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Amendments brought in by the Finance Bill, 2019

Direct Taxes

Existing provision

(1) Standard deduction from gross salary [Section 16(ia)]

While computing the income chargeable under the head "salary" besides other deductions provided in section 16(ii) and (iii), the following deduction is provided:

(ia) a deduction of ₹ 40,000 or the amount of the salary, whichever is less.

Amendment made by the Finance Bill, 2019, w.e.f. A.Y. 2020-21

The above deduction of ₹ 40,000 has been raised to ₹ 50,000. Thus the deduction from gross salary shall be ₹ 50,000 or the amount of the salary, whichever is less.

Existing provision

(2) Where assessee has more than one house for self-occupation [Section 23(4)]

Computation of Income of a property which is self-occupied for residential purposes or could not actually be self occupied owing to employment [Section 23(2), (3) & (4)]

Where the annual value of such house shall be nil [Section 23(2)(a) & (b)]: Where the property consists of a house or part of a house which—

- (a) is in the occupation of the owner for the purposes of his own residence; or
- (b) cannot actually be occupied by the owner by reason of the fact that owing to his employment, business or profession carried on at any other place, he has to reside at that other place in a building not belonging to him,

the annual value of such house or part of the house shall be taken to be nil.

Benefit of section 23(2) is allowed only in case of one self occupied house opted by the assessee [Section 23(4)]: Where there are more than one residential houses, which are in the occupation of the owner for his residential purposes then he may exercise an option to treat any one of the houses to be self-occupied. The other house(s) will be deemed to be let out and the annual value of such house(s) will be determined as per section 23(1)(a) *i.e.* the sum for which the property might reasonably be expected to let from year to year.

1. Annual value as per Income-tax is after deduction of municipal taxes, etc. paid, if any.
2. The benefit of exemption of one self-occupied house is available only to an individual/HUF.

Amendment made by the Finance Bill, 2019

Section 23(4) amended, w.e.f. A.Y. 2020-21

Benefit of section 23(2) is to be allowed for two self occupied houses instead of one [Section 23(4)]: Where there are more than **two** residential houses, which are in the occupation of the owner for his residential purposes then he may exercise an option to treat any **two** of the houses to be self-occupied. The other house(s) will be deemed to be let out and the annual value of such house(s) will be determined as per section 23(1)(a) *i.e.* the sum for which the property might reasonably be expected to let from year to year.

In other words, the annual value of two self-occupied houses opted by the assessee can be taken as nil.

Existing Provision

(3) Deduction in respect of one self-occupied house where annual value is nil

Where annual value of one self-occupied house is nil, the assessee will not be entitled to the statutory deduction of 30%, as the annual value itself is nil. However, the assessee will be allowed deduction on account of interest (including 1/5th of the accumulated interest of pre-construction period) as under:—

- | | |
|--|---|
| (a) Where the property is <i>acquired or constructed</i> with capital borrowed on or after 1.4.1999 and such acquisition or construction is completed within <i>5 years of the end of the financial year in which the capital was borrowed</i> | Actual interest payable subject to maximum of ₹ 2,00,000 if certificate mentioned in point 2 in box given below is obtained |
| (b) In any other case, <i>i.e.</i> , borrowed for repairs or renewal or conditions mentioned in clause (a) are not satisfied | Actual interest payable subject to maximum of ₹ 30,000 |

Amendment made by the Finance Bill, 2019, w.e.f. A.Y. 2020-2021

Where the assessee has opted for two houses to be treated as self occupied, the deduction of amount of interest given above shall in aggregate remain ₹ 30,000 or ₹ 2,00,000, as the case may be, whether assessee has opted for one residential house or two residential houses to be self occupied.

Thus the aggregate of the amount of deduction of interest in the case of first and second self occupied house shall not exceed ₹ 2,00,000.

Existing Provision

(4) Annual value of house property held as stock-in-trade which was not let during the whole of the previous year [Section 23(5)]

Where the property consisting of any building or land appurtenant thereto is **held as stock-in-trade** and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period ***up to one year*** from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil.

