

Gokhale &amp; Sathe Chartered Accountants

# Budget 2019

## Direct Tax Highlights

### Major Amendments:

#### Provisions relating to Individual Taxpayer

- ◆ The tax rates applicable to the individuals remain unchanged. However, on account of change in surcharge, the effective rates are as under:

Total Income	Existing Tax Rate	New Tax Rate
between Rs. 50 lakhs to Rs. 1 crores	34.32%	34.32%
between Rs. 1 crores to Rs. 2 crores	35.88%	35.88%
between Rs. 2 crores to Rs. 5 crores	35.88%	39%
exceeding Rs. 5 crores	35.88%	42.75%

- ◆ Section 80EEB is proposed to be inserted to provide for a deduction of an amount up-to Rs. 1,50,000 for interest paid on loan taken for purchase of electric vehicle. The loan is required to be taken on or before 31st March, 2023
- ◆ Section 80EEA is proposed to be inserted to provide a deduction up-to Rs. 1,50,000 for interest paid on loan taken for purchase of residential house having value upto Rs. 45 lakh. This shall be in addition to the existing interest deduction of Rs. 2 lakh.
- ◆ In order to popularize National Pension Scheme (NPS), it is proposed to-

- increase the limit of exemption u/s 10 (12A) from current 40% to 60% of payment on final withdrawal from NPS
- allow deduction u/s 80CCD for employer's contribution upto 14% of salary from current 10%, in case of Central Government employee
- allow deduction under section 80C for contribution made to Tier II NPS account by Central Government employees.

#### Taxation of Corporates

- ◆ The threshold limit of total turnover/ gross receipts, for applicability of reduced tax rate of 25% in case of domestic companies has been increased from existing Rs. 250 crores to Rs. 400 crores covering approximately 99.3% of the domestic companies in India. Accordingly, if the turnover/ gross receipts of a domestic company does not exceed Rs. 400 crores in previous year 2017-18, then the tax rate of 25% will be applicable.
- ◆ A significant amendment has been proposed in section 115QA to provide that listed companies shall also be liable to pay additional tax at 20% in case of buy back of share, as is the case currently for unlisted companies. Corresponding amendment to provide for an exemption in hands of the shareholder is also proposed in section 10 (34A).

## Major Amendments:

- ◆ It is proposed to provide for mechanism for taxation upon violation of conditions, subject to which exemption has been granted to notified persons from applicability of the provisions of section 56(2)(viib) on account of excessive share premium.

### Provisions relating to Non-banking financial companies (NBFCs)

- ◆ An amendment in section 43D has been proposed to the effect that interest on bad or doubtful debts in the case of deposit-taking NBFC and systemically important non deposit-taking NBFC shall be charged to tax on receipt basis. Corresponding amendment is proposed in section 43B to provide that deduction of such interest shall be allowed to the payer on actual payment.

### Provisions relating to Start-ups

- ◆ In order to address the angel tax controversies, it is proposed that the start-ups and their investors who file requisite declarations and provide information in their returns will not be subjected to any kind of scrutiny in respect of valuations of share premiums.
- ◆ The condition of section 79 for carry forward and set off of losses in cases of eligible start-ups is proposed to be relaxed enabling them to carry forward their losses on satisfaction of any one of the two conditions, i.e. continuity of 51% shareholding/voting power or continuity of 100% of original shareholders.
- ◆ Further, provisions of section 54GB which allow exemption of capital gains from sale of residential property on investment of net consideration in equity shares of eligible start-up shall be extended by 2 years. Thus the benefit shall be available for sale of residential property on or before 31st March, 2021. The condition of minimum holding of 50% of share capital or voting rights in the start-up is proposed to be relaxed to 25%.

The condition restricting transfer of new asset being computer or computer software is also proposed to be relaxed from the current 5 years to 3 years.

### Provisions relating to Distressed Companies

- ◆ In case of Companies whose board of directors have been suspended by National Company law Tribunal (NCLT) and new directors have been appointed by NCLT on the recommendation of the Central Government, an amendment has been proposed to section 79 that the conditions of continuity of shareholding for carry forward and set off of losses shall not apply to such companies.
- ◆ An amendment has also been proposed in section 115JB to provide that for the purposes of computation of Minimum Alternate Tax (MAT) liability of such companies, the aggregate of brought forward losses and also the unabsorbed depreciation shall also be allowed as deduction.

### Provisions relating to Charitable trusts

- ◆ A significant amendment has been proposed in section 12AA, in relation to the Charitable trusts to provide for cancellation of registration of the trust or institution under the Act for violation of such provision of any other law, where an order holding that such violation has occurred is either not contested or has become final.
- ◆ It is proposed to provide that at the time of registration it shall also be examined whether there has been any such violation by the trust or institution seeking registration.

## Major Amendments:

### Rationalization measures

- ◆ In order to facilitate resolution through the approved schemes, where the parties to the transactions do not have control over the determination of price, it is proposed to empower the Board to prescribe transactions for which the provisions relating to deeming of fair market value of shares shall not be applied for computation of capital gains and deemed gift under section 50CA and section 56(2)(x)
- ◆ It is proposed to provide that where there is a failure to deduct tax at source on payments made to a non-resident and such non-resident has filed its tax return, paid taxes on such income and has furnished a prescribed certificate from an accountant, the deductor shall not be held as assessee in default u/s 201(1). It is also proposed to provide that in such cases, there would not be any corresponding disallowance u/s 40(a) of expenditure in the hands of the deductor.
- ◆ It is proposed to amend section 206A to increase the limit of interest payment in consequence to the amendment made in section 194A.

### Compliance/Procedural provisions

- ◆ Section 139 is proposed to be amended to provide that a person shall be mandatorily be required to file return of income, if during the previous year, he enters into certain prescribed transaction even if his income does not exceed the maximum amount which is not chargeable to tax.
- ◆ Section 139A is proposed to be amended to provide for interchangeability of PAN and AADHAAR.
- ◆ An amendment is proposed to enable e-filing of statement in respect of transactions from which tax has not been deducted and also to increase the limit of interest payment in consequence to the amendment made in

section 194A.

- ◆ As per the existing provisions of Section 194C and Section 194J, an individual or HUF, who are not liable to tax audit, shall not be required to deduct tax under these provisions. Further, no tax is required to be deducted by an individual or HUF from payment made to contractor or professional for services received entirely for personal purpose. To cover such payments, Section 194M is proposed to be inserted to provide for levy of TDS at the rate of 5% on the sum paid or credited on account of contractual work or professional fees, by an individual or a HUF (other than those who are required to deduct tax u/s 194C or u/s 194J), if aggregate of such sums exceeds Rs. 50 lakhs in a year. In order to reduce the compliance burden, it is proposed that provisions of section 203A shall not apply and such individuals or HUFs can deposit the tax deducted using their PAN and shall not be required to obtain TAN.
- ◆ An amendment is proposed to provide for extra time for passing an order under section 201 of the Act for treating a person as assessee in default, when correction statement is filed.

### Governance:

- ◆ As announced in the interim budget, to eliminate instances of high level of personal interaction between the taxpayer and the Department, and to give shape to the vision of the Hon'ble Prime Minister, a scheme of faceless assessment in electronic mode involving no human interface is being launched this year in a phased manner. To start with, such e-assessments shall be carried out in cases requiring verification of certain specified transactions or discrepancies.

## Major Amendments:

- ◆ In order to further promote Digital Economy and to discourage the practice of making business payments in cash, it is proposed to introduce section 194N to levy TDS of 2% on cash withdrawal exceeding 1 crore in a year from a bank account.



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