



# En Pointe Advisers

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Advisory



Tax



Accounting

## Interim Budget - 2019

*An analysis*

February 1, 2019

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# Foreword



The Interim Union Budget 2019 being the last budget of the current government focused on all round economic development.

The Budget identified 10 key focus areas which provide the roadmap for Vision 2030 covering all facets of the economy including socio-economic areas and providing the target for India.

Further, the government announced with retrospective effect cash support scheme for small farmers and pension scheme for workers in unorganized sectors

The Budget extended tax incentives to people falling in the lower income slabs and on capital gains arising on account of house property.

Overall this interim Budget is an attempt to balance the safety of the lower income group of the society and providing incentive for overall economic growth.



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# ECONOMIC ANALYSIS



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# Overview



## ***Banking Reforms and Insolvency and Bankruptcy Code (IBC):***

- In 2008-14, outstanding loans of public sector banks rose from 18 lakh crore to 52 lakh crore, now 3 lakh crore has already been recovered in favor of banks and creditors.
- Recapitalisation has been done with an investment of Rs 2.6 lakh crore to restore the health of public sector banks.

## ***Steps against corruption:***

- Real Estate (Regulation and Development) Act, 2016 (RERA) and Benami Transaction (Prohibition) Act, 1988 helps to bring transparency in real estate sector.
- The Fugitive Economic Offenders Act, 2018 will help confiscate and dispose off the assets of economic offenders who escape the jurisdiction of the laws in India.



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# Overview



## *Labour and Workers Dignity:*

- Expansion of employment opportunities as shown in EPFO membership, which has increased by nearly 2 crore in two years reflecting formalisation of the economy and job creations.
- Under the New Pension Scheme (NPS), the Government contribution has increased by 4% making it 14%.
- Maximum ceiling of the bonus given to the labourers has been increased from Rs. 3,500 pm to Rs. 7,000 pm and the maximum ceiling of the pay has been increased from Rs. 10,000 pm to Rs. 21,000 pm.
- Ceiling of payment of gratuity has been enhanced from Rs. 10 lakhs to Rs. 20 lakhs.
- Ceiling of ESI's eligibility cover has been increased from Rs. 15,000 pm to Rs. 21,000 pm.



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## *Labour and Workers Dignity (cont...):*

- Minimum pension for every labourer has been fixed at Rs. 1,000 per month.
- In the event of death of a labourer during service, the amount to be paid by EPFO has been enhanced from Rs. 2.5 lakh to Rs. 6 lakh.
- Under Anganwadi and Asha Yojana, honorarium has been enhanced by about 50% for all categories of workers.

## *Digital India Revolution*

- Under Jan Dhan-Aadhaar-Mobile (JAM) and Direct Benefit Transfer scheme; 34 crore Jan Dhan bank accounts opened in 5 years.
- Under Make in India Policy, mobile and parts manufacturing companies have increased from 2 to more than 268



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## *Poor and Backward Classes:*

- Rs.60,000 crores allocated for MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) for FY 2019-20.
- Around 15.80 lakh habitations out of a total of 17.84 lakh habitations have already been connected with pucca roads under the Pradhan Mantri Gram Sadak Yojana (PMGSY) policy.
- Pradhan Mantri Gram Sadak Yojana (PMGSY) is being allocated Rs. 19,000 crore in BE 2019-20 as against Rs.15,500 crore in BE 2018-19.
- Ayushman Bharat is the world's largest healthcare program; around 10 lakh patients have availed this program.
- 22nd AIIMS will be set up in Haryana.

## *Cleanliness:*

- India achieved 98% rural sanitation coverage and 5.45 lakh villages have been declared "Open Defecation Free."



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## ***Defense and National Security:***

- Defense Budget will exceed Rs. 3,00,000 crore in 2019-20.
- Rs. 35,000 crore has been disbursed in Implementation of One Rank One Pension (OROP) in contrast to sanction of Rs 500 crore in 2014-15.

## ***Woman's development and Youth Opportunities:***

- Under the Ujjwala Yojana scheme; 6 Crore connections got free LPG connections out of 8 crore connections.
- Through Pradhan Mantri Kaushal Vikas Yojana, over 1 crore youth are being trained to help them earn a livelihood.
- The government has harnessed youth employment through the MUDRA scheme; around 15.56 crore loans have been disbursed amounting to 7,23,000 crore rupees.



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# Overview



## ***Infrastructural Development:***

- Under UDAAN Scheme, there are estimated 100 operational airports nationwide with the commissioning of Pakyong airport in Sikkim
- 27 kms of highways being built each day.
- Allocation for the North East's infrastructural development proposed to be increased by 21% in 2018-19 to Rs. 58,166 crore in 2019-20.

## ***Farmer's progress and increase in income:***

- Under the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) policy; farmers having land up to 2 hectares will be provided income support at Rs. 6,000 per year
- An estimated 75,000 crore for PM-KISAN will be allocated for FY 2019-20.



