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# INDIA UNION BUDGET 2019-20

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GEARING UP FOR A BRIGHT FUTURE



JULY 8, 2019

**THE ALL INDIA PLASTICS MANUFACTURERS' ASSOCIATION**

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## DIRECT TAX HIGHLIGHTS

- ❖ Direct tax mop up Rs. 11.37 lakh crore rupees FY19 vs 6.38 lakh crore FY14
- ❖ No change in Tax rates for Individuals, Partnership firm, LLP
- ❖ Increasing surcharge on income over Rs. 2crore
- ❖ Corporate tax now 25% for cos with 400 crore turnover (\* Corporate tax cut to cover 99.3% of all cos)
- ❖ Propose 2% TDS on Rs. 1crore cash withdrawal from banks
- ❖ To make Aadhaar, PAN interchangeable to file tax returns
- ❖ Tax deduction of Rs. 150,000 on e-vehicle loan interest
- ❖ Extra Rs. 150,000 tax deduction on small home loans up to Rs. 45 lakh
- ❖ Launching automated, faceless assessment of tax
- ❖ To make pre-filled tax return forms available
- ❖ Startup would not require scrutiny by IT department for share valuation
- ❖ No charges for customer on Digital modes of payment
- ❖ Tax rate reduced to 25% for companies with annual turnover up to Rs. 400 crore
- ❖ Surcharge increased on individuals having taxable income from Rs. 2 crore to Rs. 5 crore and Rs. 5 crore and above.
- ❖ India's Ease of Doing Business ranking under the category of "paying taxes" jumped from 172 in 2017 to 121 in the 2019.
- ❖ Direct tax revenue increased by over 78% in past 5 years to Rs. 11.37 lakh crore
- ❖ Tax Simplification and Ease of living – making compliance easier by leveraging technology
- ❖ Interchangeability of PAN and Aadhaar
  - Those who don't have PAN can file tax returns using Aadhaar.
  - Aadhaar can be used wherever PAN is required.
- ❖ Pre-filling of Income-tax Returns for faster, more accurate tax returns
  - Pre-filled tax returns with details of several incomes and deductions to be made
  - Information to be collected from Banks, Stock exchanges, mutual funds etc
- ❖ Faceless e-assessment

- Faceless e-assessment with no human interface to be launched.
- To be carried out initially in cases requiring verification of certain specified transactions or discrepancies.

### **Affordable housing**

- ❖ Additional deduction up to Rs. 1.5 lakhs for interest paid on loans borrowed up to 31<sup>st</sup> March, 2020 for purchase of house valued up to Rs. 45 lakh.
- Overall benefit of around Rs. 7 lakh over loan period of 15 years.

### **Boost to Electric Vehicles**

- ❖ Additional income tax deduction of Rs. 1.5 lakh on interest paid on electric vehicle loans.
- ❖ Customs duty exempted on certain parts of electric vehicles.

### **Other Direct Tax measures**

- ❖ Simplification of tax laws to reduce genuine hardships of taxpayers:
  - Higher tax threshold for launching prosecution for non-filing of returns
  - Appropriate class of persons exempted from the anti-abuse provisions of Section 50CA and Section 56 of the Income Tax Act.

### **Relief for Start-ups**

- ❖ Capital gains exemptions from sale of residential house for investment in start-ups extended till FY21.
- ❖ ‘Angel tax’ issue resolved- start-ups and investors filing requisite declarations and providing information in their returns not to be subjected to any kind of scrutiny in respect of valuations of share premiums.
- ❖ Funds raised by start-ups to not require scrutiny from Income Tax Department
  - E-verification mechanism for establishing identity of the investor and source of funds.
- ❖ Special administrative arrangements for pending assessments and grievance redressal
  - No inquiry in such cases by the Assessing Officer without obtaining approval of the supervisory office

- No scrutiny of valuation of shares issued to Category-II Alternative Investment Funds.
- Relaxation of conditions for carry forward and set off of losses.

### NBFCs

- ❖ Interest on certain bad or doubtful debts by deposit taking as well as systemically important non-deposit taking NBFCs to be taxed in the year in which interest is actually received.

### International Financial Services Centre (IFSC)

- ❖ Direct tax incentives proposed for an IFSC:
  - 100 % profit-linked deduction in any ten-year block within a fifteen-year period.
  - Exemption from dividend distribution tax from current and accumulated income to companies and mutual funds.
  - Exemptions on capital gain to Category-III Alternative Investment Funds (AIFs).
  - Exemption to interest payment on loan taken from non-residents.

### Securities Transaction Tax (STT)

- ❖ STT restricted only to the difference between settlement and strike price in case of exercise of options.

# INDIRECT TAX HIGHLIGHTS

## Goods and Service Tax (GST)

- Clear policy intent to introduce E-invoicing from January, 2020.
- Fully automated refund module is proposed to be implemented.

