

# Union Budget 2020

February 2020






B.R. Maheswari & Co LLP

CHARTERED ACCOUNTANTS

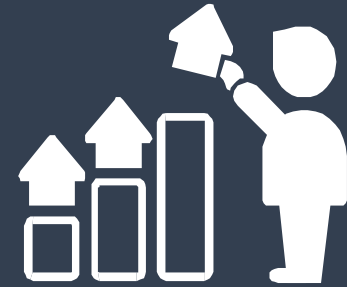


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# Economic Performance



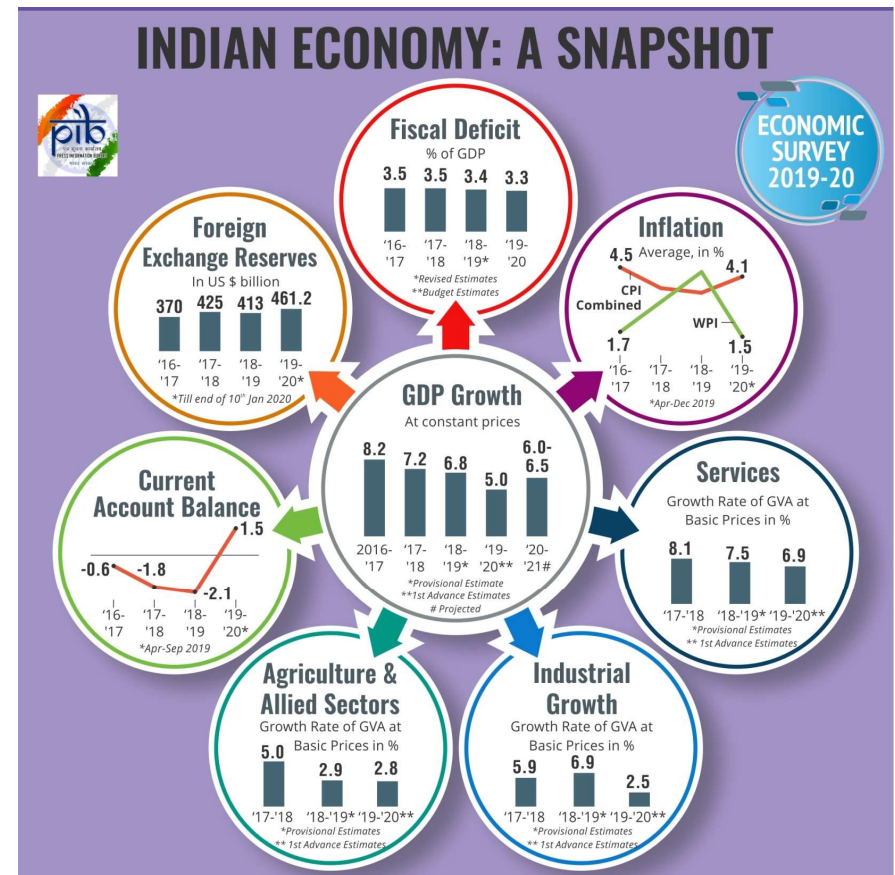


# Economic Performance – Economic Survey

## Indian Economy

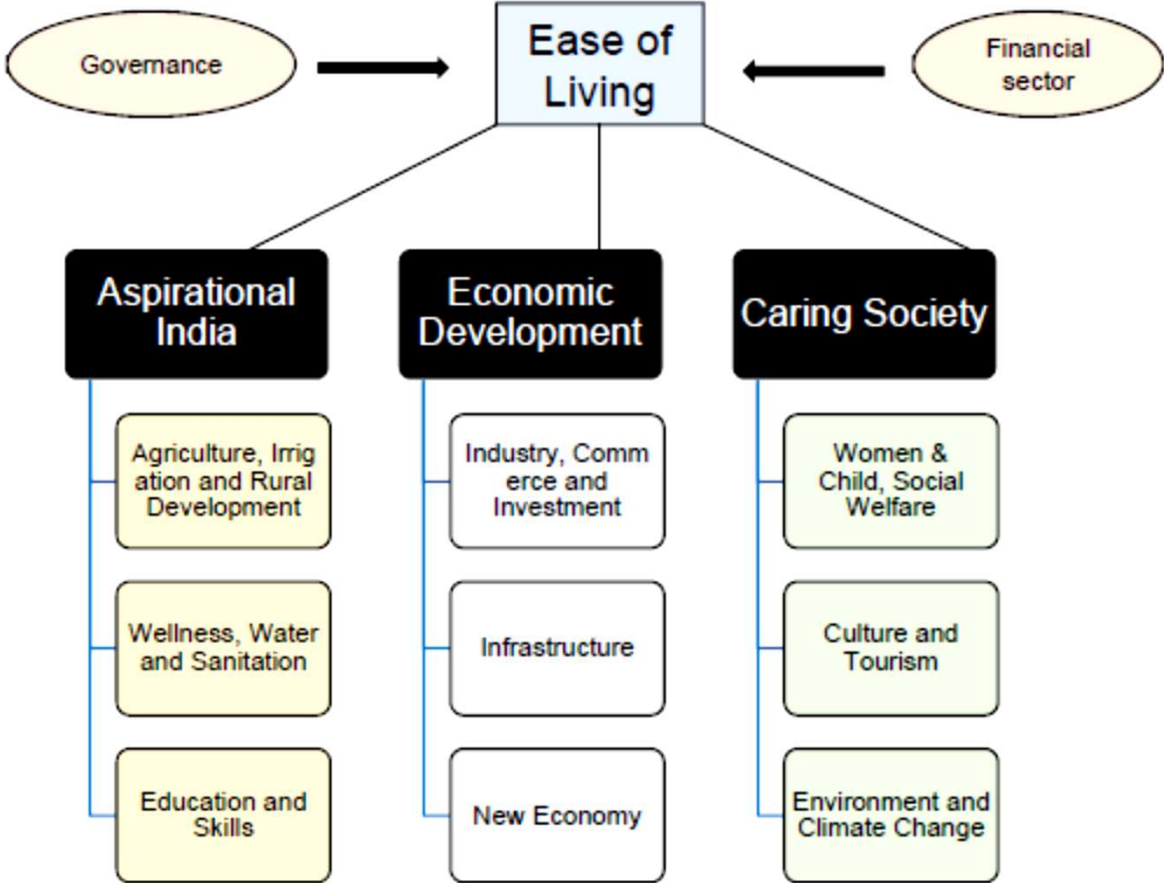
- Theme: enable markets, promote pro business policies and strengthen trust.
- Ethical wealth creation key to India becoming \$ 5 trillion economy by 2025 . Infra spend of \$1.4 trillion critical.
- Survey suggests relaxing fiscal deficit target to revive growth
- GDP growth pegged at 6-6.5% in FY 2020-21 vs 5% 2019-20 (RE)
- Uptick in GDP expected in 2019-20 (H2).
- Gross GST Monthly collections exceed Rs. 1 lakh cr. 5 times till Dec 2019.
- India ranks 3rd in new firms creation globally; 1.24 lakhs in 2018 vs 70,000 in 2014.
- Efficient banking sector critical to support growth; banking system needs urgent attention.
- Rationalisation of government intervention necessary in boosting economic freedom and wealth creation.
- Improved access to health services through Ayushman Bharat and mission Indradhanush across the country
- “Thalinomics”: Affordability of vegetarian Thali improved 29% and that of non-vegetarian Thali by 18% from 2006-07 to 2019-20.

## Broad Macro Economic Indicators





# Prominent Themes of Budget





## Continuing Focus on Governance

### STRUCTURAL REFORMS

#### IBC

- Honourable exit through IBC for companies.

#### GST

- 20 per cent reduction in turn around time for trucks.
- Benefit to MSMEs through enhanced threshold and composition limits.
- Savings of about 4 per cent of monthly spending for an average household.
- In last 2 years, 60 lakh new taxpayers added and 105 crore e-way bills generated

### DIGITAL REVOLUTION

#### Shift to DBT

- During 2018-19, ₹7 lakh crore transferred through DBT.

