

# **Interim Union Budget 2019 & Important changes for AY 2019-20**



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**Shared at  
Karnal Branch of NIRC of ICAI  
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*CA. Pramod Jain*

# INCOME TAX PROPOSALS

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# **TAX RATES**

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- ✖ **No Change in Tax Rate Slabs**
- ✖ **S. 87A to be amended**
  - + **Applicable only to individuals**
  - + **Maximum amount of tax rebate increased to Rs. 12500/- from existing Rs. 2500/-**
  - + **Applicable for the taxpayers having total income up to Rs. 5 Lakhs, instead of existing Rs. 3.50 Lakhs.**
  - + **No relief would be available in case total income of individual exceeds Rs. 5 Lakhs**

# **SALARY**

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- ✖ **Section 16 to be amended**
- ✖ **Standard Deduction increased from earlier Rs. 40000/- to Rs. 50,000/- per annum or actual salary whichever is lower**

# HOUSE PROPERTY

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- ✖ S. 23 to be amended to provide option to claim NIL annual value in respect of any 2 houses, declared as SOP, instead of 1
- ✖ Interest on SOP – 30K / 2 L
- ✖ Notional rent in respect of unsold inventory is not to be charged to tax upto 2 years instead of 1 year from the end of FY in which certificate of completion is obtained from competent authority.

# CAPITAL GAIN

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- ✗ **Section 54 to be amended**
- ✗ **If Individual / HUF has LTCG upto Rs. 2 crores arising from transfer of a residential house.**
- ✗ **Can utilise such gain for purchase or construction of 2 residential houses in India instead of 1 residential house as currently provided**
- ✗ **The opportunity can be availed only once in life-time**

## **S. 80-IBA**

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- ✖ **Time limit to be extended under section 80-IBA from 31st March 2019 to 31st March 2020 in order to avail deduction of 100 % of profits and gains derived from the business of developing and building housing projects**

# TDS

- ✖ **S. 194A to be amended to increase threshold limit for TDS on interest other than on securities, paid by a banking company, co-operative society or a post office from existing Rs. 10000/- to Rs. 40000/-**
- ✖ **S. 194-I to be amended to increase the threshold limit for TDS on rental income from existing Rs. 1.80 Lakhs to Rs. 2.40 Lakhs.**



