

NewsBites

Fifteenth Edition

Greetings!

We are delighted to present our news bites for the month of June 2019. This News Bites intends to give an overview of what is happening in the sphere of direct and indirect taxation, audit and assurance and also in the industry.

We hope you find this useful. For any feedback you can reach to us at info@sanca.in.

Best Regards,
S A N & CO.
Chartered Accountants

BUDGET 2019





10-point vision for the decade

- 1 Building physical and social infrastructure
- 2 Digital India reaching every sector of the economy
- 3 Pollution-free India with green Mother Earth and Blue Skies
- 4 Make in India with particular emphasis on MSMEs, Start-ups, Defence manufacturing, automobiles, electronics, fabs and batteries, and medical devices
- 5 Water, Water management, Clean rivers
- 6 Blue Economy
- 7 Space programmes. Gaganyaan, Chandrayan and Satellite programmes
- 8 Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables
- 9 Healthy society - Ayushman Bharat, well-nourished women & children. Safety of citizens
- 10 Team India with Jan Bhagidari. Minimum Government Maximum Governance



Key Highlights



Vision for
\$5 trillion economy
driven by investment



Transforming
Rural
lives



Strengthening
connectivity
Infrastructure



Promoting
Digitalisation



New
Jal Shakti Mantralaya
to ensure Har Ghar Jal



Enhancing
ease of direct and
indirect taxation



Harnessing India's
space abilities



Empowering
MSME, Startups
promotion &
Make in India

Facts about Indian Economy

- Now India is the sixth-largest economy in the world
- India's Ease of Doing Business ranking under the category of 'paying taxes' jumped from 172 in 2017 to 121 in the 2019.
- India saw a 6% y-o-y growth in foreign investment - Global FDIs fell to \$1.3 billion from \$1.5 trillion, but inflows in India remained strong at \$54.37 billion.
- The FY20 fiscal deficit target has been cut to 3.3% from 3.4%.
- The direct tax revenue has increased by 78% to Rs. 11.37 lakh crore to 2018-19 from 6.37 lakh crore from 2013-14.



Tax Proposal

I. Direct Taxation

- **Affordable housing** – Additional deduction under Section 80EE of Rs. 1.5 lakhs for interest paid on housing loan borrowed up to 31st March, 2020 for purchase of house valued up to Rs. 45 lakh.
- **TDS to promote Digitalisation**– To discourage cash payments TDS@ 2% on withdrawals exceeding 1 Crore per annum from a bank account.
- **Interchangeability of PAN and Aadhaar** – Interchangeability of PAN and Aadhaar for ease and convenience of taxpayers! Income Tax return can be filed using Aadhar Number!
- **Surcharge for higher income groups** – Surcharge for individuals having taxable income from Rs 2 crores to Rs 5 crores increased to 18% from 15% and taxable income from Rs 5 crores to Rs 10 crores increased to 22% from 15%
- **Securities Transaction Tax (STT)** – STT restricted only to the difference between settlement and strike price in case of exercise of options.
- **Corporate Tax Rates** – Currently, only 25% tax rate is applicable to companies with an annual turnover of Rs 250 crore. This has been extended to companies with turnover of up to Rs 400 crore. This will bring in 99.3 percent of all companies into the tax net and leave out only 0.4 percent companies
- **National Pension System (NPS) & 80C deductions** – It is proposed to increase the limit of exemption from the current 40% to 60% of payment on final withdrawal from NPS,
 - Allow a deduction for employer's contribution up to 14% of salary from the current 10%, in the case of Central Government employee,
 - Allow deduction under section 80C for the contribution made to Tier II NPS account by Central Government employees.



- **Capital Gains to Start Ups** - Propose to extend period of exemption of capital gains arising from sale of residential house for investment in startups to 31 March 2021
- **Faceless e-assessment** - Faceless e-assessment with no human interface to be launched. It is to be carried out initially in cases requiring verification of certain specified transactions or discrepancies.
- **Electric Vehicles** - Additional income tax deduction of Rs. 1.5 lakh on interest paid on electric vehicle loans.
- **Buybacks** - The central government has proposed to introduce 20% tax on buybacks by listed companies.
- **Gift City - International Financial Services Centre (IFSC)** - Direct tax incentives proposed for an IFSC:
 - 100 % profit-linked deduction in any ten-year block within a fifteen-year period.
 - Exemption from dividend distribution tax from current and accumulated income to companies and mutual funds.
 - Exemptions on capital gain to Category-III Alternative Investment Funds (AIFs).
 - Exemption to interest payment on loan taken from non-residents.

