

Finance Bill, 2019 - An insight into the changes proposed

We have summarised below the key highlights of the Union Budget 2019 as announced on 5th July, 2019:

Income-tax

1. **Corporate tax threshold limit** - The threshold limit for reduced tax rate of 25% in case of domestic companies has been increased from Rs. 250 crores to Rs. 400 crores. Thus, a domestic company whose total turnover or the gross receipt in the previous year does not exceed Rs. 400 crore shall be taxable at the rate of 25%.
2. **Interest on loan taken for an Affordable House** - A new Section 80EEA has been inserted to provide for deduction of up to Rs. 1.50 lakhs for interest on loan taken from any financial institution for acquisition of a residential house property whose stamp duty value does not exceed Rs. 45 lakhs.
3. **Interest on loan taken for purchase of an Electric Vehicle** - A new section 80EEB has been inserted to provide for a deduction of Rs. 1.5 lakhs in respect of interest on loan taken for purchase of an electric vehicle from any financial institution.
4. **Surcharge Rates** - The new rate of surcharge for Individual, HUF, AOP, BOI and AJP shall be - 10% (for income of Rs. 50 lakhs to Rs. 1 crore), 15% (for income of Rs. 1 crore to Rs. 2 crores), 25% (for income of Rs. 2 crores to Rs. 5 crores) and 37% (for income exceeding 5 crores).
5. **Amendment in Section 9** - Any sum of money paid, or any property situated in India transferred, on or after July 5, 2019 by a person resident in India to a person outside India shall be deemed to accrue or arise in India under Section 9.
6. **Mandatory filing of tax return** - Furnishing of return of income shall be mandatory under Section 139 if an individual has deposited Rs. 1 crore or more in current account or he has incurred expenditure of Rs. 2 lakhs or more on foreign travel or he has incurred expenditure of Rs. 1 lakh or more on electricity consumption.

7. **Aadhar and PAN Interchangeability** - Income-tax return can be filed using Aadhaar Number, if person hasn't been allotted PAN. If a person has linked his Aadhaar number with PAN, he may also furnish his Aadhaar number in place of PAN in the Income-tax return.
8. **Invalidation of PAN in certain cases** - PAN allotted to a person shall be deemed to be invalid, if he fails to intimate the Aadhaar to the Income Tax Department.
9. **TDS on Cash Withdrawals** - A new Section 194N has been inserted to require deduction of tax at source at the rate of 2% if aggregate of cash withdrawn during the financial year from any account maintained with a banking company or cooperative bank or post office exceeds Rs. 1 crore.
10. **Startups** - The sunset date for transfer of residential house property, for claiming exemption under Section 54GB in respect of investment made in eligible start-ups, has been extended from 31st March, 2019 to 31st March, 2021. Further, the conditions of minimum shareholding or voting rights has been relaxed from 50% to 25%.
11. **Lower Withholding tax** - Application under Section 195(2) and 195(7) for lower or *nil* deduction of tax from sum paid or payable to non-residents person can be filed electronically.
12. **TDS requirement in case of Individuals/HUF** - A new Section 194M has been inserted to require any individual or HUF (who is not required to deduct tax under Section 194C or 194J) to deduct tax at source from sum paid to a contractor or professional if aggregate payment during the year exceeds Rs. 50 lakh. The tax can be deposited under this provision without any requirement to obtain TAN.
13. **Consideration for immovable property** - As per Section 194-IA, a buyer is required to deduct tax at source from the consideration paid to buy an immovable property. An explanation has been inserted that 'consideration for immovable property' shall include all charges paid towards club membership fee, car parking fee, electricity and water facility fees, maintenance fee, or any other charges of similar nature, which are incidental to transfer of the immovable property.
14. **Prosecution proceedings in case of non filing of tax return** - In case of failure to file an Income-tax return, the prosecution proceedings are initiated under Section 276CC if the tax payable by the assessee is Rs. 3,000 or more. This threshold limit has been increased to Rs. 10,000.
15. **Maintenance, keeping and furnishing of information and documents by a constituent entity of an international group** - Constituent entity of an International group shall now be

required to keep and maintain information and document under Section 92D and file required form even when there is no international transaction is undertaken by such constituent entity.

16. **Encouraging other modes of electronic payment** - There are various provisions in the Act which requires a person to make payment by account payee cheque/draft or ECS. In order to encourage other electronic modes of payment, the Government has proposed to amend relevant provisions to include other electronic modes of payment.

17. **TDS on Life insurance pay out** - Tax shall be deductible under Section 194DA at the rate of 5% only on the income component of life insurance pay-out. The existing rate of TDS was 1% on the gross amount.

