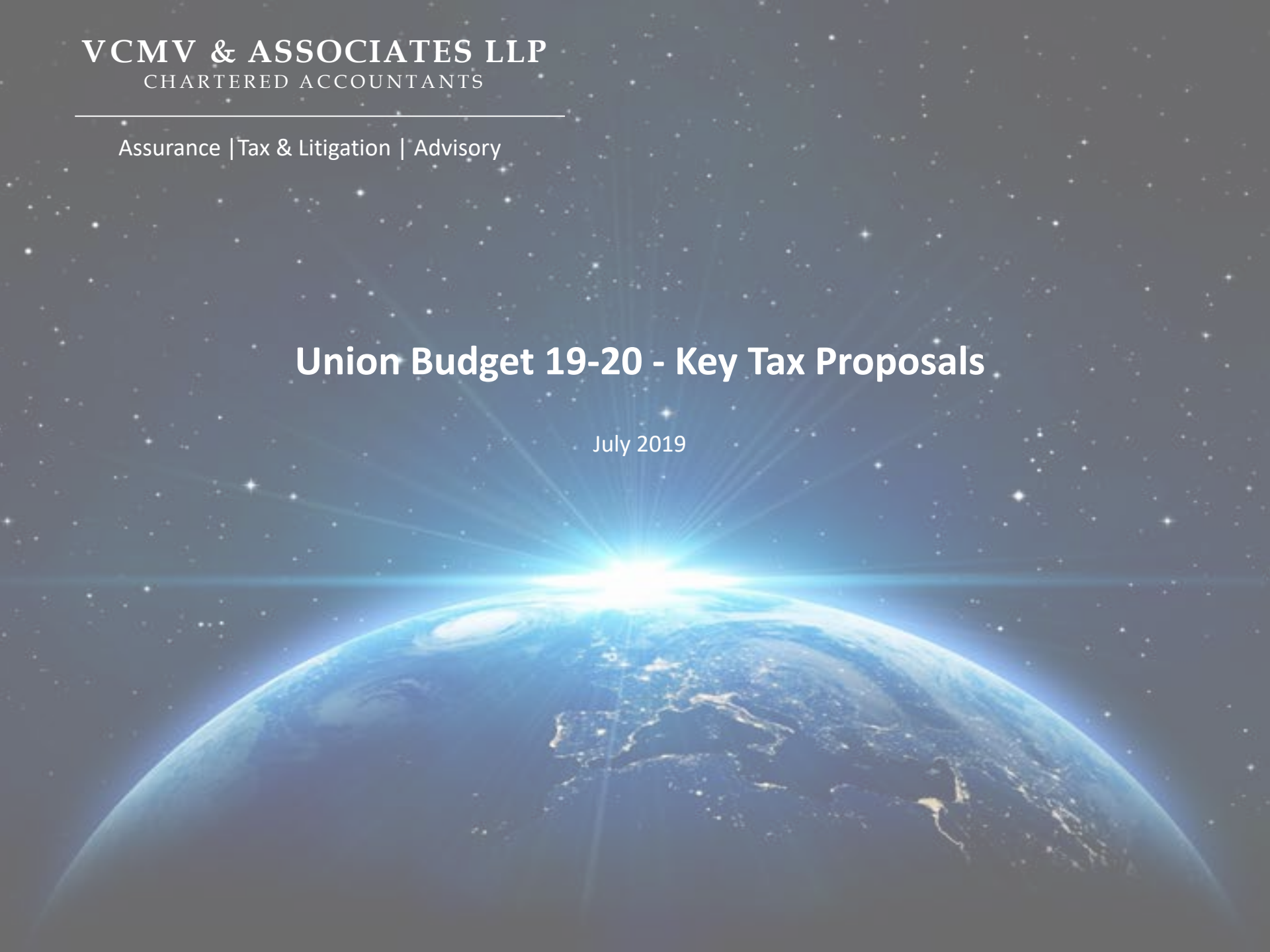


Union Budget 19-20 - Key Tax Proposals

July 2019



Key Tax Proposals

- Direct Tax revenue increased by 78% over last 5 years i.e. INR 6.38 Lacs to INR 11.37 Lacs
- **Threshold for reduced Corporate tax of 25%** increased from INR 250 Crs to INR 400 Crs. With this 99.3% of all the Companies are within the reduced corporate tax rate
- Investment linked incentives(Section 35AD) – **Incentives to few selected sectors viz Semi Conductor manufacturers, Lithium batteries manufacturer, Solar, Computer server, laptop.**
- **Electric Vehicle Tax boost** – Reduction in GST rate on electric vehicles from 12% to 5%, Addl. income tax deduction of INR 1.5 Lacs on interest for loan borrowed for the purposes of purchase of Electric vehicle
- **Startups – Angel tax issue – No scrutiny** in respect of valuation of share premium, for the purposes of source verification(issue under section 68) to be resolved through e-verification mechanism, Funds raised by startups will not be subject to scrutiny, initiating assessment on the startups will require approval from the supervisory body, FMV need not be established for the funds raised from Cat II AIF as well, relaxation in carry forward and setoff of losses, capital gains exemption for investment in startup extended till March 2021



Key Tax Proposals

- **Affordable housing** – Deduction increased to INR 3.5 Lacs from INR 2 Lacs for loans borrowed upto March 31, 2020 amounting INR 45 Lacs
- NBFC – Interest on NPA to be taxed on realization basis for deposit taking as well as non-deposit taking **SYSTEMATICALLY IMPORTANT** NBFC, separate regulatory body for NBFCs
- HFC – RBI to be the regulatory body. NHB to return regulatory rights to RBI.
- **100% profit linked incentives for IFC under section 80LA in any 10 years out of 15 years**
- 100% profit linked incentive for IFSC
- STT applicability – difference between settlement vs. strike price for option exercise
- **Inter-changeability of PAN with Aadhaar for the purposes of filing the return of income**
- Pre-filled tax returns – Sources from Bank, Stock exchange, EPFO, State govt. etc



Key Tax Proposals

- **Faceless e-assessment** in electronic mode would be launched in FY 2018-19, no human interaction.
- TDS of 2% on cash withdrawal exceeding INR 1 Crore in a year from the bank account
- **Business establishment with Annual turnover of INR 50 Crores would need to extend digital payment facility to its customers and the transaction cost would be subsidized by RBI and Banks**
- Increase in personal tax rates for Super rich – Surcharge to be increased by 3% for slab between INR 2 Crores to INR 5 Crores and by 7% for INR 5 Crores and above
- No prosecution against directors under section 50CA & 56(2)(x)
- E-invoicing to be mandatory
- Legacy dispute resolution scheme to be introduced for regularize pre-gst tax disputes.



Thank You

Detailed Analysis of the Budget would be sent shortly.

VCMV & ASSOCIATES LLP
CHARTERED ACCOUNTANTS

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