2. Indirect Taxation

A. Custom Duty:

- **Gold & Precious metals** - Custom duty on gold and other precious metals increased by 2.5% from 10% to 12.5%
- **Imported Books** - Custom duty on imported books increased by 5%.
- **Electric Vehicles** - Customs duty exempted on certain parts of Electric Vehicle (EVs)

B. Excise Duty:

- **Petrol & Diesel** - Increase in Special Additional Excise Duty and Road and Infrastructure Cess each by Rs. 1 per litre on petrol and diesel
- **Amnesty Scheme** - Sabka Vishwas Legacy Dispute Resolution Scheme proposed for quick closure of service tax and excise related litigations.

C. GST:

- **Electric Vehicles** - GST rate on electric vehicles already proposed to be lowered to 5%.
- **5 Cr Turnover** - Taxpayers with annual turnover of less than Rs 5 crore to have to file only quarterly returns.
- **GST Refund** - Fully automated GST refund module shall be implemented.
- **E-way Bill** - An electronic invoice system is proposed that will eventually eliminate the need for a separate e-way bill.
- **GST Returns** - GST to be further simplified to a single monthly return





Sector wise Budget Analysis

1. Infrastructure

- Rs. 100 lakh crore investment for infrastructure over 5 years.
- **National Common Mobility Card** was launched by PM Modi in March 2019. This will enable people to pay multiple transport charges across India. This card runs on RuPay card and allows users to pay bus charges, parking charges, etc.
- **One Nation, One Grid** - for power availability to states at affordable rates.
- **657 km of metro rail network** has become operational in the country.
- **FAME II** scheme aims to encourage faster adoption of electric vehicles by right incentives and charging infra.
- The ambitious programme of **Bharatmala** will help develop roads and highways, while **Sagarmala** will enhance port connectivity. These along with other such initiatives such as **Udaan** scheme will improve India's infrastructure and enable connectivity and bridge the rural and urban divide,
- **Power and LPG** will be provided to all households by 2022.
- The Finance Minister proposes a **modern tenancy law**.
- Government plans to create **MRO** (Manufacturing, Repair and Operate) industry.
- **PPP (public private partnership)** to be used to unleash faster development and the delivery of passenger freight services.
- The government is developing **17 iconic tourism sites** as world-class tourist centres to improve the flow of domestic and foreign tourists to these destinations.

2 Banking and Financial Sector

- **RBI to regulate Housing Sector** - Government proposes to return the regulation authority over housing finance sector from National Housing Board to the RBI.
- RBI is also the regulator of NBFCs.

- **PSU Bank recapitalisation** - The government has proposed to allocate Rs. 70,000 crore for PSU Bank recapitalisation.
- **Non-performing Assets (NPAs)** of commercial banks have reduced by over Rs. 1 lakh crore over the last year.
- **Reducing the no. of PSBs to 8** - The government has smoothly carried out consolidation, reducing the number of PSBs (Public sector banks) by 8.
- **6 public sector banks out of Prompt Corrective Action (PCA)**.
- **Record recovery of over Rs. 4 lakh crore** due to IBC (Insolvency code) have been effected in the last four years.
- **Provision coverage ratio** is at its highest in 7 years and credit growth has improved to over 13%.
- For purchase of high-rated pooled assets of financially sound NBFCs amounting to a total of Rs. 1 lakh crore, government will provide a one-time six-month partial **credit guarantee to PSBs** for first loss up to 10%.
- India's **sovereign external debt to GDP** is among the lowest globally at less than 5%.
- **New coin series** to be launched soon - A new series of coins for Re 1, Rs. 2 Rs 5, Rs. 10, Rs. 20 to be minted so that the visually impaired can easily identify them.
- Pension Fund Regulatory Authority to be separated from the **National Pension Scheme Trust**.
- **Divestment target** - The FY20 divestment target has been hiked to Rs. 1.05 trillion (1.05 lakh crore) from Rs. 90,000 crore.
- Government to continue with strategic divestment of select **Central Public Sector Enterprises (CPSEs)**.
- **MDR charges waived on cashless payment**. No charges or merchant discount rates shall be imposed on customers or the merchants. RBI and banks will absorb these costs.



