



INDIA INTERIM BUDGET 2019



Ram Agarwal & Associates
CHARTERED ACCOUNTANTS

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The Interim budget presented by our honourable FM Piyush Goyal is really impactful **from the election perspective and comprehensive enough to meet the mass aspiration of about 80% citizens of the country.** The budget holistically focussed on **3 key elements- farmers, the urban middle class and real estate.**

As a just **'Right plug & Play'** measure which was a miss in last budget was well connected by proposing the financial aid to a larger section of much needed class in the form of direct annual income support of ₹ 6000 to small farmers having cultivable land up to 2 hectares & monthly pension scheme for workers in unorganised sector earning of ₹ 15,000 / month with assured sum of ₹ 3000 / month from the age of 60 years with specified contribution. As a measure to further strengthen the regular support to small sectors the Interest subvention policy has been framed for farmers & MSME duly registered under GST registered.

Government has consciously allowed the fiscal deficit to remain at 3.4% with the clear intent to meet the financial support to farmers under various schemes. Despite of surging oil prices the average inflation was maintained at 4.6% , a little lower than the previous year. The current account deficit is likely to be 2.5% due to larger volume of imports over the exports. As visionary the suggestion to use electric car in future can prove as an effective deterrent to control the current account deficit & inflation .

FM appreciated the honest tax payers for their precious contribution that enabled the nation to carry out major reforms like "OROP", 'Rural Healthcare and such more. This platform was very well managed and utilized to showcase the government's achievements – like Ayushman Bharat, reportedly having over 10 lakhs beneficiary. Success of "Ujjwala Yojana' by distributing 6 crore free LPG gas connections against the committed number of 8 crores. However, no discussion happened on progress of 'Smart Cities" a high potential project tabled few years ago. Clear target for generation of new Employment were amiss in the announcement.

On one side the government is determined to ensure support reaches to the last mile of needy segment by gifting 5.45 lakhs villages to the nation as "Open Defecation Free" and on the other side break the backbone of black money and bring more transparent business regime by recovering of about ₹ 1,30,000 crores undisclosed money and about ₹ 3,00,000 crores through the IBC mechanism.

Defence allocation has increased to ₹ 3 lakhs crore with clear intent of protecting the national border and increase in Agriculture & Allied Activity allocation to ₹ 1.5 lakhs crores to support and uplift the farmer. Great relief has come to middle and salaried class in the form

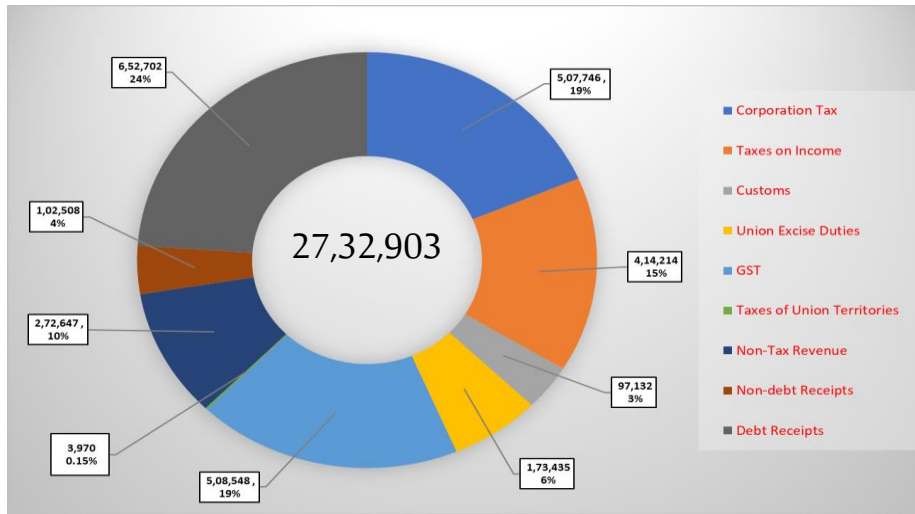
of Zero Tax for assessee having taxable income up to ₹ 5 lakhs with clear tax-saving of ₹ 12500, enhancing the limit of standard deduction and more. As evident from FM speech a detailed study of people pain points has been carried out to frame benefits like exempting purchase of 2 house property against the sale of one (once in lifetime – say on separation of joint family), increase in threshold limit for withholding taxes up to ₹ 40,000 on interest income from banks & post office to reduce hardships of house-workers and senior citizens etc.

