



## Analysis of Key Proposals and Tax Amendments

### Union Budget 2019-2020



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### **KEY PROPOSALS**

#### **1. Introduction**

Finance Minister CA. Piyush Goyal laid out the Interim Budget for the financial year 2019-20 with sheer enthusiasm and confidence signaling positivity and development for the Nation at large, having far-reaching impact in future as well. Although, it was only an 'interim budget', it impliedly provided a vision path of our nation for the next decade.

The Budget has rationally given significance to all the sectors in a balanced manner. The Budget has also given equal importance to all classes of people ranging from laborers to youth to women, senior citizens, etc. Overall development and reduction of unemployment was in the main agenda of the interim budget.

#### **2. State of Economy**

- 2.1. The Fiscal Deficit is proposed to be reduced to 3.4%.
- 2.2. The Current Account Deficit of GDP is proposed to be reduced to 2.5%.

#### **3. Improvising, Infrastructural development and Agricultural sector**

- 3.1. Introduction of "Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)" under which direct income support at the rate of Rs. 6,000 per year to vulnerable landholding farmer families.

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- 3.2. Proposition of setting up of "Rashtriya Kamdhenu Aayog" to upscale sustainable genetic up-gradation of cow resources and to enhance production and productivity of cows.
- 3.3. Separate department of fisheries shall be created for focused attention towards development of this sector.
- 3.4. Introduction of 'Pradhan Mantri Shram-Yogi Maandhan' for the benefit of the workers in unorganized sectors.
- 3.5. Vision of the Finance minister to introduce electronic vehicles full fledged in India, has been laid out by this budget. The introduction of the electronic vehicles will reduce the dependency on the hefty imports of crude oil.



## **4. Vision for the next decade**

- 4.1. India is poised to becoming a 5 trillion dollar economy in next 5 years and Aspiring to become a Ten Trillion Dollar Economy in the next 8 years thereafter.
- 4.2. Well social infrastructure of roads, railways, sea-ports, airports, urban transports, gas and electric transmission and inland waterways.
- 4.3. Make India a pollution free nation by using electric vehicles and energy storage devices.

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- 4.4. Rural industrialization using modern digital technologies to generate massive employment.
- 4.5. To clean rivers and other water bodies and to provide safe drinking waters to all citizens.
- 4.6. To develop inland waterways and ensure better standards of life to people living in coastal areas.
- 4.7. To create a launch pad of satellites for the world and placing an Indian astronaut in space.
- 4.8. Making India self-sufficient in food through modern agricultural practices and value addition.
- 4.9. To focus on health care and comprehensive wellness system for all citizens.
- 4.10. To transform India into minimum government and maximum governance nation.



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### **TAX RELATED AMENDMENTS:**

#### **5. Increase in standard deduction for Salaried persons**



Section 16 of Income Tax Act, 1961 provides for deduction from income from salaries which is proposed to be raised from the current Rs. 40,000 to Rs. 50,000.

#### **6. Relief of tax on notional Rent in specific cases**

- 6.1 Currently, income tax on notional rent is payable if an assessee has more than one self-occupied house. However, considering the difficulty of the middle class having to maintain families at two locations on account of their job, children's education, care of parents etc., it has been proposed to exempt levy of income tax on notional rent on a second self-occupied house.
- 6.2 In addition to considering one additional property as Self occupied property for not considering notional rent, deduction under Section 24 for interest paid on borrowed capital has also been extended to second additional property which is being considered as Self occupied property.
- 6.3 For giving impetus to the real estate sector, it has been proposed to extend the period of exemption from levy of tax on notional rent, on unsold inventories, from one year to two years, from the end of the year in which the project is completed.



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### **7. Benefit of Section 54 available on purchase of 2 residential house properties**

- 7.1 The benefit of capital gains under section 54 of the Income Tax Act was available if the amount of capital gains is invested in one residential house only.
- 7.2 However, now, it has been proposed that the benefit of rollover of capital gains under section 54 of the Income Tax Act can be taken by investing in two residential houses instead of one residential house for a tax payer having capital gains up to Rs. 2 crore.
- 7.3 This benefit can be availed by the assessee once in a life time.



### **8. Benefit of deduction under Section 80IBA is extended even if approval of the housing project is taken till 31-03-2020**

Section 80IBA provides for 100% deduction in respect of profits and gains derived from housing projects subject to certain conditions. One of the condition was to get to project approved by the competent authority after the 1<sup>st</sup> June, 2016, but on or before the 31<sup>st</sup> March, 2019, now, such date for obtaining approval has been proposed to be extended till 31<sup>st</sup> March, 2020.

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### 9. Expansion of Rebate

9.1 Rebate on tax under section 87A of Income Tax Act is provided for individual whose total income is not exceeding Rs. 3,50,000/- with 100% of income tax payable or Rs. 2,500/- whichever is less. Now, it has been proposed to extend to benefit of tax rebate for individuals whose total income is not exceeding Rs. 5,00,000/- with 100% of income tax payable or Rs. 12,500/- whichever is less. An illustration for the same is provided below:

Particulars	Situation I	Situation II
Income	5,00,000	5,00,100
Computation of Tax		
0-250000 @ 0%	0	0
250001-500000 @5%	12,500	12,500
500001-500100 @ 20%	0	20
Rebate u/s 87A	12,500	0
Net Tax	0	12,520
Add: Cess @ 4%		501
Net Tax Liability	0	13021

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### **10. Changes in provisions related to Tax Deducted at Source (TDS)**

- 10.1 TDS threshold on interest earned on bank/post office deposits is being proposed to be raised from Rs. 10,000 to Rs. 40,000/-
- 10.2 TDS threshold for deduction of tax on rent is proposed to be increased from Rs. 1,80,000 to Rs. 2,40,000 for providing compliance relief to rent payers and receivers.

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