Amendment made by the Finance Bill, 2019, w.e.f. A.Y. 2020-2021

The above period of **one year** given in *bold italics above* has been substituted by two years. Thus the annual value of the house property consisting of any building or land appurtenant thereto if held as stock-in-trade shall be taken as nil for the period ***up to two years*** from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority

Existing Provision

(5) Profit on transfer of house property used for residence [Section 54]

Any long-term capital gain, arising to an *individual or HUF*, from the transfer of a residential house property being buildings or land appurtenant thereto (income from which is chargeable under the head "Income from House Property") shall be exempt **to the extent** such capital gain is invested in the purchase of one residential house property in India, within one year *before* or 2 years *after the date of transfer*, and/or in the construction of one residential house property in India, within three years *after the date of such transfer* provided the house property, purchased or constructed, is not transferred within a period of 3 years from the date of its acquisition.

In other words, capital gain arising on the transfer of a residential house is exempt under section 54 in the following circumstances:

- (i) the asset transferred is a residential house, the income of which is chargeable under the head "income from house property";
- (ii) the asset transferred is a long-term capital asset and hence there is a long-term capital gain;
- (iii) the asset has been transferred by an *individual or a Hindu Undivided Family*;
- (iv) the assessee has, purchased one residential house property in India within one year before or two years after the date on which transfer took place or constructed the same within 3 years after the date of such transfer.

If all these four conditions are satisfied then the assessee can claim the exemption under section 54.

Amendment made by the Finance Bill, 2019, w.e.f. A.Y. 2020-21

Where the amount of the capital gain **does not exceed two crore rupees**, the assessee, may at his option, purchase or construct **two** residential houses in India, and where such an option has been exercised,—

- (a) the provisions of this sub-section shall have effect as if for the words "one residential house in India", the words "two residential houses in India" had been substituted;
- (b) any reference in this sub-section and sub-section (2) to "new asset" shall be construed as a reference to the two residential houses in India.

Further, where during any assessment year, the assessee has exercised the option referred to in the first proviso, he shall not be subsequently entitled to exercise the option for the same or any other assessment year.

Therefore, now the exemption can be claimed for purchase/construction of two residential houses instead of one. This benefit is available only when the capital gain does not exceed ₹ 2 crore. Further, this benefit is available only once in a life time.

Existing Provision

(6) Deduction in respect of profits and gains from housing projects [Section 80-IBA]

(1) 100% deduction of profit from housing projects [Section 80-IBA(1)]: Where the gross total income of an assessee includes any profits and gains derived from the business of developing and building housing projects, there shall, subject to the provisions of this section, be allowed, a deduction of an amount equal to 100% of the profits and gains derived from such business provided the project fulfils the conditions mentioned in section 80-IBA(2).

(2) Conditions to be fulfilled [Section 80-IBA(2)]: For the purposes of section 80-IBA(1), a housing project shall be a project which fulfils the following conditions, namely:—

- (a) the project is approved by the competent authority after 1.6.2016, but on or before ***31.3.2019***;
- (b)
- (c)
- (d)
- (da)
- (e)
- (f)
- (g)
- (h)

Amendment made by the Finance Bill, 2019, w.e.f. A.Y. 2020-21

The above period of **time limit of 31.3.2019** given in bold italics above has been substituted by 31.3.2020. Thus the deduction can be availed of if the project is approved by the competent authority after 1.6.2016, but on or before ***31.3.2020***.

Existing Provision

(7) Rebate of maximum ₹ 2,500 for resident individuals having total income up to ₹ 3,50,000 [Section 87A]

Rebate under section 87A is available if the following conditions are satisfied:

- (1) The assessee is an individual
- (2) He is resident in India,
- (3) His total income does not exceed **₹ 3,50,000**.

Quantum of rebate: The rebate shall be equal to:

- (1) the amount of income-tax payable on the total income for any assessment year, or
- (2) **₹ 2,500**,

whichever is less.

Amendment made by the Finance Bill, 2019, w.e.f. A.Y. 2020-21

The following amendments have been made:

- (a) for the words "three hundred fifty thousand", the words "five hundred thousand" have been substituted;
- (b) for the words "two thousand and five hundred", the words "twelve thousand and five hundred" have been substituted.

In other words, if the total income (i.e. income after claiming deductions under section 80C to 80U) of a resident individual does not exceed ₹ 5,00,000, no tax shall be payable by him. However, if the total income exceeds ₹ 5,00,000 tax shall be payable as per the normal slab rates.