CA. Pramod Jain

# FEW CHANGES FOR AY 2019-20

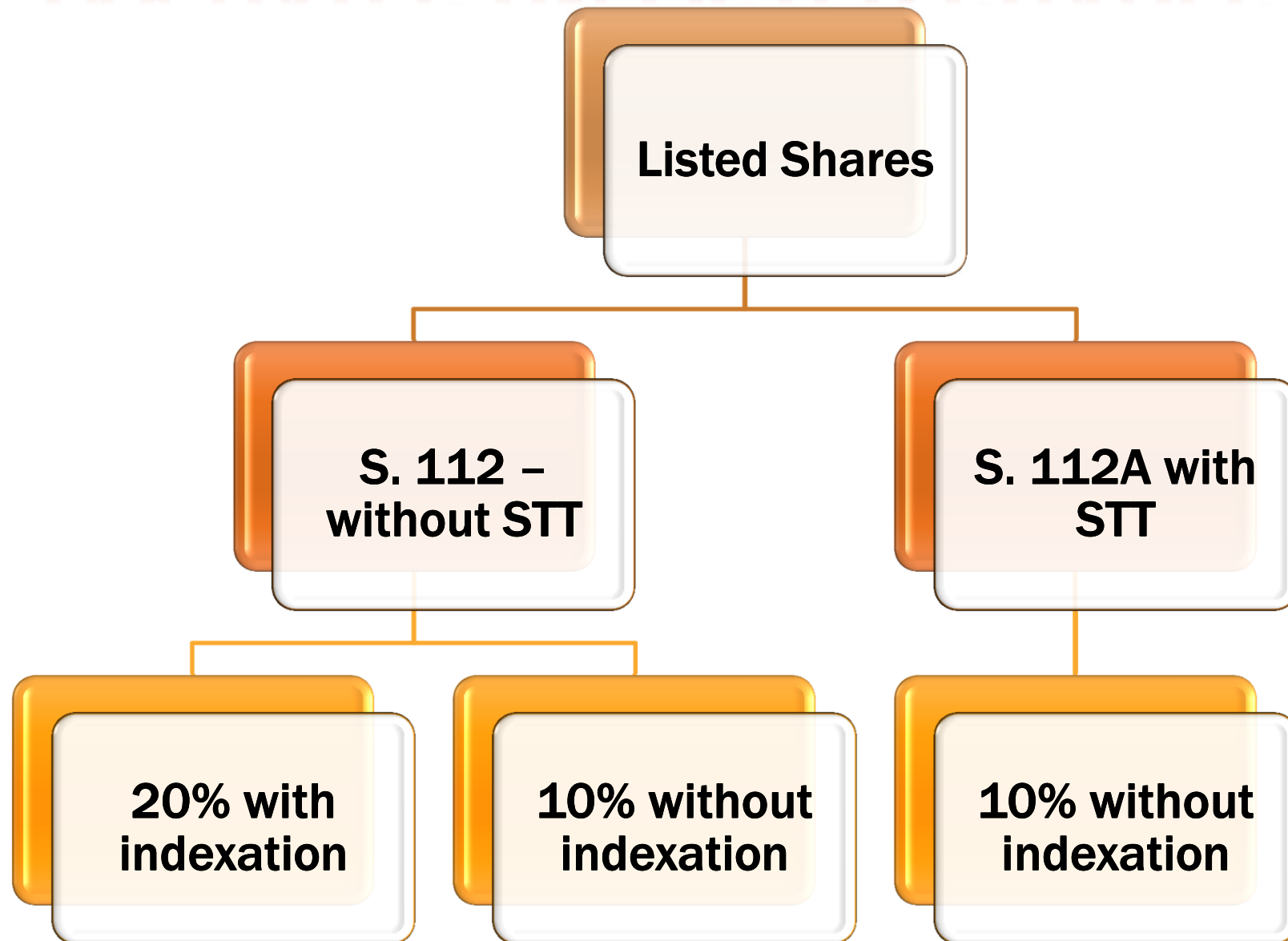


# **TAX RATES**

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- ✖ **Education Cess and Secondary and Higher Education Cess of 3% increased to 4% and changed to Health and Education Cess.**
- ✖ **Tax rates for companies whose turnover is not exceeding Rs. 250 crores for FY 2016-17 reduced from 30% to 25% (earlier turnover limit Rs. 50 Crs)**
- ✖ **Dividend Distribution tax u/s 115-0 imposed on Deemed dividend u/s 2(22)(e) @ 30%**

# TAX RATES ON LISTED SHARES



# LTCG ON LISTED SECURITIES

- ✗ **New Section 112A. S. 10(38) to be withdrawn**
- ✗ **Assets covered:**
  - + **Equity Shares - If STT paid on purchase and sale of shares. Specific exemptions notified**
  - + **Units of Equity Oriented Fund - If STT paid on sale**
    - ✗ **Same as u/s 10(23D) and:**
      - ★ **In a case where fund invests in units of another listed fund:**
        - ✗ **Minimum 90 % of total proceeds of such funds is invested in units of such other fund ; and**
        - ✗ **Such other fund also invests minimum of 90 % of its total proceeds in equity shares listed on RSE;**
      - ★ **in any other case, a minimum of 65 % invested in listed equity**
  - + **Unit of Business Trust - If STT paid on sale**