18. **Section 89 Relief** - Relief under Section 89 shall be considered while computing the tax liability under Section 140A, section 143, section 234A, section 234B, and section 234C to avoid genuine hardships to the taxpayers who are claiming such relief.

19. **Accepting payment through electronic modes** - Every person, carrying on business, shall, provide facility for accepting payment through electronic modes if his turnover or gross receipts exceeds Rs. 50 crores. The Payment and Settlement Systems Act, 2007 is proposed to be amended to provide that no bank or system provider shall impose any charge upon anyone, either directly or indirectly, for using the electronic modes of payment.

20. **Tax free withdrawal from NPS** - A taxpayer has been allowed to withdraw 60% of total amount from NPS as tax free. Currently, the exemption is allowed only up to 40% of the total corpus amount.

21. **Relief from being treated as an assessee in default** - Benefit of first *proviso* of Section 201(1) has been extended in case of failure to deduct tax at source from sum paid to non-residents. Thus, a deductor shall not be deemed to be an assessee in default even if he fails to deduct tax from sum paid to a non-resident, if such non-resident discloses such income in his return of income and pays tax due on such income and a certificate from a Chartered Accountant is furnished to this effect.

22. **Contribution by Government employee in NPS** - Deduction of up to 10% of salary is allowed under Section 80CCD in respect of contribution made by an employer to NPS. The limit has been proposed to be increased to 14% of salary in case of Central Government's employees.

23. **Registration of Trust** - Section 12AA has been amended to provide that at the time of granting of registration to a trust or institution the *Pr.* CIT or CIT shall also satisfy himself that

the applicant trust or institution also satisfy the requirements of any other law which is material for the purpose of achieving its objects.

24. **Cancellation of registration of a Trust** - The *Pr.* CIT or CIT has been empowered to cancel the registration under Section 12AA, if after granting registration it has been noticed that the trust or institution has violated requirements of any other law which was material for the purpose of achieving its objects.

25. **Buy Back of shares in case of listed companies** - Section 115QA which requires payment tax on distributed income in case of buy-back of shares has proposed to be extended to listed companies as well.

26. **Mandatory filing of tax return in certain cases** - ITR filing is mandatory, if total income of assessee before claiming the benefit of capital gain exemption under sections 54, 54B, 54EC, 54F, 54G, 54GA and 54GB, exceeds the maximum amount not chargeable to tax.

27. **Angel Tax** - It is proposed provisions under section 56(2)(viib) of the Act to provide that Angle tax will not be applicable only in those cases where the start-up company has fulfilled the condition as specified by the Central Government.

Goods and Services Tax

1. **Interest for late payment of tax** - A *Proviso* has been inserted to clarify that interest for late payment of tax shall be levied only on that portion of tax which has been paid by debiting the electronic cash ledger. Earlier there was a confusion among taxpayers on this issue whether such interest would be charged on gross tax liability or only on net tax liability. However, there is one exception to this rule wherein interest shall be levied on gross tax liability. Where returns are filed subsequent to initiation of any proceedings under GST Act, the interest shall be levied on the gross tax liability.

2. **Furnishing of Aadhar Number by Registered persons** - Every registered person shall authenticate, or furnish proof of possession of Aadhaar number. If an Aadhaar number is not assigned to the registered person, such person shall be offered an alternate and viable means of identification. In case of failure to undergo authentication or furnish proof of possession of Aadhaar number or furnish alternate and viable means of identification, registration allotted to such person shall be deemed to be invalid.

3. **Transfer from electronic cash ledger** - Now a registered person can transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger to the electronic cash ledger for Integrated Tax, Central Tax, State Tax, Union Territory Tax or Cess

through a new form PMT-09 subject to the conditions and restrictions prescribed under GST Act. Such transfer shall be deemed to be a refund from the electronic cash ledger.

4. **Refunds** - The Central Government has been authorized to pay the amount of refund towards State taxes to the taxpayers.

5. **National Appellate Authority for Advance Ruling (NAAAR)** - The Government shall constitute an Authority 'National Appellate Authority for Advance Ruling (NAAAR)' for hearing appeals. It shall pass an order within 90 days from the date of filing of appeal.

6. **Composition scheme** - The value of exempt supply of services provided by way of extending deposits, loans or advances (where consideration is received in form of interest or discount) shall not be considered for determining turnover under Composition Scheme.

7. **Simplification filing procedures** - Simplified return forms to be implemented soon. Composition registered dealers are required to pay tax quarterly and file return on annual basis.

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