#Budget2019

A Crisp Analysis of Tax Provisions [Income Tax and GST]

Finance Bill (No.2)'2019

Doing common things, *Uncommonly well*.

Blue Consulting Pvt. Ltd.

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1. Tax benefits

Title	Section	Changes proposed	Effective from
Corporate Income Tax rate reduced for certain companies		▪ Concessional rate of 25% has been **extended** to domestic companies whose turnover is **up to Rs. 400 crore**. ▪ Earlier, the threshold was limited to domestic companies up to a turnover of Rs. 250 crore. ▪ Turnover for the Previous Year 2017-18 will be considered to extend the benefit. ▪ This increase in threshold will **cover 99.3% of the total domestic companies.**	Assessment Year 2020-21
Exemption extended to Category II AIF	56	▪ Any consideration received by a closely held company from a resident investor which is in excess of face value of shares, is considered taxable income. ▪ Currently, any consideration for issue of shares received from Category I AIF (Alternateive Investment Fund) is exempt from this provisions. ▪ Now, this exemption has been **extended to Category II AIF as well**. ▪ This will **increase the investment flow** in start ups and companies which are looking for the growth capital.	Assessment Year 2020-21

....contd. [1.Tax benefits]

Title	Section	Changes proposed	Effective from
Incentives for units in IFSC	80LA	▪ International Financial Services Centre (IFSC) caters to customers outside the jurisdiction of domestic economy of any country. ▪ In India, IFSC is set up as per the provisions of SEZ Act, 2005. ▪ Presently, there is one IFSC in India which was set up in 2017 in Gujarat. ▪ AS per existing provisions, profits of units operating in IFSC are exempt 100% for first 5 consecutive year and then 50% for the next 5 consecutive years. ▪ To incentevise further, it has been proposed to **increase the deduction to 100%** of profits for the **10 consecutive years** out of 15 years.	Assessment Year 2020-21
	10(15)(ix)	▪ A new sub clause has been added which **exempt any income by way of interest** to a non-resident by a unit located in IFSC in respect of the money borrowed by it. ▪ This provision will help units in IFSC to get better terms for the the money borrowed by them. ▪ This provision also promotes ease of doing business in India.	1st September' 2019

....contd. [1.Tax benefits]

Title	Section	Changes proposed	Effective from
Incentives for IFSC	115 O	▪ As per the current provisions, units in IFSC which derives its income only in convertible foreign exchange are exempt from Dividend Distribution Tax (DDT) if such dividend is declared out of the *current income*. ▪ Now, this **exemption from DDT is being extended** even if the dividend is declared out of **accumulated profits**. ▪ Please note that dividend is exempt in hands of recepient as well.	1st September' 2019
	115 R	▪ As per the existing provisions, a Mutual Fund in IFSC is required to pay additional income tax on the income distributed by it to its unit holders. ▪ Now, an **exemption is being given** to such Mutuals Funds from additional income tax, provided all the units holders are non-residents.	1st September' 2019
	47	▪ Presently, transfer of a capital asset by a non-resident through a recognized stock exchange in IFSC is subject to capital gain. ▪ Now, this transfer of specified capital assets (bonds, Global Depository Receipt or Rupee Denominated bond of an Indian company) **will not be considered as transfer** if consideration is paid or payable in foreign currency.	Assessment Year 2020-21

Title	Section	Changes proposed	Effective from
Incentives for start ups	54GB	▪ As per the existing provisions, capital gain arising from transfer of a residential property is not taxable if the net sale consideration is invested in the shares of an eligible start up by 31st March'2019. ▪ Further, the subscription should give the assessee more than 50% of shares or voting rights and the assets acquired by the start-up is not transferred with in a period of 5 years from the date of acquisition. ▪ Now, the time period of this benefit has been **extended up to 31st March'2020**. Further, the subscription requirement of 50% has been **reduced to 25% of shares** or voting power. ▪ Further, assets transfer period has been **reduced from 5 years to 3 years.**	Assessment Year 2020-21
	79	▪ Currently, an eligible start up is allowed to carry forward of losses only if all the shareholders remain same on the last day of loss year and adjustment year. Further, the loss should pertain to initial 7 years only. ▪ Whereas, for all other closely held companies, the condition for carry forward of losses is that 51% of shareholders should remain same on the last day of loss year and adjustment year. ▪ Now, an eligible start up is **allowed to carry forward** its losses if it **satisfies either of the above two conditions.**	Assessment Year 2020-21