Nine priority sectors were vowed to accelerate the Indian economy by building next generation infrastructure, digitizing India, make Clean & Green India, Modernizing rural industrialization, river cleaning, with Minimum Government achieve Maximum Governance etc.

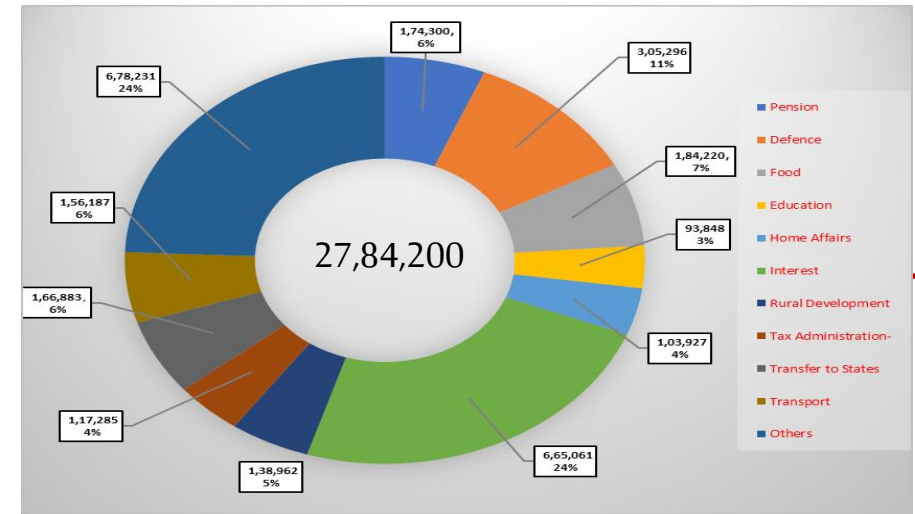
FM speech and proposed task card both are perfectly aligned to the need of the time!!! The Jai Jawan, Jai Kisan has been made so true through this spellbound budget. Government has unturned every stone to present their good record of past 5 years with the bright future progress plan to repose public faith and trust in them. Ultimately, citizens of India will decide the rating of government and budget, time will say it all.

Happy Reading!! Best Regards from Team RAMA

Estimated Income for FY2019-20 (Amt. Rs. in Crores)



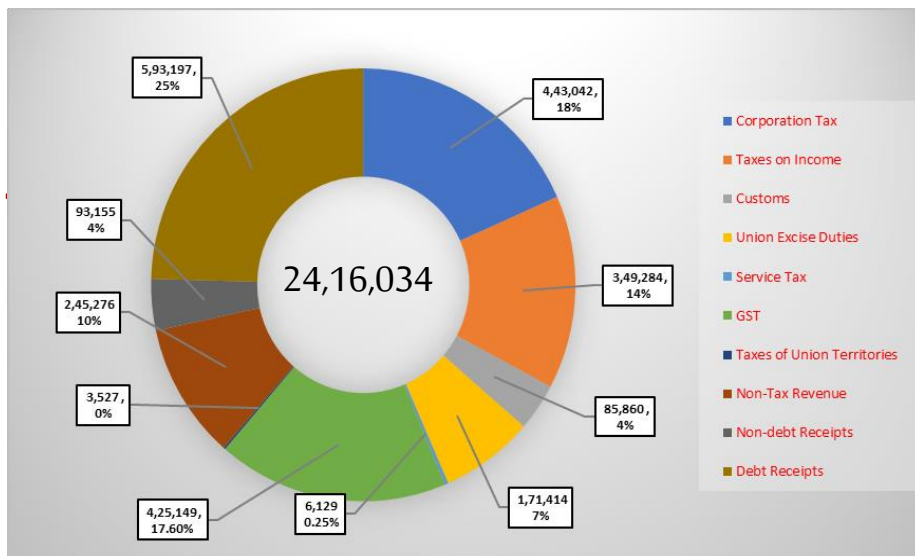
Estimated Expenditure for FY2019-20 (Amt. Rs. in Crores)