Editorial Note: It is suggested that an individual whose total income exceeds ₹ 5,00,000 should be given marginal relief of tax like in case of surcharge.

Existing Provision

(8) Interest other than interest on securities [Section 194A]

Who is liable to deduct tax: The person (*other than an individual or a Hindu Undivided Family*) who is responsible for paying to a resident any income by way of interest other than 'interest on securities', is required to deduct tax thereon at the rates in force.

Where no tax is to be deducted at source

Where interest paid or credited does not exceed ₹ 10,000/50,000/5,000 [Section 194A(3)(i)]

No tax is to be deducted at source, where the aggregate amount of such interest to be paid or credited to the account of payee during the financial year does not exceed:

- (a) ₹ 10,000 [₹ 50,000 in case of a senior citizen], where the payer is a banking company to which the Banking Regulation Act, 1949 applies (including any bank or banking institution, referred to in section 51 of that Act);
- (b) ₹ 10,000 [₹ 50,000 in case of a senior citizen], where the payer is a co-operative society engaged in carrying on the business of banking;
- (c) ₹ 10,000 [₹ 50,000 in case of a senior citizen], on any deposit with post office under any scheme framed by the Central Government and notified by it in this behalf; and
- (d) ₹ 5,000 in any other case:

Amendment made by the Finance Bill, 2019, w.e.f. financial year 2019-20

In the above section 194A(3)(i), for the words "ten thousand" wherever they occur, the words "forty thousand" shall be substituted. In other words, in case of a deductee being a person other than a senior citizen, tax shall be deducted at source only when the interest paid or credited during the financial year exceeds ₹ 40,000.

Existing Provision

(9) Rent [Section 194-I]

Who is liable to deduct tax: Any person, *other than an individual or a HUF*, is responsible for paying to resident in India, any income by way of the rent, amounting in aggregate to more than ₹ 1,80,000 in a financial year.

Amendment made by the Finance Bill, 2019, w.e.f. financial year 2019-20

In the above section 194-I, for the words "one hundred and eighty thousand rupees", the words "two hundred and forty thousand rupees" shall be substituted. In other words, TDS on rent will be applicable only when the rent paid or credited during the financial year exceeds ₹ 2,40,000.

Other tax related reliefs:

- Income Tax returns to be processed within 24 hours and refunds will be paid immediately
- Within nearly two years, almost all assessment and verification of IT returns will be done electronically by an anonymised tax system without any intervention by officials

INTERIM BUDGET PROPOSALS: KEY HIGHLIGHTS

For farmers:

- Rs 6,000 per year assured income support for small and marginal farmers
- Farmers having up to 2 hectare of lands will get Rs 6,000 per year in three equal instalment. The scheme will be effective from December 1, 2018.
- **Interest subvention for farm loan takers:**
Farmers affected by natural calamities to get 2% interest subvention and additional 3% interest subvention upon timely repayment
2% interest subvention to farmers who pursue animal husbandry, fisheries jobs through Kisaan credit cards
The move to provide 2-5% **interest subvention** for farmers struck by natural calamities is a protective measure, especially for a small and marginal farmer. A marginal farmer earns around INR 4,0000 per hactare. Most farmers also avail crop loan through Kisan credit card (KCC). In case of a natural disaster, his income reduces by 50% or more. This move will motivate the farmers to adopt bundled insurance coverage and avoid indebttness of farmers.
- Kamdhenu scheme for animal husbandry

GST:

- Group of Ministers to suggest ways to reduce GST for house buyers
- Direct tax collections increased from Rs 6.38 lakh crore in 2013-14 to almost Rs 12 lakh crore; The tax base is up from Rs 3.79 crore to 6.85 crore
- Businesses with less than Rs 5 crore annual turnover, comprising over 90% of GST payers, will be allowed to file quarterly returns
- Indian Customs to fully digitised exim transactions and leverage RFID for logistic. Govt abolishes duties on 36 capital goods
- GST collections in January 2019 has crossed Rs 1 lakh crore

Sops for workers:

- Rs 3,000 per year pension for unorganised sector workers
- New Pradhan Mantri Shram Yogi Maandhan Yojana for unorganised sector workers with income up to Rs 15,000 per month. Beneficiaries will get Rs 3,000 per month pension with a contribution of Rs 100 per month after retirement. Govt allocates Rs 500 crore for the scheme
- Gratuity limit increased for workers to Rs 30 lakh

Rural allocations:

- Rs 60,000 crore for MNREGA
- Rs 19,000 allocated for construction of rural roads under Gram Sadak yojana

Defence Budget:

- Govt increases defence budget to over Rs 3 lakh crore. Govt will provide additional funds for Defence, if needed.
- Already disbursed 35,000 crore rupees under #OROP scheme in the last few years

Railways:

- Railway's operating ratio seen 96.2% in FY19 Vs 95% FY20.
- Railway capex for FY20 set at record Rs 1.6 lakh crore
- Today there is not a single unmanned railway crossing on the broad gauge in India.

Fiscal Deficit:

- For FY19, government has revised the fiscal deficit target to 3.4 percent in FY 19. Fiscal deficit for 2019/20 estimated at 3.4 percent of GDP.
- Government's stated commitment earlier was to bring down the fiscal deficit to 3.1 percent of GDP by the end of March 2020, and to 3 percent by March 2021
- Current account deficit at 2.5% of the GDP

Miscellaneous

- A single window clearance for filmmakers
- A single window clearance will be made available to filmmakers, anti-camcording provision to also to be introduced in Cinematography Act to fight piracy
- Priority sectors for govt: To build next-gen infrastructure - physical as well as social; (1) To build a Digital India that reaches every citizen; (2) Clean and Green India; (3) Expanding rural industrialization using modern industrial technologies; (4) Clean Rivers - with safe drinking water to all Indians; (5) Oceans and coastlines; (7) India becoming launchpad of the world; (8) Self-sufficiency in food and improving agricultural productivity with emphasis on organic food; (9) Healthy India;
- Minimum Government Maximum Governance, with proactive, responsible and friendly bureaucracy

Social schemes:

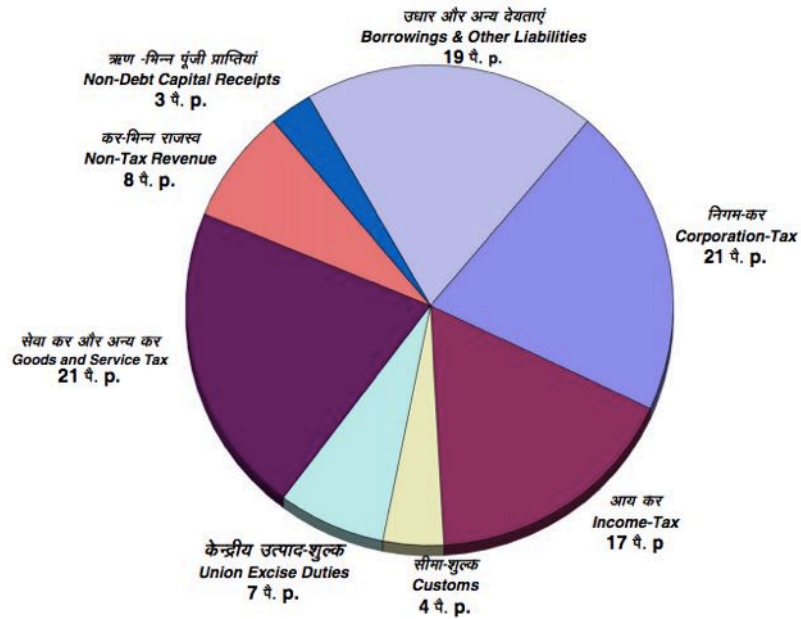
- Govt to build 1 lakh digital villages
- For the welfare of farmers and for doubling their income, historic decision was taken to increase MSP by 1.5 times the production cost for all 22 crops
- To ensure cleaner fuel and health assurance, Govt. embarked upon Pradhan Mantri Ujjwala Yojana, a programme to give 8 crore free LPG connections to rural households, 6 crore connections have been given already
- Committee under NITI Aayog to be set up for denotified nomadic & semi nomadic communities
- **Pradhan Mantri Shramyogi Man Dhan Yojana** seems to be an extension of the existing Atal Pension Yojana (APY). While APY was meant for workers in the unorganised sector, the new scheme includes marginal wage earners from organised sector as well. Another difference is the upper age limit of 60 years in the new scheme as against 40 years in APY. It is a welcome move and would further provide social security to a larger number of marginal wage earners in the country. Being contributory and designed in line with National Pension Scheme, this also makes economic sense.