#### Next wave

- Digital Governance.
- Improve physical quality of life through National Infrastructure Pipeline
- Disaster Resilience.
- Social Security through Pension and Insurance penetration.

### INCLUSIVE GROWTH

- Governance guided by "Sabka Saath, Sabka Vikas, Sabka Vishwas" with focus on:
  - Preventive Healthcare: Provision of sanitation and water
  - Healthcare: Ayushman Bharat
  - Clean energy: Ujjawala and Solar Power
  - Financial Inclusion, Credit support and Pension
  - Affordable Housing
  - Digital penetration

### Financial Sector

- Deposit Insurance Coverage to increase from ₹1 lakh to ₹5 Lakh per depositor.
- Eligibility limit for NBFCs for debt recovery under SARFAESI Act proposed to be reduced to asset size of ₹100 crore or loan size of ₹50 Lakh.
- Proposal to sell balance holding of government in IDBI Bank.
- Separation of NPS Trust for government employees from PFRDAI.

- Specified categories of government securities would be opened for non resident investors
- FPI Limit for corporate bonds to be increased to 15 per cent.
- New debt ETF proposed mainly for government securities.



# Economic Performance

## Central Govt. Expenditure (Budget Estimates for 2020-21)

Major Expenditure Heads	Rs. in Crores
Pension	2,10,682
Defence	3,23,053
Major Subsidies	2,27,794
Agriculture and Allied Activities	1,54,775
Commerce & Industry	27,227
Development of North East	3,049
Education	99,312
Energy	42,725
External Affairs	17,347
Finance	41,829
Health	67,484
Home Affairs	1,14,387
Interest	7,08,203
IT and Telecom	59,349
Planning and Statistics	6,094
Rural Development	1,44,817
Scientific Departments	30,023
Social Welfare	53,876
Tax Administration	1,52,962
Transfer to States	2,00,447
Transport	1,69,637
Union Territories	52,864
Urban Development	50,040
Others	84,256
<b>Grand Total</b>	<b>30,42,232</b>

## Key Economic Data (Rs. in Crores)

Particulars	FY 2018-19 (Act)	FY 2019-20 (BE)	FY 2019-2020 (RE)	FY 2020-21 (BE)
Revenue Receipts	15,52,916	19,62,761	18,50,101	20,20,926
Capital Receipts	7,62,197	8,23,588	8,48,451	10,21,304
Total Receipts	23,15,113	27,86,349	26,98,552	30,42,230
Total Expenditure	25,15,113	27,86,349	2,98,552	30,42,230
Revenue Deficit	4,54,483	4,85,019	4,99,544	6,09,219
Effective Revenue Deficit	2,62,702	2,77,686	3,07,807	4,02,719
Fiscal Deficit	6,49,418	7,03,760	7,66,846	7,96,337
Primary Deficit	66,770	43,289	1,41,741	88,134