# **LTCG ON LISTED SECURITIES**

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- ✗ **Tax @ 10% on LTCG exceeding Rs. 1 Lakh**
- ✗ **No benefit of indexation**
- ✗ **No benefit of computation of capital gains in foreign currency in the case of a non-resident**
- ✗ **CG to notify exemptions**
- ✗ **LTCG at any International Financial Services Centre (IFSC) without STT covered**
- ✗ **No deduction under chapter VIA from such capital gains.**
- ✗ **No rebate u/s 87A on such capital gains**

# **LTCG ON LISTED SECURITIES**

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- ✖ **Section 115AD amended, LTCG of FIIs also taxable @ 10% in respect of amount of such gains exceeding Rs. 1 Lakh**
- ✖ **Cost of acquisition u/s 55(2)(ac) of LTCA acquired before 1.2.2018, shall be higher of –**
  - + **Actual cost of acquisition of such asset; and**
  - + **Lower of –**
    - ✖ **FMV of such asset as on 31.01.2018; and**
    - ✖ **Full value of consideration received or accruing as a result of transfer of the capital asset.**

# LTCG ON LISTED SECURITIES

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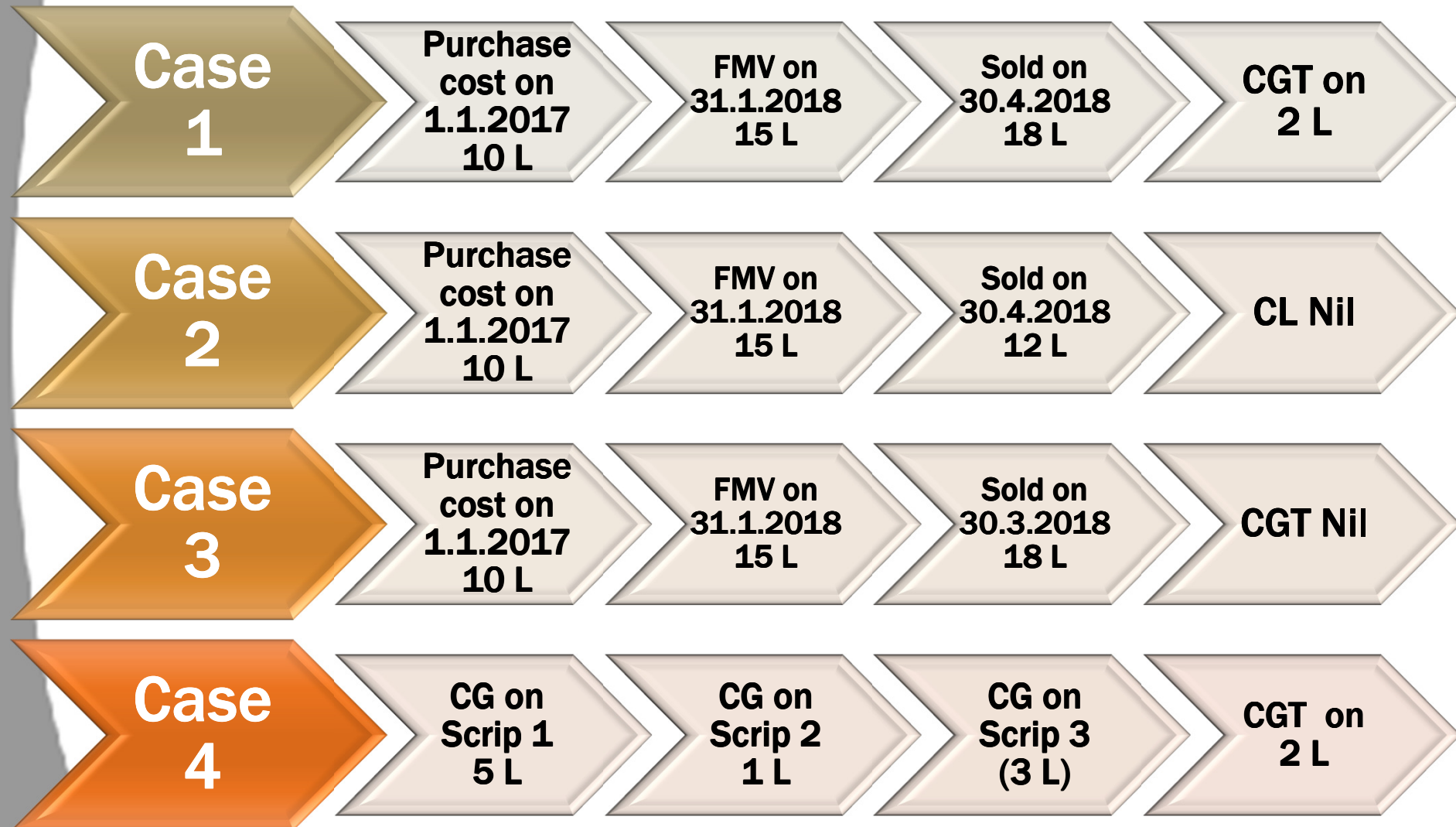
✖ **FMV of such asset as on 31.01.2018;**