3. Market

- **Investment in CPSE ETFs to Get Tax Deduction**

Tax benefit likely to act as a good push for retail investors to be part of the disinvestment process.

Investors putting money in exchange traded funds (ETFs) that bet on public sector companies will get tax benefits like that of tax-saving equity mutual schemes. Under Equity Linked Savings Schemes, or ELSS, investments of up to ₹1.5 lakh every year is tax exempt.

- **Promoter stakes to be cut to 65%**

Indian promoters will have to sell shares worth nearly ₹4 lakh crore after the government proposed to increase the minimum public shareholding in listed firms to 35% from 25%.

- **Disinvestment 2.0**

Big Shift: Government Ready to Cut Stake to Below 51%

More central public sector enterprises (CPSEs) will be offered for strategic participation to the private sector. The government is ready to reduce its stake in PSUs to below 51% in companies where other state-controlled institutions such as LIC also hold stakes.

- **Tax on Buybacks**

The central government has proposed to introduce 20% tax on buybacks by listed companies.

Buybacks typically happen at a premium to market price so that shareholders have some incentive to tender their shares. Due to higher tax outgo, companies could reduce either the buyback size or the price.

Currently, tax on buybacks comes under capital gains, which can be used by investors to offset capital losses they make in other investments and save taxes. Such a provision will no longer be available.

- **Option Buyers get STT Relief**

STT restricted only to the difference between settlement and strike price in case of exercise of options.

In a major relief to options buyers, the budget has proposed that securities transaction tax (STT) be calculated on the difference between the strike price and settlement price instead of the value of a contract.

- **Gift City: International Financial Services Centre (IFSC)**

International Financial Services Centre (IFSC) to get exempt capital gains on equities traded on the Stock Exchanges. It is proposed to widen types of securities traded on IFSC stock exchanges that would be eligible for exemptions on capital gains tax.

- **Social Stock Exchange**

Social Stock Exchange under SEBI proposed. Electronic Fundraising Platform, a social stock exchange, to be set up to list social enterprises and voluntary organizations working for social welfare objectives

4. Education

- **Swayam Initiative** – Digital education to be promoted
- **National Research foundation (NRF)** –National Research Foundation has been proposed to be established to fund and coordinate research in India. This will help fund research ecosystem among universities across the country, without any external funding.
- **'Study in India'** initiative – India will be soon a hub of higher education. 'Study in India' initiative will be started for the exchange of foreign student. The government proposes **allocation of Rs 400 crore** for world-class higher education institutions in the country.
- **For the Youth – New national educational policy** to transform the Indian education system
- **National Sports Education Board** for development of sportspersons to be set up under **Khelo India**, to popularize sports at all levels



5. Startup Development

- Propose to extend period of exemption of capital gains arising from sale of residential house for investment in startups to 31 March 2021
- A television programme on DD National, exclusively for startups, designed and executed by startup's themselves.
- To resolve the angel tax issue, startups will not be subject to any scrutiny in respect to valuation. Funds raised by startups will not require any scrutiny by the I-T department

6. MSME

- 350 crore rupees allocated for 2% interest subvention for all GST-registered MSMEs on fresh or incremental loans
- Stand Up India' Scheme to continue till 2025
- Pension benefits to about three crore retail traders & small shopkeepers with annual turnover less than Rs. 1.5 crore.
- Loans of up to ₹1 crore to be given to MSMEs for ease of access.

7. Women Empowerment

- Committee to be formed with Public and Private stakeholders for gender equality
- Loan up to 1 lakh under Mudra Scheme for Women entrepreneurs
- Nari tu Narayani: Women SHG Interest Subvention Programme to be expanded to all districts in India.
- Every verified woman SHG member having a Jan Dhan account can avail Rs 5,000 rupees overdraft facility

8. Agriculture & Rural India

- Revolutionising Gramin Bharat by focus on going back to the roots with 'zero budget farming'
- Ten thousand new farmer producer organisations (FPOs) to come up for ensuring economies of scale to farmers.
- On agricultural marketing, the government will work with state governments to allow farmers to benefit from e-NAM.