State of Economy:

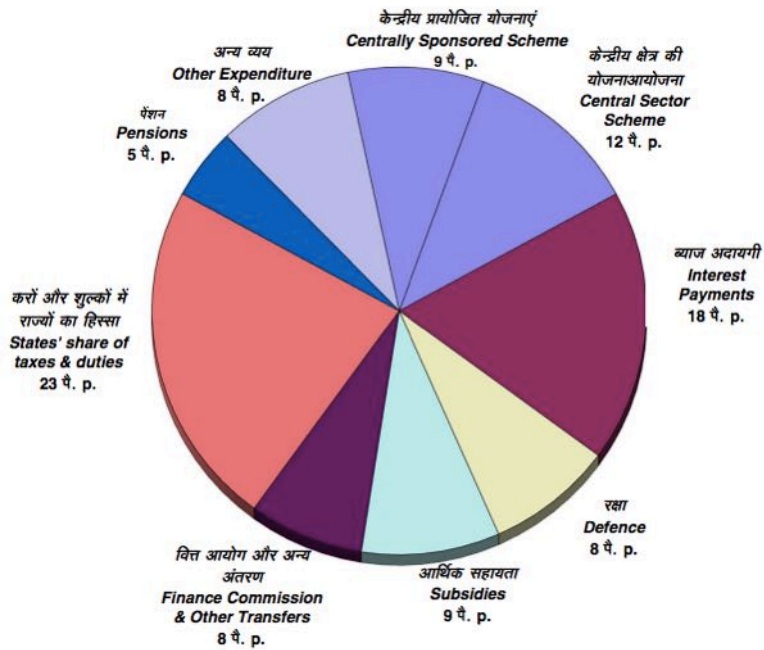
- India is poised to become a \$5 trillion economy in next 5 years, \$10-trillion economy in the next eight years
- Black money: Committed to eliminating the scourge of black money; anti-black money measures taken have brought an undisclosed income of about 1.30 lakh crore rupees to the fore; 3.38 lakh shell companies were deregistered

- GST has been continuously reduced, resulting in relief of 80,000 crore rupees to consumers; most items of daily use for poor and middle class are now in the 0%-5% tax bracket
- Fiscal deficit seen at 3.4 percent in FY 19 and Current account deficit at 2.5% of the GDP
- Loans recovered Rs 3 lakh crore through Insolvency and Bankruptcy Code. Govt expects banks on the central bank's Prompt Corrective Action list to be removed soon.
- Indian GDP: Growth in the last 5 years has been higher than that by any other govt. Spent Rs 2.6 lakh crore in recap of PSU Banks
- Transparent auctioning of natural resources like coal and oil
- Domestic air traffic doubled in the last 5 years
- Over 90 percent of the country covered under sanitation coverage. People have made this a social revolution and govt. thanks the 130 crore people of the country. More than 5.45 lakh villages have been declared Open Defecation Free
- Everybody will get electricity connection in the near future. Already provided 143 crore electricity bulbs to the poor
- Ayushman Bharat, the world's largest healthcare programme, was launched to provide medical care to almost 50 crore people, resulting in Rs 3,000 crore savings by poor families
- Lower costs of Stents & Knee implants have benefited people.
- Government has announced 14 new AIIMS since 2014
- Loans worth Rs 7.23 lakh crore have been given under Mudra Yojana
- Monthly mobile data consumption has increased 50 times in the last 5 years; cost of data and voice calls in India is possibly the lowest in the world

Rupee Comes From:



Rupee Goes To:



Disclaimer

Interim Budget 2019 proposals presented by the Finance Minister before the parliament are analysed in this document. It should not be relied upon as a substitute for detailed advice or a basis for formulating business decisions. The proposals are subject to amendment as the Finance Bill is yet to be passed by the Parliament.

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