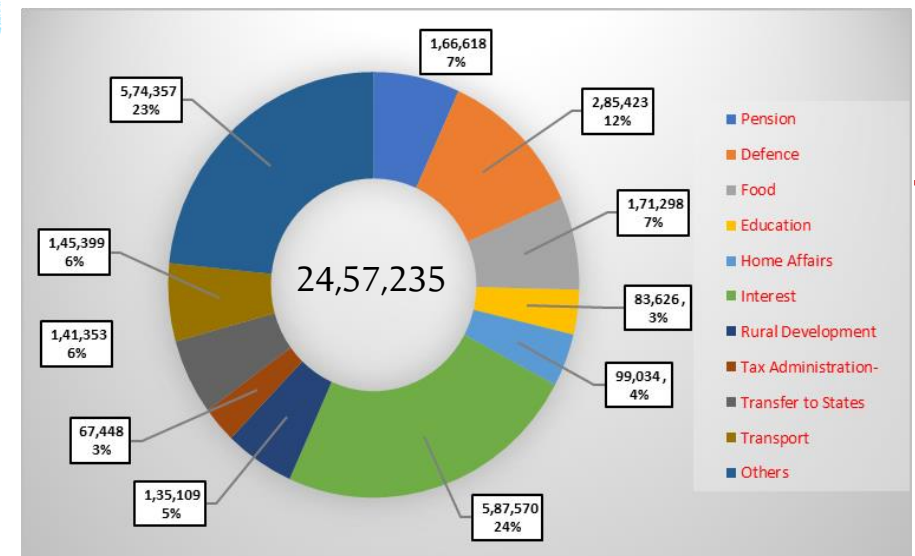
Money Comes IN



Estimated Income for FY2018-19 (Amt. Rs. in Crores)



Estimated Expenditure for FY2018-19 (Amt. Rs. in Crores)



Money Goes OUT

Strength In Numbers



rise of
8.6%

The per capita income at current prices during 2017-18 is estimated to have attended a level of ₹ 1.12 lakhs as compared to the estimates for the year 2016-17 of ₹ 1.03 lakhs.

\$ 398.18 Mn

Record Foreign
Exchange Reserve
as of 25th Jan 2019

80%

Growth in tax
base from ₹ 3.79
crore to ₹ 6.85
crore in five
years

99.54%

Income-Tax returns
accepted as were
filed due to
streamlined tax
administration

Tax collections nearly doubled in five years ₹
6.38 Lakh Crore in 2013-14 to almost
₹ **12 Lakh Crore** in 2017- 18.

Technology intensive project approved to improve
assessee friendliness. Returns to be processed in
24 hours and refunds issued simultaneously.

Liberalization of FDI policy, allowing most FDI
to come through the automatic route leading to
increase in FDI in India by **855 USD Mn** in
Nov 2018

Source: RBI, Times of India, Trading Economics

State of the Economy

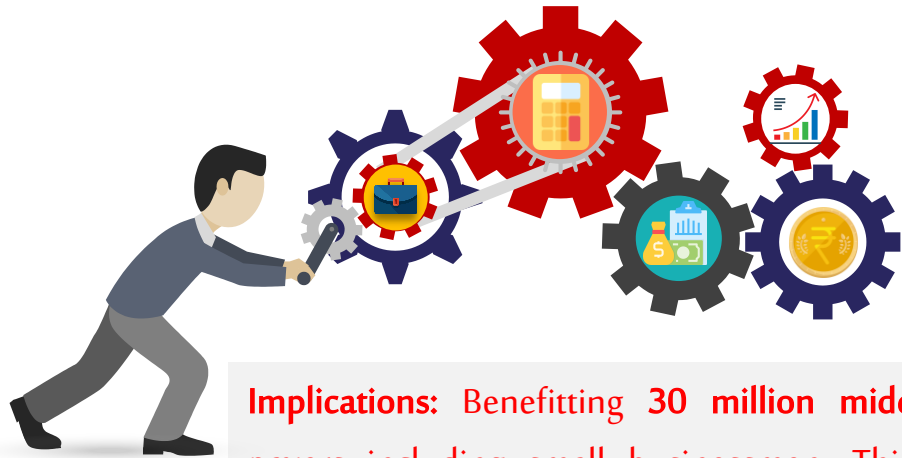
- India is now the **6th largest economy** in the world from being 11th largest in 2013-14
- Annual average GDP growth during 2014-19 is highest since 1991
- Average inflation down to **4.6%**, Inflation in December 2018 down to 2.19% only
- CAD likely to be 2.5% of GDP this year against a high of 5.6% six years ago
- State share has increased from 32% to 42% in central taxes
- An amount of close to ₹ 3 lakh crore has been recovered in favour of banks & creditors through Banking Reforms and Insolvency & Bankruptcy Code
- Amalgamation of banks has been done to reap the benefits of economies of scale, improved access to capital and to cover a larger geographical spread
- Success of **Swachh Bharat Abhiyan** due to whole hearted participation of Indians.
- To provide food grains at affordable prices to poor & middle classes, ~₹ 170000 crores were spent in 2018-19 as compared to ₹ 92000 crores in 2013-14
- Pradhan Mantri Gram Sadak Yojana (PMGSY)** is being allocated ₹ 19,000 crore in BE 2019-20 as against ₹ 15,500 crore in RE 2018-19
- By March, 2019 all willing families will get electricity connection under 'Saubhagya Yojna'