## Service Tax and Central Excise [Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019]

A dispute resolution cum amnesty scheme is being introduced for resolution and settlement of legacy cases of Central Excise duty, Service Tax and cesses payable under the indirect tax enactment. The effective date for this scheme will be notified by Government of India. Synopsis of the amnesty scheme is as under:-

- It shall be applicable in relation to enactments such as Central Excise Act, 1944 or Central Excise Tariff Act, 1985 or Chapter V of the Finance Act, 1994 and other acts, as specified.
- The amount of relief to be given to a particular taxpayer would be determined as follows:

Sr No.	Pendency level	Quantum of Duty/ Tax involved	Relief in tax liability	Tax payable	Other reliefs
1	Tax dues relatable to show cause notice or appeals pending as on 30 <sup>th</sup> June, 2019	Up to INR 50,00,000	70%	30%	
		Above INR 50,00,000	50%	50%	
2	SCN is only for penalty/ late fees and tax is either paid or NIL. (Co-notices for penalty would fall under this clause)		Entire penalty or late fees	NIL	Penalty, Interest, Prosecution

3	Amount of arrears (where no further appeals filed or all appeals lost)	Upto INR 50,00,000	60%	40%
		Above INR 50,00,000	40%	60%
4	Tax dues declared in return but not paid	Upto INR 50,00,000	60%	40%
		Above INR 50,00,000	40%	60%
5	Tax dues related to an enquiry, investigation or audit where the amount is quantified on or before 30 <sup>th</sup> June, 2019	Upto INR 50,00,000	70%	30%
		Above INR 50,00,000	50%	50%
6	Voluntary disclosure		NIL	100%

- Any pre-deposit made earlier by the taxpayer will be deducted from the liability, as determined above. In case amount of pre-deposit exceeds amount determined above, no refund shall be available.
- Discharge certificate will be issued with respect to amount payable under the scheme. After issuance of discharge certificate, no further implication of duty, interest or penalty shall be arise with respect to matters covered in the declaration.
- The amount under the scheme can be discharged through cash only (i.e. without utilizing input tax credit account). Also, no amount paid shall be refundable or availed as input tax credit under this scheme.
- Rules will be notified by the Central Government for procedures and forms of the above amnesty scheme.

*In light of the above, the Company may evaluate the aforesaid scheme for all the pending litigation and explore the option to apply for the aforesaid scheme.*

## Other amendments in GST

Following amendments proposed in GST Act shall come into effect from the date of enactment of Finance Bill (no.2), 2019

- The National Anti-profiteering Authority has been enabled to impose penalty equivalent to 10% of the profiteered amount. However, no such penalty shall be levied in case of payment is made by the taxpayer within 30 days from the date of passing of the order.
- National Appellate Authority is created for advance ruling to hear appeals against conflicting advance rulings pronounced on the same question of the same aggrieved appellant by the appellate authorities of two or more states.
- Increase in threshold exemption limit of registration from Rs. 20 lakhs to such amount not exceeding Rs. 40 lakhs in case of supplier who is engaged in exclusive supply of goods.
- Interest has to be charged only on the net cash tax liability i.e. GST paid by debiting the electronic cash ledger, except in those cases where returns are filed subsequent to initiation of any proceedings.
- Aadhaar authentication (or alternate viable medium) has been made mandatory for new taxpayers and registered taxpayers in such form and manner as may be prescribed (Section 25 of the CGST Act, 2017).
- New provisions introduced for allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person.
- Alternative composition scheme for supplier of services or mixed suppliers (not eligible for the earlier composition scheme) having an annual turnover in preceding financial year upto Rs 50 lakhs.
- The Commissioner is empowered to extend the due date for furnishing Annual return and reconciliation statement

## Other Indirect Tax provisions

- Export duty rationalized on raw and semi-finished leather
- Increase in Special Additional Excise Duty and Road and Infrastructure Cess each by Rs. 1 per litre on petrol and diesel
- Custom duty on gold and other precious metals increased
- Legacy Dispute Resolution Scheme for quick closure of pending litigations in Central Excise and Service tax from pre-GST regime
- GST led to lower rates on almost all commodities

## OTHER UPDATES

- ❖ Measures related to MSMEs:
  - Pradhan Mantri Karam Yogi Maandhan Scheme
    - Pension benefits to about three crore retail traders & small shopkeepers with annual turnover less than Rs. 1.5 crore.
    - Enrolment to be kept simple, requiring only Aadhaar, bank account and a self-
  - Rs. 350 crore allocated for FY 2019-20 for 2% interest subvention (on fresh or incremental loans) to all GST-registered MSMEs, under the Interest Subvention Scheme for MSMEs.
  - Payment platform for MSMEs to be created to enable filing of bills and payment thereof, to eliminate delays in government payments
- ❖ Measures to make India a more attractive FDI destination:
  - FDI in sectors like aviation, media (animation, AVGC) and insurance sectors can be opened further after multi-stakeholder examination.
  - Insurance Intermediaries to get 100% FDI.
  - Local sourcing norms to be eased for FDI in Single Brand Retail sector.
- ❖ SEBI to consider raising the threshold for minimum public shareholding in the listed companies from 25% to 35%.