....contd. [1.Tax benefits]

Title	Section	Changes proposed	Effective from
Incentives for NBFC	43B (da) & 43D	▪ Currently, interest income on bad or doubtful debts is taxable on receipts basis in the case of Public Sector Banks, State run Financial insititutions and certain public companies. ▪ Now, this benefit has been **extended** to deposit taking NBFCs and non-deposit taking NBFCs having **total assets of Rs. 500 crore or more**. ▪ These NBFCs should be registered with RBI to claim this benefit.	Assessment Year 2020-21
Carry forward and set off of losses provisions not applicable to certain companies	79 & 115JB	▪ Finance Act, 2018 exempted the companies from the provisions of this section where a change in shareholding resulted because of a resolution plan approved under the Insolvency and Bankruptcy Code’2016. ▪ Now, certain additional companies are being exempted from the provisions of Section 79 where change in shareholding resulted because of a resolution plan approved by National Company Law Tribunal (NCLT). ▪ Further, while calculating MAT (Minimum Alternate Tax) liability, aggregate amount of unabsorbed depreciation and loss brought forward will be allowed as deduction.	Assessment Year 2020-21

2. Widening of tax base

Title	Section	Changes proposed	Effective from
Tax on buy back of shares by listed companies	115QA	▪ Currently, a non-listed company is required to pay an additional income tax of 20% on the distributed income in the event of buying back of it's shares from the shareholders. ▪ To curb the tax avoidance practices being adopted by the listed companies, this **anti-abuse provision is being extended to listed companies** as well. ▪ Consequential amendement has been made in Section 10(34A), which exempts the income in the hands of shareholder to avoid double taxation.	5th July'2019
TDS coverage increased on certain amounts related to immovable property	194-IA	▪ As of now, the term "consideration for immovable property" is not defined in the section which results in non-deduction of 1% TDS on various related payments to builder/seller which has different nomenclature. ▪ Now, the term **"consideration for immovable property" has been defined** which **includes all charges** of the nature of club membership fee, car parking fee, electricity and water facility fee, maintenance fee, advance fee or any other charges of similar nature **which are incidental to transfer of the immovable property.**	1st September' 2019

3. International taxation

Title	Section	Changes proposed	Effective from
Deemed accrual of gift made to a person outside India	2 & 9	▪ Presently, gifts made by persons being residents in India to persons outside India are being claimed to be non-taxable in India as the income does not accrue or arise in India. ▪ Now, this **loophole has been plugged** and any sum of money paid or any property situated in India transferred on or after 5th July'2019 shall be **deemed to accrue or arise in India.** ▪ It should be transferred by a person resident in India to a person outside India. ▪ In a treaty situation, the relevant article of applicable DTAA will apply to such gifts.	Assessment Year 2020-21
Secondary adjustment simplified	92CE	▪ Now, excess money can be repatriated to India from **any** of the Associated Enterprises of the assessee which is not resident in India. ▪ Assessee will have the option to pay additional income tax @18% (plus 12% surcharge) on the money not repatriated in time. ▪ Once this tax is paid, assessee **will not be required to make secondary adjustment or compute interest** from the date of payment of such tax. ▪ There was an anamoly which caused misinterpretation of the provisions of this section which has been rectified now. The condiiton of threshold of Rs. One crore and of the primary adjustment made up to Assessment Year 2016-17 are alternate conditions. **The word "And" has been replaced with "Or".**	1st September' 2019

Title	Section	Changes proposed	Effective from
No fresh assessment if return is modified due to APA	92CD	▪ There exists a possibility that Assessing Officer may start a fresh assessment or re-assessment in cases where assessee modified their return of income due to signing of APA and assessment and re-assessment has already been completed. ▪ Now, it has been **clarified** that Assessing Officer will only pass the order by modifying the total income where return has been filed due to signing of APA and assessment or re-assessment has already been completed.	1st September' 2019
Online application for lower or nil TDS on payment made to Non-residents	195(2)	▪ Presently, a person paying any sum to a non-resident, which is chargeable to tax (other than salary), need to make a manual application to assessing officer for determination of lower or nil withholding tax on such amount. ▪ Now, to streamline this process and **reduce the time for processing** of such application, it is **being converted from manual to online filing**.	1st November' 2019