Source: Budget, Statista, IMF forecast

Relief for Small /Salaried Tax Payers

- No tax on individuals earning net taxable income up to ₹ 5 lakhs
- A resident individual, whose taxable income does not exceed ₹ 5 Lakhs can claim a tax rebate u/s 87A- 100% of income tax or ₹ 12500 whichever is lower
- Standard Deduction to salaried/ pensioner taxpayers increased from existing limit of ₹ 40000 to ₹ 50000



Implications: Benefitting 30 million middle class tax payers including small businessmen. This can trigger consumption wave with increased demand for automobile, FMCG, housing and building materials

No Tax on Income up to ₹ 10.30 Lakhs under specific scenarios

Particulars	Existing	Proposed
	FY 2018-19	FY 2019-20
Gross Salary	10,30,000	10,30,000
Less: Standard Deduction	40,000	50,000
Less: Interest on Housing Loan u/s. 24	2,00,000	2,00,000
Gross Taxable Income	7,90,000	7,80,000
Less: Deduction u/s. VIA		
- Section 80C: Insurance Premium, PPF	1,50,000	1,50,000
- Section 80CCD: National Pension Scheme	50,000	50,000
- Section 80D: Medical Insurance Premium & Preventive Health Check-up	80,000	80,000
Net Taxable Income	5,10,000	5,00,000
Tax on above	14,500	12,500
Less: Rebate u/s 87A	-	12,500
Net Tax Payable	14,500	-

Income from House Property



- It is proposed that the builders holding inventory of unsold units will pay income tax on notional rent after 2 years of the end of FY in which Occupancy Certificate is received as compared to one year in present scenario.
- No tax on notional rent income of 2 self occupied residential properties.
- Aggregate deduction restricted to ₹ 2 lakhs on interest paid for housing loan for 2 self occupied residential properties as compared to 1 self occupied residential property in present scenario.

Implications: The proposed amendment may be beneficial for individual owning more than 1 house property as there is no tax on notional rent income of one additional house property. However the individual paying higher interest on housing loan may have to bear higher taxes as compared to existing position. As explained in the below example there would be an income of ₹ 2 Lakhs after amendment as compared to loss of ₹ 30,000 in present scenario.

(Amt.in Lakhs)

Particulars	Existing Position				Proposed Position			
	House 1 (SO)	House 2 (DLO)	House 3 (LO)	Total	House 1 (SO)	House 2 (SO)	House 3 (LO)	Total
Annual Value	-	1.00#	10.00	11.00	-	-	10.00	10.00
Less: Deduction u/s. 24								
(i) 30% of Annual Value	-	0.30	3.00	3.30	-	-	3.00	3.00
(ii) Interest on Housing Loan	2.00*	3.00	3.00	8.00	2.00		3.00	5.00
Taxable Income from House Property	-2.00	-2.30	4.00	-0.30	-2.00		4.00	2.00

Notional Rent

* Restricted

SO- Self Occupied Property, DLO- Deemed Let Out Property, LO- Let Out Property

Long Term Capital Gains on Sale of Residential Properties under section 54

- One time exemption will be available for Long Term Capital Gains (total capital gain should not exceed ₹ 2 crores) on sale of residential property with a condition to purchase / construct 2 residential properties.
- Existing exemption of LTCG on sale of residential property against purchase of one residential property will continue.

Deductions under section 80-IBA to Eligible Housing Projects

The deduction in respect of eligible housing projects is being extended to projects to be approved till 31st March 2020.



