INTERIM BUDGET 2019
ANALYSIS OF DIRECT TAX PROPOSALS

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RATE OF TAX

- No change in tax slabs
- Changes to Section 87A dealing with rebate
  - Individual tax payers having taxable income of Rs. 5 Lakhs per annum qualify for a 100% tax rebate subject to a maximum of Rs. 12,500/-
  - Earlier the taxable income limit in the rebate provision was Rs. 3.5 lakhs and the maximum amount of rebate was Rs. 2,500/-
- Assuming Mr. A has taxable income of Rs. 5 lakhs, the tax at 5% would be Rs. 12,500 (5% of Rs. 2.5 lakhs). On account of the rebate, no tax would be payable
- Assuming Mr. B has taxable income of Rs. 6.5 lakhs and does not make any investments qualifying for deductions, the tax as per the table would be Rs. 42,500/- and Section 87A has no application since the taxable income limit is Rs. 5 lakhs in the said provision
- *In case Mr. B makes investments which qualify for deduction under Chapter VIA and the taxable income is only Rs. 5 lakhs after such deductions, tax would be nil after rebate under Section 87A*

SALARIED SECTOR

- Standard deduction of Rs. 40,000 or the amount of salary introduced with effect from 01.04.2019 by amending Section 16
- **This has been increased to Rs. 50,000 w.e.f. 01.04.2020**

INCOME FROM HOUSE PROPERTY

- In terms of Section 23(2), annual value of self-occupied house property shall be taken as nil
- This benefit was available only for one house at the option of the assessee
- **The amendment is to extend this benefit to two house properties**
- Monetary limit for deduction on account of interest payable on borrowed capital to continue to apply to the aggregate of the amounts of deduction in case of more than 1 self-occupied houses

CAPITAL GAINS

- Section 54 deals with roll over exemption in respect of capital gains arising from transfer of long term capital asset being a residential house
- Originally, the assessee had to purchase or construct within a specified time frame *one residential house*
- *Finance Act (No. 2), 2014 had substituted the words 'a residential house' to 'one residential house' in order to get over the decisions of the Karnataka High Court* in the case of ***CIT Vs. D. Ananda Basappa (2009) 309 ITR 329; CIT Vs. Smt. K.G. Rukminiamma (2011) 331 ITR 211*** and other decisions which had held that singular would include plural and hence 'a house' need not mean only one house
- A new proviso is proposed to be inserted w.e.f. 01.04.2020 to provide that where the amount of capital gain does not exceed Rs. 2 Crores, the assessee may, at his option, purchase or construct **two residential houses** in India
- It is also proposed that such an option shall be available to an assessee only once

REAL ESTATE SECTOR

- Completed units of developers
  - Section 23(5) provided that where the property was held as stock – in trade and not let out during the whole or part of the previous year, annual value of the property for a period upto 1 year from the end of financial year in which completion certificate is obtained was taken as nil
  - **The amendment is to enhance the period of nil status from 1 year to 2 years**
- The benefit of Section 80- IBA pertaining to deductions in respect of profits and gains from housing projects is proposed to be extended for one more year viz. the project should be approved by the competent authority till 31.03.2020.

TDS

- The TDS threshold on interest, other than interest on securities, under Section 194A paid by a banking company, a co-operative society engaged in the business of banking, and post offices on deposits under any scheme by the Central Government has been increased from Rs. **10,000/- to Rs. 40,000/-**
- The TDS threshold on rent under Section 194I has been increased from **Rs. 1.8 lakhs to Rs. 2.4 lakhs** during a financial year.

STAMP DUTY

- Finance Bill, 2019 also seeks to amend the Indian Stamp Act with effect from a date to be notified
- Levy of stamp duty on security market instruments would now be at one place through one agency namely, stock exchange or clearing corporation or depositories
- The revenue would be shared with the respective State Governments based on the domicile of the ultimate buying client

MONEY LAUNDERING

- Finance Bill, 2019 also seeks to amend Section 8(3) of the Prevention of Money Laundering Act, 2002 in order to extend the validity of period of attachment from 90 days to 365 days
- Period during which investigation is stayed by any Court under any law shall be excluded

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