4. Other amendments

Title	Section	Changes proposed	Effective from
TDS on cash withdrawal	194N **New Section**	▪ To discourage cash transactions and moving towards digital payments, this new section has been inserted to levy a **TDS of 2% on cash withdrawal** of more than Rs. 1 crore in aggregate during the previous year. ▪ Certain persons have been exempted from this provison which is quite logical, i.e. Government, Banks, ATM machine operators etc.	1st September' 2019
Prescribed electronic modes of payment made mandatory	269SU **New Section**	▪ To push the digital economy further, all businesses having a **tunover of more than Rs. 50 crore** in the immediate preceding previous year have to provide the facility of prescribed electronic modes of payment in addition to existing electronic modes of payment. ▪ A **penalty of Rs. 5,000 per day** will be imposed for failure to provide the prescribed modes of payment under this section.	1st November' 2019

5. Personal taxation

Title	Section	Changes proposed	Effective from
Surcharge on super rich increased		▪ Two new slabs have been introduced to **increase the surcharge** on individuals earning a taxable income as below: • Taxable income of Rs. 2 crore to Rs. 5 crore : 25% surcharge [effective tax rate of **highest slab will be 39%** against the 35.88% rate earlier] • Taxable income of more than Rs. 5 crore : 37% surchage [effective tax rate of **highest slab will be 42.74%** against the 35.88% rate earlier] • The effective tax rate also includes 4% Health and Education Cess.	Assessment Year 2020-21
Exemption increased for NPS subscribers	10(12A)	▪ **Exemption limit** from tax has been **increased from 40% to 60%** on the total amount payable at the time of closure or pre mature opting out of scheme.	Assessment Year 2020-21
Tax incentive for affordable housing	80EEA **New section**	▪ To provide an impetus to "Housing for all" objective of the Government, a **deduction upto Rs. 1.50 lacs** would be available to an individual assessee subject to following conditions: • Loan has been sanctioned between 1st April'2019 to 31st March 2020. • The stamp duty value of the house does not exceed Rs. 45 lacs • Assessee does not own any residential house property on the date of sanction of loan.	Assessment Year 2020-21

....contd. [5. Personal taxation]

Title	Section	Changes proposed	Effective from
Tax incentive for electric vehicles	80EEB **New Section**	▪ To promote the adoption of electric vehicle, a **deduction upto Rs. 1.50 lacs** would be available to an individual assessee subject to following two conditions: • Loan has been sanctioned between 1st April'2019 to 31st March 2023. • Assessee does not own any other electric vehicle on the date of sanction of loan.	Assessment Year 2020-21
Mandatory furnishing of return of income by certain persons	139	▪ Persons (other than company or firm) entering following high value transactions during the previous year and not having a taxable income, will be required to file the return of income : • Deposited an amount or in aggregate exceeding Rs. 1 crore in one or more current accounts. • Incurred an amount or in aggregate exceeding Rs. 2 lacs on himself or any other person for travel to a foreign country. • Incurred an amount or in aggregate exceeding Rs. 2 lacs towards consumption of electricity.	Assessment Year 2020-21

....contd. [5. Personal taxation]

Title	Section	Changes proposed	Effective from
Inter-changeablity of PAN and Adhaar	139A	▪ For ease of compliance, every person who must quote his PAN and has not been alloted a PAN but has Adhaar number may quote his Adhaar number. ▪ Such person shall also be alloted a PAN.	1st September' 2019

6. Goods and service tax (CGST Act,2017)

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Title	Section	Changes proposed	Effective from
New composition levy scheme for Suppliers of Service or Mixed Suppliers	10(2A)	▪ New alternative composition scheme has been intrdouced for suppliers of service or mixed suppliers who are not eligible as per the current composition scheme. ▪ To be eligible for this scheme, their turnover in the preceding financial year should not exceed Rs. 50 lacs. ▪ The tax on output supplies would be **6% o**f the turnover.	From the date of enactment of Finance Bill (No.2)' 2019
Higher threshold exemption limit of Rs. 40 lacs for supplier of goods	22(1)	▪ Threshold limit for registration in case of suppliers of goods has been proposed to be **enhanced to Rs. 40 lacs** (from the existing limit of Rs. 20 lacs).	From the date of enactment of Finance Bill (No.2)' 2019
Adhaar authentication made mandatory for registration	31A	▪ Effective date and manner of authentication will be specified for existing registered persons for Adhaar based authentication. ▪ Alternative means of authentication will also be specified in case a person has not been alloted Adhaar number. ▪ If the registered person failed to authenticate through alternative means or Adhaar with in the specified time limit, GST registeration number will become invalid. ▪ This will be made applicable for new registrations as well.	From the date of enactment of Finance Bill (No.2)' 2019

