7 KEY BUDGET TAKEAWAYS

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UNION BUDGET 2019: HOW FINANCE MINISTER NIRMALA SITHARAMAN WALKED THE FISCAL TIGHTROPE

Finance minister Nirmala Sitharaman has walked a tightrope well in her first budget. She has created room for bank recapitalisation and offered a window to NBFCs. She has also increased the total budgeted capital expenditure, versus the interim budget, and still managed to achieve fiscal discipline.

While one could argue that the assumed nominal GDP growth of 12 percent does appear a tad too optimistic, even with 11 percent growth (provided the fiscal deficit amount doesn't rise) the fiscal deficit to GDP would rise only to 3.37 percent from 3.3 percent. Sensibly, the tax revenue expectations have been reined in, and the widely expected shortfall of about Rs 1 lakh crore in GST collections is expected to be made good through higher excise duties and non-revenue receipts like divestment.

Interestingly, the budget estimates higher dividend receipts from the Reserve Bank of India, as well as banks and financial institutions, by about Rs 23,000 crore, which also aids in shoring up the receipts. It is also important to note that Rs 75,000 crore has been set aside for the farmer income scheme, and the amounts allocated for food and agri subsidies have been nominally increased. The borrowing programme should also remain unchanged as the fiscal deficit number has been retained at the earlier level. So, an excellent job with managing the numbers, one must acknowledge. Now, what remains is execution to ensure the targets are met.
Financial minister Nirmala Sitharaman in the Union Budget for the fiscal year 2019-2020 on Friday proposed various measures for the financial markets, such as recapitalisation of PSU banks and easing liquidity concerns of the non-banking financial companies. The government has also taken some measures to enhance participation in the capital markets. Here are the key announcements for the financial and capital market in the Budget 2019.

1 **PSU Bank recapitalization**
The government will inject Rs 70,000 crore into state-run lenders massive bank recapitalisation plan aimed at tackling a record bad debt troubles and revive credit growth.

2 **MPS**
The finance minister proposed to increase minimum public shareholding for listed companies to 35 percent from the current 25 percent. This means, the promoters can't hold more than 65 percent from the current limit of 75 percent. However, this is just a proposal. Sitharaman said she had made the suggestion to SEBI, which would consider it in the coming days.

3 **NBFCs**
The government will provide short-term partial credit guarantee for the purchase of high-rated pooled assets of NBFCs for a total amount of Rs 1 lakh crore. This guarantee will be provided via public sector banks for the first loss of upto 10 percent.

4 **Bonds**
Investments by FIIs and FPIs in debt securities will be allowed to be transferred and sold to domestic investors in a timely manner, and also proposed FPI investment in debt securities issued by NBFCs.

5 **External Commercial Borrowing (ECB)**
The Narendra Modi government will raise part of its gross borrowing in external markets via foreign currency borrowings to tide over liquidity crunch in domestic market.

6 **Buyback tax**
Sitharaman proposed to extend the buyback tax at 20 percent to listed companies as well. The step is taken to discourage the practice of avoiding Dividend Distribution Tax (DDT) through buyback of shares by listed companies.

7 **FPI KYC**
KYC norms for FPIs would be rationalised and simplified to be made more investment-friendly, without compromising on the integrity of cross-border capital flows.
**KEY QUOTES BY INDUSTRY LEADERS**

**PSU Bank recap at Rs 70k cr.; higher than estimated Rs 50k cr. Out of Rs 70k cr., Rs 30k cr. will be used for growth.**

*Arundhati Bhattacharya*

**Looking to attract low cost capital; by doing that you are not doing enough to ensure that domestic capital gets created.**

*Manish Chokhani*

**Growth capital should be accompanied by governance reforms; lending shouldn’t be indiscriminate so that there are no NPAs 4-5 years down the line.**

*Sajjid Chinoy*

**Reduction in promoter holding big negative for MNCs.**

*Ramesh Damani*

**Minimum public shareholding threshold of 65% will give enormous capital gains tax.**

*Dinesh Kanabar*

**Never thought there will be an attack on basic things like buyback, tax structure; It is an attack on the precepts of what capital markets work upon.**

*Ashok Wadhwa*

**Government needs to focus on increasing financial savings.**

*Rakesh Mohan*
BUDGET 2019: CIGARETTES, PETROL TO COST YOU MORE; MOBILE PHONE CHARGERS GET CHEAPER

Finance minister Nirmala Sitharaman, in her maiden Budget speech on Friday, kept the income tax rates applicable to the common taxpayer intact but hiked prices of a slew of items including petrol, diesel, gold, silver and cigarettes.

At the same time, certain items such as electric vehicle components, camera module and charger of mobile phones and set-top boxes will become cheaper.

Following is a list of items that will become costlier and cheaper:

**WHAT’LL BECOME COSTLIER**

- Petrol and Diesel
- Metal Fittings
- Auto Parts
- Cashew Kernels
- CCTV Cameras
- Cigarettes, Hookah and Chewing Tobacco
- Fully-Imported Cars
- Split Air-Conditioners
- Loudspeakers
- Digital Video Recorders
- Imported Books
- Imported Plastics
- Raw Materials for Soap Manufacture
- Vinyl Flooring and Tiles
- Optical Fibres
- Ceramic Tiles and Wall Tiles
- Imported Stainless Steel Products
- Newsprint and Paper for Newspaper and Magazines
- Marble Slabs
- Mountings for Furniture

**WHAT’LL BECOME CHEAPER**

- Electric Vehicles
- Electric Vehicle Components
- Electronic Appliances
- Mobile Phones Chargers
- Set Top Box
- Import of Defence Equipment

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India's first full-time woman finance minister Nirmala Sitharaman on Friday presented her maiden budget in Parliament.