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# 10 Dimensions to the vision India 2030



## *Vision to become a Ten Trillion Dollar Economy*

- To provide ease of living.
- To create a Digital India reaching every sector of the economy.
- Make India a pollution free nation with green Mother Earth and blue skies.
- Expanding rural industrialisation using modern digital technologies for massive employment
- Clean rivers providing safe drinking water, efficient use of water in irrigation using micro-irrigation techniques.
- Development and growth of coastline and ocean waters.
- Space programme – Gaganyaan, becoming the launch-pad of satellites for the World and place an Indian astronaut into space by 2022.
- Integrated approach towards agro and food processing, preservation, packaging and maintenance of the cold chain to make India self-sufficient in food.
- Distress free health care and a functional and comprehensive wellness system by 2030 through Ayushman Bharat scheme.
- Transforming India into a Minimum Government Maximum Governance nation.



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# DIRECT TAX PROPOSALS



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# Rates of Income Tax



## *For Individuals, HUF and for companies*

- No change in Tax Rates (including health and education cess) for Individual / HUF / Co-Operative Societies / Firm / Local Authority / Company (Domestic & Foreign)
- Rebate of Income tax under Section 87A increased to Rs 12,500 from the existing limit of Rs 2,500 for resident individual for taxable income upto 5 lakhs
- Standard deduction for salaried class increased to Rs 50,000 from existing Rs 40,000



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# Tax Proposals



## *No notional rent in respect of second self occupied property*

- No notional rent in respect of second self occupied property maintained by owner on account of his employment, business or profession carried at any other place
- An individual earlier was only allowed to claim benefit of single residential house as self occupied house despite if there two houses as self occupied on account of employment / business etc.
- The rental income from the other self occupied house was assessed tax on notional basis.
- The proposed amendment has tried to address the issue to give a relief to the individual to allow him to take benefit of two residential properties on account of business / employment and thereby exempting the second self occupied house from notional rent.



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# Tax Proposals



## ***No notional rent on property held as stock in trade***

- No notional rent on property held as stock in trade for two years consequent to grant of completion certificate;
- To give a relief to the real estate sector, the proposed amendment provides an extended period of total two years from the date of grant of completion certificate to dispose the property held as stock in trade
- Earlier, the unsold stock inventory was subject to tax notional rent and tax thereon if the same was not sold by the builder within a period of 1 year from the date of grant of completion certificate.
- The builders shall now have an extra period of one year to dispose of there stock in trade



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# Tax Proposals



## *Exemption from capital gains on two residential houses*

- Exemption from capital gains to be provided once in life time for construction or purchase of 2 sale residential houses against sale of one capital asset provided capital gains does not exceed Rs 2 crore;
- The Finance Act 2014 has provided that to seek exemption from capital gains, an Individual / HUF was required to construct / purchase “one residential house”
- Consequent to the subject change, tax payer was denied exemptions even if they were buying two residential houses next to each other or at two separate locations.
- In order to give a relief to the tax payers, the amendment now allows the tax payer to purchase two houses once in life time subject to the condition that the overall capital gains does not exceed Rs 2 crore



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# Tax Proposals



## *Extension in time line for project approval*

- Deduction to builders from 100% profit on account of providing affordable housing projects will be available, if project is approved upto March 31, 2020. Earlier the project was required to be approved till March 31,2019;

## *Increase in threshold limit for withholding tax*

- In respect of **interest income** from banks and post office – from INR 10,000 to INR 40,000
- In respect of **rental income** – from INR 180,000 to INR 240,000



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# IMPROVING EFFECTIVENESS OF TAX ADMINISTRATION



- Processing of Income Tax Returns to be made within 24 hours of filing;
- All verification and assessment of returns selected for scrutiny to be done electronically through an anonymized back office;
- Tax assessments to be conducted without any personal interface between taxpayers and tax officers



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# STAMP DUTY



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## Centralisation of stamp duty on issue and transfer of shares



- It is proposed that stock exchange/depository/clearing corporation will now be required to collect stamp duty on issue and transfer of shares. The duty so collected would subsequently be disbursed to the respective state.
- The amendment is proposed to apply on issue and transfer of securities covering shares, debentures, derivatives, government securities and corporate bonds.
- The penal consequences have also been proposed on the failure of the agency to collect and/or disburse the stamp duty.
- Further, the rates for stamp duty have also been made same for all India doing away with variable rates currently levied by each state



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# Stamp duty on issue and transfer of shares



## Stamp duty now applicable on transfer of dematerialised securities

- Transfer of securities in dematerialised form is currently exempt from stamp duty.
- It is now proposed to levy stamp duty as per the applicable rate on the transfer of shares in the dematerialised form as well.

## Market value defined

- For listed securities (traded on stock exchange) – the traded price.
- For listed securities (off-market transaction) – the price/consideration mentioned in the instrument.
- For unlisted securities – the price/consideration mentioned in the instrument.



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# CONTACT



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