....contd. [6. Goods and service tax (CGST Act,2017)]

Title	Section	Changes proposed	Effective from
Option to file return on quarterly and annual basis	39	▪ Presently, it is specified in the Act about periodicity and date of filing the returns under the GST. ▪ Now, an amendment has been proposed which will allow Government to relax the period of filing of **return from monthly to quarterly basis** for certain specified persons. However, tax would still be paid on monthly basis. ▪ Similarly, registered person who are availing **composition scheme** will be allowed to file their **return from quarterly to annual basis.** However, tax wouldstill be paid on quarterly basis.	From the date of enactment of Finance Bill (No.2)' 2019
Correction in heads under electronic cash ledger allowed	49(10)	▪ Presently, any tax, interest, penalty or fee paid under a wrong head is not transferrable to correct head. This causes huge inconvenience to tax payer. ▪ Now, a registered person would be allowed to transfer any amount of tax, interest, penalty or fee from one head of electronic cash ledger to the right head under IGST, CGST, SGST, UGST or cess.	From the date of enactment of Finance Bill (No.2)' 2019

....contd. [6. Goods and service tax (CGST Act,2017)]

Title	Section	Changes proposed	Effective from
Interest will be calculated on net liability payble in cash	50	▪ Presently, a tax payer is required to pay interest on gross tax liability (without setting off input tax credit) if tax has not been paid with in due date prescribed. ▪ Now, interest will be calculated on the net tax liability paid through debit in electronic cash ledger only.	From the date of enactment of Finance Bill (No.2)' 2019
Central Government empowerd to disburse refund of State Tax as well	54(8A)	▪ A new sub section has been inserted which empowers the Central Government to disburse the refund of State Tax as well. ▪ This will expedite the process of refund.	From the date of enactment of Finance Bill (No.2)' 2019
Constitution of National Appellate Authority for Advance Ruling (NAAAR)	101A, 101B **New Sections**	▪ NAAAR has been proposed to be constituted to deal with conflicting advance rulings given by Appellate Authorities of two or more States ot Union Territories in case same questions referred by distinct persons (by two different branches of a business entity registered in different States). ▪ Decision of NAAAR would be binding on the distinct persons who had sought such ruling.	From the date of enactment of Finance Bill (No.2)' 2019

….contd. [6. Goods and service tax (CGST Act,2017)]

Title	Section	Changes proposed	Effective from
10% penalty in Anti-profiteering matters	171(3A)	▪ National Anti-profiteering Authority has been empowered to levy a penalty of 10% of the profiteered amount. ▪ However, no such penalty would be levied if profiteering amount is deposited by the person with in 30 days of passing of order by the Authority.	From the date of enactment of Finance Bill (No.2)' 2019

7. Legacy dispute resolution scheme'2019

Title	Changes proposed
Introduction	▪ The name of the scheme is "Sabka Vishwas (Legacy Dispute Resolution Scheme'2019)". ▪ It will be effective from the date of notification by Central Government. ▪ It is being introduced to settle the disputed tax demands of Central Excise, Service Tax and Cesses which got subsumed in GST.
Benefits	▪ It provides **tax relief in the range of 40% to 70%** of the amount of service tax, central excise duty or cess. ▪ **100% relief from interest and penalty.** ▪ Immunity from prosecution and re-opening of case ▪ Option of voluntary declaration
Applicability	▪ Show cause notice has been received by the person on or before 30th June'2019 and final hearing is pending. ▪ Assessee or department is in appeal against the order of show cause notice on or before 30th June'2019. ▪ If any inquiry or investigation or audit is going on, the amount of duty or tax or cess has been quantified on or before 30th June'2019. ▪ Where the amount is in arrears.

8. About us

Served more than **135 clients** since **2005**

Strong team of **140+ energetic** people

100% data security and confidentiality

Impressive client retention period : **>7 years**

10 million+ transactions per year

99.87% adherence to SLA's

....contd. [8. About us]

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From standalone services like P2P, O2C, R2R to end to end outsourcing

02
Consulting
Due diligence, Structuring, SEIS, India Entry, SOP's, XBRL

03
Internal Audit
Internal Audit with a focus to add value through evaluation of internal control system

Our services

For more information about our services, visit us at www.blueconsulting.co.in

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