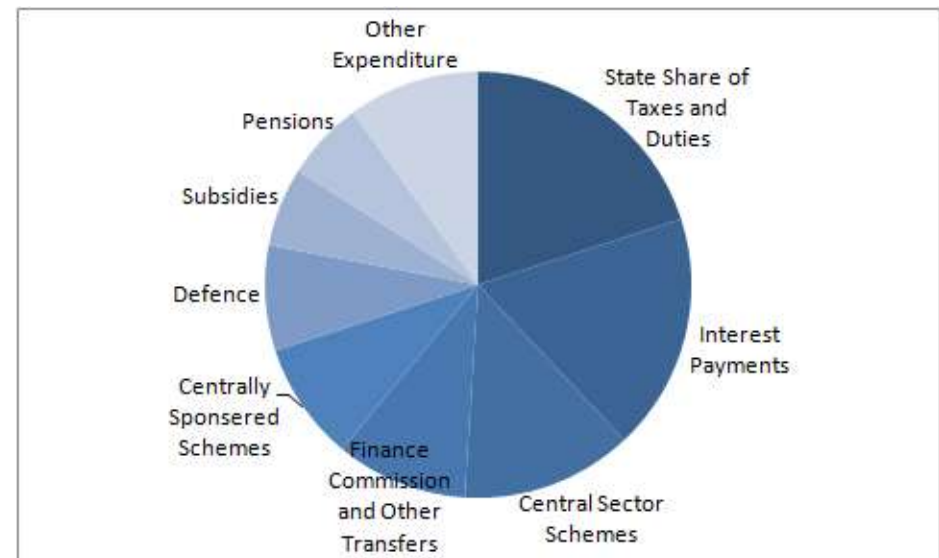
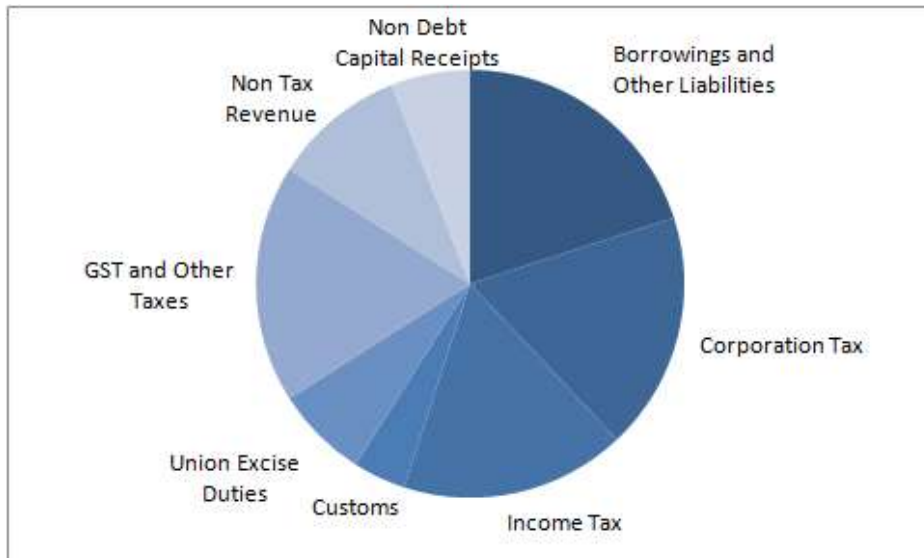
FY20 fiscal deficit revised to 3.8% from 3.3%. FY21 target seen at 3.5%.



# Budgeted Revenue vs Expenditure

Where the Rupee will come from: 2020-21

Where the Rupee will go: 2020-21





Section

# Key Announcements





## Key Announcements

### Housing:

- Tax holiday for affordable housing extended by 1 year.

### Investment:

- Disinvestment in LIC by way of IPO
- Specified categories of government securities fully open for NRIs/ domestic investors.
- FPI limit in corporate bonds raised to 15% from 9%.
- Govt doubles divestment target for the next fiscal at Rs 2.1 lakh crore.
- Debt ETF consisting primarily of government securities.

### Startups & MSME:

- Tax on ESOPs deferred till earliest of 5 years or exit from company or sale.
- Turnover threshold for audit of MSMEs to be increased from Rs 1 crore to Rs 5 crore, to those businesses which carry out less than 5% of their business in cash.
- App-based invoice financing loans product to be launched, to obviate problem of delayed payments and cash flow mismatches for MSMEs.
- Amendments to be made to enable NBFCs to extend invoice financing to MSMEs

### Banking:

- Depositor insurance increased to Rs 5 lakh from Rs 1 lakh.
- Encourage PSBs to approach capital markets for fund raising.
- Banking Regulation Act to be amended to strengthen Cooperative banks.

### Jobs:

- National recruitment agency: New common entrance test for government non gazetted jobs and public sector banks.

### Infra:

- 5 new Smart cities to be set up via PPP model.
- Rs 1.7 lakh crore allocated to transportation.
- 100 more airports to be set up by 2024 to support UDAN scheme
- Accelerated development of highways will be undertaken; Delhi-Mumbai expressway: 2 other projects to be completed by 2023.
- NHA to monetize 12 lots of highway bundles of over 6,000 km before 2024.
- Young engineers and management graduates to be roped in for infrastructure projects under Project Preparation Facility.
- About Rs 22K crore already provided for supporting National Infrastructure Pipeline
- National Logistics Policy will soon be released, creating single window e-logistics market.