**means:**

- + In case listed as on 31.1.2018 – highest price quoted on 31.1.2018:
- + If not traded on 31.1.2018 – highest price on last day traded.
- + In case of a unit if not listed - NAV on 31.1.2018
- + If shares are not listed on 31.1.2018 but later, then indexed cost would be FMV



# LTCG ON LISTED SECURITIES





## LTCG ON LISTED SECURITIES

- ✖ If 1000 shares sold in December 2018 which were acquired in 2003 for Rs. 60000/- FMV would be:
  - +  $60000 \times 272 / 109 = 149725$
- ✖ If 1000 shares sold in December 2018 which were acquired in 1995 for Rs. 30000/- . And whose FMV as on 1.4.2001 is 40000. It's FMV would be:
  - +  $40000 \times 272 / 100 = 108800$

# **LTCG ON LISTED SECURITIES**

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- ✖ **FAQs issued by CBDT**
- ✖ **24 questions**
- ✖ **TDS on non-residents u/s 195 @ 10%**
- ✖ **No TDS on FIs by virtue of s. 196D(2)**

# **SALARY**

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- ✖ **Standard Deduction of Rs. 40,000/- p.a. or actual salary whichever is lower.**
- ✖ **Exemption of Rs. 15000/- from perquisite of Reimbursement of Medical Expenditure withdrawn.**
- ✖ **Exemption in respect of Transport Allowance (except in case of differently abled persons) to withdrawn**
- ✖ **Net benefit ?? Surcharge**

## **CONVERSION OF STOCK TO CAPITAL ASSET**

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- ✖ Earlier conversion of capital asset into inventory was taxable u/s 45(2).
- ✖ Was no vice-versa provision
- ✖ Now proposed to be taxed at FMV as on the date of conversion u/s 28(via) read with s. 2(24)(xiia).
- ✖ Cost of acquisition in such case for the converted capital asset would be the FMV as on the date of conversion u/s 49
- ✖ Period of holding such capital asset would commence from date of conversion u/s 2(42A)

## PGBP

- ✖ Any compensation due or received in connection with the termination or the modification of the terms and conditions of any contract relating to his business to be taxed u/s 28(ii)(e)
- ✖ Transaction in respect of trading of agricultural commodity derivatives, which is not chargeable to CTT to be treated as non-speculative transaction u/s 43(5)
- ✖ S. 44AE - Heavy Vehicle (more than 12MT gross vehicle weight) - 1000/- per ton of the Gross Vehicle Weight or Unladen Weight p.m.

