Return of income.

It is proposed to provide for furnishing of return by a person, who is otherwise not required to furnish a return, if such person during the previous year —

(i) Has deposited an amount or aggregate of the amounts exceeding one crore rupees in one or more current account maintained with a banking company or a co-operative bank; or

(ii) Has incurred expenditure of an amount or aggregate of the amounts exceeding two lakh rupees for himself or any other person for travel to a foreign country; or

(iii) Has incurred expenditure of an amount or aggregate of the amounts exceeding one lakh rupees towards consumption of electricity; or

(iv) Fulfills such other conditions as may be prescribed.

It is further proposed to amend the said sub-section so as to provide for furnishing of return by a person who is claiming rollover benefit of capital gains, for investment in a house or a bond or any other asset under sections 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB.

**Meaning thereby, all persons, specified above in (i) to (iv), though their Gross Income is below exemption limits, will have to compulsory file their IT Returns, if they have entered into any such transactions.**

#### **Section 139A - Permanent account number (Aadhaar included)**

It is proposed to provide that every person, who intends to enter into such transaction, as may be prescribed by the Board in the interest of revenue, shall also apply to the Assessing Officer for allotment of a permanent account number.

It is further proposed to insert a new sub-section (5E) in the said section to provide that notwithstanding anything contained in this Act, every person who is required to furnish or intimate or quote his permanent account number under this Act, and who, has not been allotted a permanent account number and possesses the Aadhaar number, may, furnish or intimate or quote his Aadhaar number in lieu of permanent account number, and such person shall be allotted a permanent account number in such manner as may be prescribed. Further, every such person who has been allotted a permanent account number, and who has intimated his Aadhaar number in accordance with provisions of section 139AA(2) may, furnish or intimate or quote his Aadhaar number in lieu of a permanent account number.

**Meaning thereby, now PAN and Aadhar Numbers are interchangeable. One can quote Aadhar Number, instead of PAN if he is entering into any transaction where quoting of PAN is compulsory. Penalty is also prescribed, if PAN / Aadhar Number is not quoted.**

#### **Section 139AA - Quoting of Aadhaar number.**

It is proposed to provide that if a person fails to intimate the Aadhaar number, the permanent account number allotted to such person shall be made inoperative after the notified date in the manner as may be provided by rules.

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



**Meaning thereby, if a person does not intimate his Aadhar Number, his PAN will be inoperative. This is very important amendment which is proposed.**

**TDS on LIFE INSURANCE POLICY MATURITY : Section 194DA - Payment in respect of life insurance policy.**

It is proposed to provide that the levy of tax deduction at source shall be on the income comprised in the sum payable by way of redemption of a life insurance policy, including the sum allocated by way of bonus on such life insurance policy, excluding the amount exempted under the said clause (10D) of section 10 at the increased rate of five per cent.

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

**Meaning thereby, TDS which is deducted by Life Insurance Companies, on payment of policy, will now be on Net Differential Amount (Amount Paid less exempted amount of Policy) only and not on full value of money paid to policy holders.**

**TDS by INDIVIDUAL OR HUF : 194M - Payment of certain sums by certain individuals or Hindu undivided family**

Sub-section (1) of the proposed new section 194M seeks to provide for levy of tax deduction at source at the rate of five per cent on any sum or aggregate of sums, paid by an individual or a Hindu undivided family (other than those who are required to deduct income-tax as per the provisions of section 194C or section 194J) to a resident for carrying out any work (including supply of labor for carrying out any work) or by way of fees for professional services at the time of credit to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.

The proviso to the said sub-section provides that no income- tax referred to in sub-section (1) shall be deducted, if such sum or aggregate of such sums paid to a resident does not exceed fifty lakh rupees during the financial year.

Sub-section (2) of the proposed new section 194M seeks to provide that the provisions of section 203A (TAN) shall not apply to a person required to deduct tax in accordance with the provisions of this section. Which means there is no necessity of obtaining a TAN.

The Explanation to the proposed new section also defines the expressions “contract”, “professional services” and “work”.

**Meaning thereby, any Individual or HUF (other than those to whom TDS provisions are applicable), making payments in excess of Rs.50 lakhs to any person for any contract or for any work or for professional fees, they will have to deducted TDS @ 5% from such payments and will have to deposit the same to government.**

**TDS on CASH WITHDRAWAL FROM BANKS : 194N - Relating to payment of certain amounts in cash in the Income-tax Act.**

The proposed new section 194N provides that a banking company or a co-operative society engaged in carrying on the business of banking or a post office, which is responsible for paying any sum or aggregate of sums, in excess of one crore rupees in cash during the previous year to any person (referred to as the recipient in the section) from an account maintained by the recipient with such banking company or co-operative society or post office shall, at the time of payment of such amount, deduct an amount equal to **two per cent of sum exceeding one crore rupees** as income-tax.

The proviso to the said section provides that the provisions of the proposed new section shall not apply to any payment made to the Government, any banking company, co-operative society engaged in carrying on the business of banking, post office, business correspondent of a banking company or co-operative society, engaged in carrying the business of banking, any white label automated teller machine operator of a banking company or co-operative society engaged in carrying the business of banking, or such other persons or class of persons, which the Central Government may, specify by notification in consultation with the Reserve Bank of India,.

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

**Meaning thereby, 2% TDS has been proposed on Cash Withdrawal during the year over Rs.1 crores.**

***Disclaimers:-***

*The views, opinion, explanations and meanings expressed herein are those of the personal in nature and should not be considered as our opinion. While every care is taken to ensure the accuracy of the contents of the compilation, we are not liable for any inadvertent errors. This compilation is intended to be for easy understandings of Proposals of Finance Bill (No.2) of 2019 only.*