- To strengthen Gramin Bharat – Rural India – This year India mark the 150-birth anniversary of Mahatma Gandhi. Gaav, Garib aur Kisan will remain at the centre of all our initiatives.
- SFURTI envisions 100 new clusters in 2019–20

9. NRI

- Proposal for Issuance of Aadhar Card on arrival for NRIs with Indian Passports: FM
- Aadhaar card for NRI's post arrival in India
- To increase NRI investment in Indian capital market – NRI portfolio scheme route and FPI route should merge
- Non-resident Indians will be brought under the black money Act. Undisclosed properties and accounts created by NRIs when they were 'residents' will come under scrutiny. Individuals and companies that declared cash hoards after the note ban will get a second chance to come clean.
- Tax and enforcement agency officials had a lurking suspicion that individuals were transferring funds as 'gifts' to NRI friends under RBI's Liberalised Remittance Scheme (LRS) to reroute the money into India. The government will now tax NRIs receiving such gifts from residents who are not their relatives. The amount will be considered as of NRI's 'deemed income' which can be taxed in India. A resident can remit up to \$250,000 a year under LRS.

10. Foreign Investments

- Budget raises limit for foreign portfolio investments and promises to simplify KYC rules. Also, the government plans to start borrowing overseas. The FDI limit is proposed to be raised for aviation and insurance intermediaries while sourcing rules will be simplified for single-brand retail.
- Investment by foreign institutional investors (FIIs) and foreign direct investments (FDI) in debt securities in infrastructure debt funds to be allowed.
- 100% FDI will be permitted for insurance intermediary.
- Limit on foreign portfolio investment (FPI) in a company increased to 24%.



11. Railway

- Railway infra would need an investment of 50 lakh crores between 2018 and 2030;
- PPP model to be used to unleash faster development and delivery of passenger freight services
- Railway Station Modernisation will be launched this year.
- Indian Railways to be encouraged to invest more in urban and suburban regions
- 657KM of Metro Rail operational in the country.

12. Defence

- Defence sector needs modernization. Import of defence equipment is being exempted from basic customs duty.
- New Space India Limited – The Indian Space Research Organisation’s (ISRO) new commercial arm called New Space India Limited (NSIL) was officially inaugurated in Bengaluru.
 - The Department of Space (DoS) registered its second commercial entity called NSIL in ISRO.
 - The NSIL was incorporated for commercially utilising research and development (R&D) activities carried out by ISRO in area of space.
 - NSIL is provided an authorised share capital worth Rs.100 crore and initial paid up capital of Rs.10 crore.
 - NSIL’s main objective is to scale up industry participation in Indian space programmes.

Government Schemes Highlights

Swachh Bharat Mission

9.6 crore toilets have been constructed. More than 95% cities and 5.6 lakh villages declared open-defecation free (ODF). More than 45,000 public and community toilets uploaded on Google Maps.

Jal Jeevan Mission

JalShakti Mantralaya will work with states to ensure Har Ghar Jal for all rural houses by 2024.

Pradhan Mantri Gramin Digital Saksharta Abhiyan

Over 2 crore Indian made digitally literate & Bharat net to connect every panchayat in the country.

Pradhan Mantri Karma Yogi Maan Dhan Scheme

- 3 crore retail traders and shopkeeper with annual turnover of less than Rs 1.5 crore will cover under the scheme.
- It guarantees a monthly pension amount of Rs. 3,000 from the age of 60 years. • The unorganised sector workers, with income of less than Rs 15,000 per month and who belong to the entry age group of 18-40 years, will be eligible for the scheme.

Ujjwala and Saubhagya scheme

35 crore LED bulbs distributed leading to a cost saving of Rs 18,341 crore annually. These schemes have dramatically improved ease of living.