# **LAND BUILDING – STAMP VALUE**

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- ✖ **5% concession allowed from stamp duty value in all three sections:**
  - + **43CA**
  - + **50C**
  - + **56(2)(x)**
- ✖ **S. 43CA(4) - agreement date valuation modified from 'other than cash' to by a/c payee cheque or a/c payee draft or use of electronic clearing system through a bank account.**

# IBC

- ✖ **S. 115JB (MAT) - Aggregate amount of unabsorbed depreciation & loss brought forward (excluding unabsorbed depreciation) shall be allowed to be reduced from the book profit if company's application for CIRP under IBC, 2016 has been admitted by NCLT**
- ✖ **S. 79 - Carry forward of losses by closely held companies allowed even if there is change in sharing holding by 51% or more who is seeking insolvency resolution under IBC 2016, whose resolution plan has been approved after affording a reasonable opportunity of being heard to Pr. CIT / CIT**
- ✖ **S. 140 - During resolution process under IBC 2016, return of the company to be verified by IP.**

## **MAT / AMT**

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- ✖ **S. 115JB amended w.r.e.f. AY 2001-02 - MAT not applicable to foreign company, if its total income comprises solely of PGBP referred to in sections 44B / 44BB / 44BBA / 44BBB.**
- ✖ **S. 115JC (AMT) - Non Corporate Assessee from the unit located in an International Financial Service Center (IFSC), shall be charged @ 9% as compared to @ 18.5% of Adjusted Total Income**



# **54EC BONDS**

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- ✖ **Restriction of the benefit of exemption to only a long-term capital asset being land or building or both only.**
- ✖ **Earlier it was available to any long term capital asset.**
- ✖ **Also w.e.f. 1st April 2018 investment in such bonds shall stay invested for 5 years instead of 3 years earlier.**

# CHARITABLE

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- ✖ Amounts not be treated as application of income u/s 11 and 10(23C) :
  - +30% of the expenditure incurred on which TDS was to be made but not made – similar to section 40 (a) (ia).
  - +Payment of any expenditure in cash exceeding Rs. 10000/- per person per day - similar to section 40A (3) / (3A).

# SENIOR CITIZENS

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- ✖ **New section 80TTB inserted to allow a deduction upto Rs 50,000/- in respect of interest income from deposits held by senior citizens. However, no deduction u/s 80TTA in these cases.**
- ✖ **Section 194A is amended to increase the threshold limit from Rs 10,000/- to Rs 50,000/-for deduction of tax at source on interest income for senior citizens**

# MEDICAL

- ✖ **S. 80D - Limit of deduction of a senior citizen, or very senior citizen increased from Rs 30,000/- to Rs 50,000/-**
- ✖ **Single premium health insurance policies having cover of more than 1 year, deduction on proportionate basis for no. of years for which cover is provided, subject to specified limit.**
- ✖ **S. 80DDB - Deduction for medical treatment of specified diseases in respect of Very Senior Citizen upto Rs 80,000/- & senior citizens up to Rs 60,000/- consolidated & increased to Rs 1 L**

# PAN

- ✖ **S. 139A – Earlier effectively 3:**
  - + Total Income exceeds maximum amount not chargeable to tax
  - + Carrying business /profession – turnover > Rs. 5 Lacs
  - + Required to furnish return u/s 139 (4A)
- ✖ **Every person other than an individual, who enters into a financial transaction of an amount aggregating to Rs. 2.50 Lakhs or more in a FY.**
- ✖ **MD, Director, Partner, Trustee, Author, Founder, Karta, CEO, Pr. Officer or office bearer or any person competent to act on behalf of such entity**

# PENALTIES

- ✖ **Penalty u/s 271FA (SFT Form 61A) increased:**
  - + **From Rs. 100/- to Rs. 500/- u/s 285BA(1) within the prescribed time.**
  - + **From Rs. 500/- to Rs. 1000/- in case where assessee fails to furnish the statement within the period as specified in notice under section 285BA(5).**
- ✖ **Section 276CC amended - benefit of immunity from prosecution for Non-filing of ITR is now not available to companies even if tax payable by the company on its total income as determined and reduced by advance tax and TDS does not exceed Rs. 3000/-**

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0 answers


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# THANK YOU



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