Amendments in Tax Deduction at Source

- Section 194A :- Existing threshold limits of TDS on interest on Deposits paid by banks and post office enhanced to ₹ 40,000 from existing ₹ 10,000
- Section 194I:- Threshold limit for TDS on rent income enhanced from ₹ 180,000 to ₹ 240,000 per Annum.

Implications: Extension of benefits in the real estate sector will give a boost to construction activity particularly in affordable housing. A step towards Union Government's efforts to enhance supply of housing stock. The housing demand will witness good proliferation with above amendments in the tax provisions.

Tax Rates for Individual, HUF, AOP and BOI for FY 2019-20			
Income Range	Individual, HUF, AOP and BOI	Senior Citizen (60 to 79 years)	Very Senior Citizen (80 years & above)
Up to ₹ 2,50,000	Nil	Nil	Nil
₹2,50,001 - ₹3,00,000	5%	Nil	Nil
₹3,00,001 - ₹5,00,000	5%	5%	Nil
₹5,00,001 - ₹10,00,000	20%	20%	20%
Above ₹10,00,000	30%	30%	30%

Surcharge @10% for income ranging between ₹50 lakh to ₹1 crore and 15% for more than ₹1 crore

Health and Education Cess of 4% on total tax and surcharge, if applicable



Tax Rate for Corporate Assessee for FY 2019-20				
Particulars	Income Tax Rate	Income Slab for Surcharge		
		Up to ₹1 Crore	₹1 Crore to ₹10 Crore	Exceeding ₹10 Crore
Firm/ Local Authority/ Co-operative Society	30%	Nil	12%	12%
Domestic Company (whose turnover/gross receipts of PY 17-18 is less than ₹250 Crore)	25%	Nil	7%	12%
Domestic Company (whose turnover/gross receipts of PY 17-18 is more than ₹250 Crore)	30%	Nil	7%	12%
Foreign Company	40%	Nil	2%	5%

Health and Education Cess @ 4% on total tax, surcharge if applicable

Goods & Service Tax



- The amendments to enable relief on GST burden to homebuyers is being considered by the GST Council.
- Exemption from GST for small businesses doubled from ₹ 20 lakhs to ₹ 40 lakhs.
- Small businesses having turnover up to ₹ 1.5 crore pay only 1% flat rate and file one annual return only.
- Small service providers with turnover up to ₹ 50 lakhs can opt for composition scheme and pay GST at 6% instead of 18%.
- Soon, businesses comprising over 90% of GST payers to be allowed to file quarterly return.

Stamp Duty

Single stamp Duty rate for all financial securities transactions & its collection at one place through stock exchanges

Event	Collectable from	To Be Levied on
Issue of securities to one or more depository	Issuer of securities	Total amount of Issue
Transfer of ownership from depository to beneficiary or vice versa	NA	NA
Sale of securities through stock exchange	Stock exchange on behalf of state government from buyer	Market Value of Security at time of settlement
Sale of securities otherwise through stock exchange	Depository on behalf of state government from transferor	Total Consideration
Creation or change in record of depository	Depository from issuer of security	Market value of security
Issue made by issuer otherwise through stock exchange	Issuer at place where its registered office is located	Market Value of security
Sale/ transfer otherwise through stock exchange/ depository	Transferor	Consideration amount
Failure to collect / pay the stamp duty within 15 days of expiry of time limits attracts penalty of 1% of collection or 1 lakh whichever is higher.		
Stamp Duty shall be leviable on sale / transfer / issue of principal instrument and not on all ancillary instruments		

Farmers Progress and Increase in Income

- “Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)”**- Under this programme farmer families, having cultivable land up to 2 hectares, will be provided assured supplemental income support at the rate of ₹ 6,000 per year in three equal instalments of ₹ 2,000 each
- An outlay of ₹ 75,000 crore for PM-KISAN for the FY 2019-20. Also ₹ 20,000 crore in the Revised Estimates of FY 2018-19
- The crop loan to farmers increased to ₹ 11.68 lakh crore in year 2018-19



Animal Husbandry and Fisheries Sector

- 2% interest subvention for farmers pursuing animal husbandry and fisheries availing loan through Kisan Credit Card (KCC)
- Set up of separate department for fisheries
- Farmers affected by natural calamities will be provided the benefit of interest subvention of 2% and prompt repayment incentive of 3% for the entire period of reschedulement of their loans
- Allocation for Rashtriya Gokul Mission to ₹750 crore in revised estimate of FY 2018-19
- Set up Rashtriya Kamdhenu Aayog to upscale sustainable genetic up-gradation of cow resources and to enhance production and productivity of cows

Implications: For an average marginal farmer, an additional income of ₹6000 PA and interest subvention scheme could mean savings of around 15% to 20%. The farmer can use this additional income for productive purposes. This is in conjunction with subsidies provided by various other schemes of the State could have multiple effect on its economic benefits.