Pradhan Mantri Matsya Sampada Yojana (PMMSY)

To establish a robust fisheries management framework

Pradhan Mantri Gram Sadak Yojana

1.25 lakh kms of road to be built in the next five years. Project cost estimated cost of nearly Rs 80,200 crore.

Pradhan Mantri Awas Yojana (PMAY)

2nd phase 1.95 crore houses are proposed to be provide to eligible beneficiary.

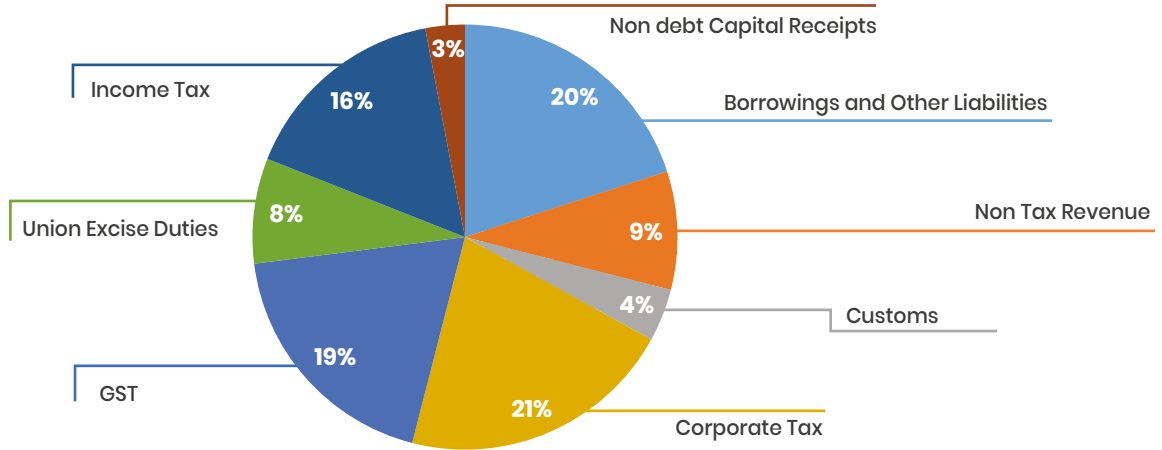
Pradhan Mantri Shram Yogi Maandhan Scheme

About 30 lakh workers joined the scheme. It will provide Rs. 3,000 per month as pension on attaining the age of 60 to workers in unorganized and informal sectors.

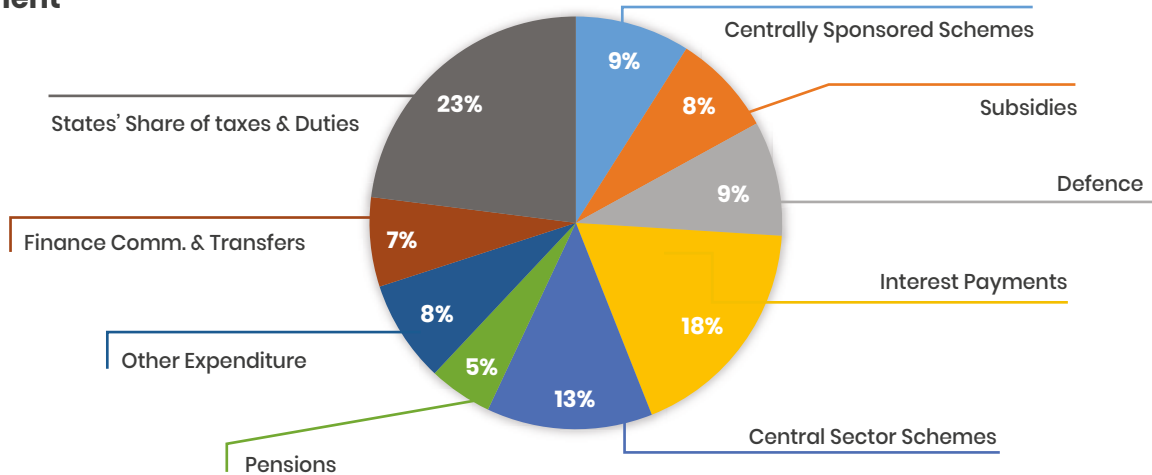


Budget at Glance

Receipt



Payment



NewsBites

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