According to budget documents, the government gets revenue from different sources and spends that money on various schemes. The revenue is classified as tax and non-tax revenue.

For every rupee in the government coffer, 68 paise will come from direct and indirect taxes; while the states’ share of taxes and duties is the single-largest expense head accounting for 23 percent of total spending, budget documents showed.

Corporation tax is the single largest source of income; contributing 21 paise to each rupee earned.
7 KEY PROPOSALS ANNOUNCED IN THE BUDGET ON THE PERSONAL TAX FRONT

The new Finance Minister (FM) of the re-elected Government presented the Union Budget 2019-20 (‘Budget’) on 5 July 2019 amidst high expectations from the common citizen.

The tax proposals were presented by FM Niramala Sitharaman with an aim to stimulate growth, incentivise affordable housing simplify tax administration and bring greater transparency, writes Parizad Sirwalla, partner and head, Global Mobility Services – Tax at KPMG India.

Here are seven key proposals:

Additional deduction for affordable house
Currently, a deduction towards interest payable on a housing loan, on a self-occupied property, can be claimed up to Rs 2 lakh per annum. In order to provide impetus to affordable housing, an additional deduction of up to Rs 1.5 lakh per annum has been proposed for first time home buyers in respect of interest payable on a housing loan sanctioned during the period April 1, 2019 to March 31, 2020.

Therefore, a person purchasing such a house can now claim an enhanced interest deduction up to Rs 3.5 lakh p.a. This additional deduction is subject to the condition that the stamp duty value of the house property should not exceed Rs 45 lakh.

Tax deduction for electric vehicle
Keeping in mind the intention to envision India as a global hub of manufacturing electrical vehicles and to make such vehicles affordable, a deduction up to Rs 1.5 lakh p.a. has been proposed in respect of interest payable on loan availed for purchase of an electric vehicle, which is sanctioned during the period 1 April 2019 to 31 March 2023. This is subject to the condition that no other electric vehicle should be owned on the date of sanction of such loan.

PAN and Aadhaar inter-changeability
With effect from 1st September 2019, it is proposed to allow the interchangability of Permanent Account Number (‘PAN’) with Aadhaar. Thus, individuals who do not possess PAN would be eligible to file their Income-tax return by quoting Aadhaar only. Also, Aadhaar can be quoted in other prescribed transactions that otherwise require quoting of PAN (e.g. registration of house property, obtaining credit card, etc.).

Also it has been stated that Aadhaar may be applied by non-resident Indian passport holders on their return to India without waiting for 182 days.

Enabling provision for NPS exemption
As per the press release issued by the Ministry of Finance, Government of India in December 2018, the income-tax exemption limit on lump sum withdrawal by the National Pension System subscriber, at the time of retirement, was proposed to be enhanced from existing 40 percent to 60 percent of the accumulated corpus. However, the enabling provisions for the same under the Act were awaited. This Budget has now made the necessary provisions for implementation of this exemption.
Pre-filling of Income-tax return forms and faceless assessments

The FM mentioned in her speech that pre-filled tax returns will be made available to taxpayers in the near future which will contain details of salary income, capital gains from securities, bank interests, dividends etc. and tax deductions thereon. Information regarding these incomes will be collected from the concerned sources such as Banks, Stock exchanges, mutual funds, EPFO, State Registration Departments etc. This will help ease the process and time taken for filing the tax return and also enhance the accuracy.

The FM also mentioned about introduction of faceless assessments involving no human interface in the near future. Cases selected for assessment will be allocated to assessment units on an ad hoc basis and notices shall be issued electronically by a centralised unit without disclosing the name, designation or location of the assessing officer.

Amendments in TDS provisions

Currently, tax at 1 percent is deducted at source by the purchaser of an immovable property on the amount of consideration paid or credited on transfer of such property. However, the term ‘consideration for immovable property’ is currently not defined under the Act. It is proposed that consideration would include other types of payments besides the sales consideration such as club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.

At present, there is no liability on an individual to deduct TDS on any payment made to a resident contractor or professional when it is for personal use. It is now proposed to provide for levy of TDS at the rate of 5 percent on the sum paid on account of contractual work or professional fee by an individual, if such sum paid exceeds Rs 50 lakhs in a year. However, in order to reduce the compliance burden, such individuals are not required to obtain tax deduction account number.

Further, in order to further discourage cash transactions and move towards cashless economy, it has been proposed to levy TDS at the rate of 2 percent on cash withdrawals in excess of Rs 1 crore in aggregate made during the year from an account maintained by the recipient.

Tax filing

The government has made it mandatory for individuals who enter into specified transactions (e.g. withdrawal of cash in excess of Rs 1 crore in one or more current accounts, foreign travel expenditure of more than two lakhs, electricity bill exceeding Rs 1 lakhs per annum or other conditions to be prescribed) will need to file a tax return if otherwise the said person was not required to file a return.
7 KEY BUDGET TAKEAWAYS

THANK YOU