Unorganised Sector



New “Pradhan Mantri Shram Yogi Maandhan Yojana” introduced for unorganised sector workers (street vendors, rickshaw pullers, construction workers etc.) with income up to ₹15,000 per month.



Beneficiaries will get ₹ 3,000 per month pension with a contribution of ₹100 / ₹ 55 per month (on the basis of age limit) after retirement. Equal contribution will be made by the Government. Allocates ₹500 crore for the scheme.



A Committee under NITI Aayog will be set up to complete the task of identifying De-notified, Nomadic and Semi-Nomadic communities not yet formally classified.

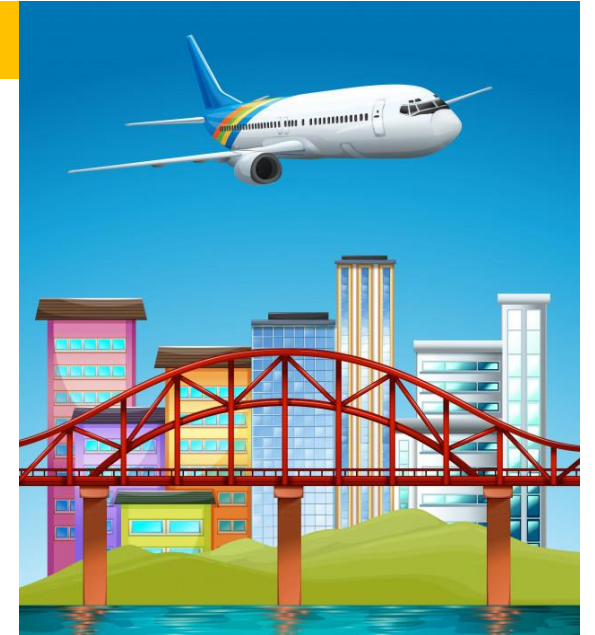


Welfare Development Board will be set up to frame special strategies for the benefit of the hard-to-reach de-notified, nomadic and semi-nomadic communities under the Ministry of Social Justice and Empowerment.

Implications: Benefit at least 100 million unorganized labour. Combined with Ayushman Bharat, the proposal can uplift the lives of many deprived sections.

Infrastructure

- a) Government will introduce container cargo movement to the North East by improving the navigation capacity of the Brahmaputra River.
- b) Capital support from the budget for railways proposed at ₹64,587 crore in 2019-20.
- c) The operating ratio is expected to improve from 98.4% in 2017-18 to 96.2% in 2018-19 and further to 95% in 2019-20.
- d) Allocation for North Eastern Areas is being proposed to be increased by 21% to ₹58,166 crore in 2019-20.
- e) Pradhan Mantri Gram Sadak Yojana (PMGSY) is being allocated ₹19,000 crore in 2019-20 as against ₹15,500 crore in RE 2018-19.
- f) All unmanned Level Crossings on broad gauge network have been eliminated.



Implications: Impact of the budget is marginally positive for infrastructure. The capital outlay for roads, railways and metro projects has been budgeted to increase between 12 to 19% in 2019-20 over 2018-19(RE).

MSME and Traders

- a) GST registered MSME units will get 2% interest rebate on incremental loan of ₹1 crore
- b) The requirement of sourcing from SMEs by Government enterprises has been increased to 25%. Of this 3% will be sourced from women owned SMEs.



Defence and National Security

Defence Budget will be crossing ₹300,000 crore for the first time in 2019-20. For securing our borders and to maintain preparedness of the highest order, if necessary, additional funds would be provided.



Entertainment Industry

- Indian filmmakers to get access to Single window clearance as well for ease of shooting films.
- Regulatory provisions to rely more on self-declaration.
- To introduce anti-camcording provisions in the Cinematograph Act to control menace of piracy.

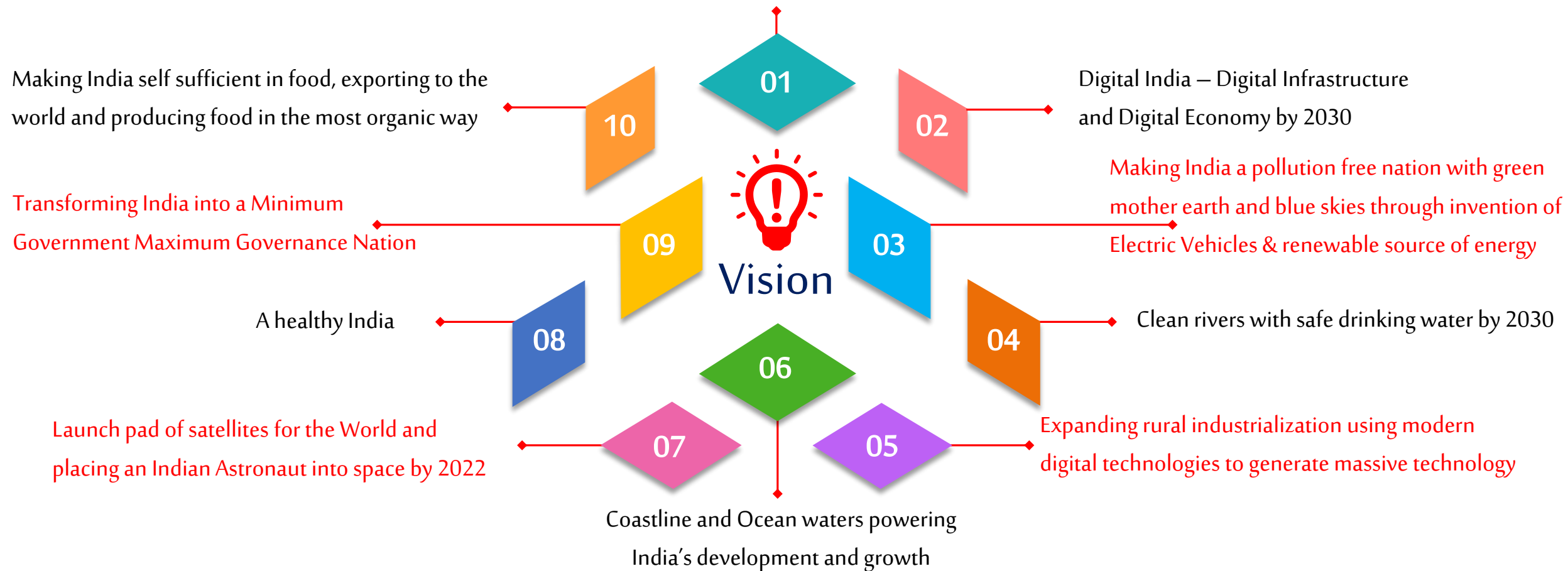


Others

- The Government will make 100,000 villages into Digital Villages over next five years.
- A national program on "Artificial Intelligence (AI)" has been envisaged. It would be catalysed by the establishment of the National Centre on AI. A national AI portal will be developed soon.
- 22nd AIIMS to be setup in Haryana.



Build physical infrastructure (Roads, Railways, Seaports, Airports, urban transport etc.) as well as social infrastructure for a USD 10-trillion economy and to provide ease of living



Implications: The 10-point agenda would eventually help in making India not only free from pollution, but would also help us achieve the long aspired goal of eliminating poverty and minimising inequalities, avoiding exclusions. The Indian commitment to attaining Sustainable Development Growth would also be realised simultaneously.

- Ram Agarwal & Associates (RAMA) is established by the founder CA Ram Agarwal and four accomplished Partners / Directors having combined professional experience of over 50 years.
- Team RAMA has wide experience in the field of Risk & Business Advisory, Indirect Taxes, ERP Implementations, Management Assurance and Corporate Finance across varied industries for reputed corporates within India, US and UAE.
- RAMA has an edge of a blended resource pool of CA, MBA, ERP consultants & Subject Matter Experts, which enables to provide comprehensive services beyond the traditional way of auditing & consulting.
- RAMA's IT arm (RAMA Corporate & IT Solutions LLP) is a Microsoft Certified Partner for implementing and managing Microsoft Dynamics products like AX, Navision, D365 and CRM.
- Also, partners with Eresource ERP, Kockpit BI (Business Intelligence) Tool, Dynamics Mobile, SAB Infotech ERP and IRIS for GST filings.

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