### Telecom:

- Rs 6K crore for Bharatnet programme; Fibre to Home connections under Bharat Net to be provided to 1 lakh gram panchayats this year itself
- New policy for private sector to build Data Centre Parks.

### Tourism;

- 5 archeology sites to be developed for world-class museums
- Rs 2.5K crore for tourism promotion.

### Fisheries:

- Framework for development, management and conservation of marine fishery resources to be put in place.
- Fish production to be raised to 200 lakh tonnes by 2022-23
- Sanitation: Rs 3.6 lakh crore allocated to water sanitation and pipeline project; Rs 12,300 crore for Swachh Bharat.
- Government is committed to Open Defecation Free country, in order to sustain ODF behaviour and to ensure no one is left behind.



## Key Announcements

### Energy:

- Expansion of National Gas Grid from 16,200 km to 27,000 km along with reforms to deepen gas markets, enable ease of transactions and transparent price discovery
- Rs 22K crore allocated to power and renewable energy.
- FM urges all states and UTs to replace conventional energy meters by pre-paid smart meters in 3 years, this will give consumers the freedom to choose supplier and rate as per their requirements.
- Advise to shut thermal plants if they don't meet emission norms.

### 5 measures for Railways:

- Large solar power capacity to be set up alongside rail tracks, on land owned by Railways
- More Tejas-like trains for tourists.
- 150 new train to be introduced on PPP basis; Four stations will be also be
- redevelopment with the help of PPP.
- Rs 18.6K crore worth Bengaluru suburban transport project launched; 20% equity will be provided by the Centre.

### Healthcare:

- Rs 69K crore allocated to healthcare sector.
- Indradhanush immunization plan expanded to cover 12 new diseases,,
- Viability gap funding window to be set up to cover hospitals, with priority given to aspirational districts that don't have hospitals empanelled under Ayushman Bharat.
- Propose Rs 35.6K crore nutrition-related plan.
- Over 6 lakh anganwadi workers have been equipped with smartphones to upload the nutrition status of 10 crore households.
- Nominal health cess on import of medical equipment to be introduced to encourage
- domestic industry and generate resources for health services.
- A new scheme to provide higher insurance cover, reduced premium for small exporters and simplified procedure for claims

### Education:

- Rs 99.3K crore allocated for education sector, Rs 3K crore rupees for skill Development
- Urban local bodies to provide one year internships for young engineers
- FDI to be leveraged to improve the education system.
- A medical college to be attached to a district hospital in PPP mode, viability gap funding to be set up for setting up such medical colleges.
- US-like SAT exam to be held in African and Asian countries for benchmarking foreign
- Degree-level full-fledged online education programme to be offered by institutes in top
- 100 in National Institutional Ranking Framework
- New Education Policy to be announced soon.
- To launch 2 new National science scheme

### Agriculture:

- Agriculture market needs to be liberalised
- Comprehensive measures for 100 water-stressed districts being proposed
- Govt will help 20 lakh farmers for setting up solar pumps.
- PM Kusum scheme will be expanded to 20 lakh farmers.
- Provide momentum to Horticulture.
- Encourage balanced use of all fertilizers to offset excessive use of chemical fertilizer
- 15 lakh farmers to be helped to set up solar sets.
- Krishi UDAN scheme for agri exports on international and national routes. This will also improve value realization in North East and tribal districts.
- Railways will set up Kisan Rail through PPP arrangement, for transportation of perishable goods.
- Zero Budget farming focus of the government.
- Viability gap funding to be provided for setting up warehouses.
- Financing on Negotiable Warehousing Receipts to be integrated with e-National Agricultural Market
- Agri credit target raised to Rs 15 lakh crore from Rs 12 lakh crore.
- Milk processing capacity to be doubled to 108 tonne from 53 tonne by 2025.
- NABARD Refinancing Scheme to be further expanded.
- MGNREGS to be used to develop fodder farm.
- Further expand on SHGs for alleviation of poverty.

Section

# Tax Proposals





## Direct Tax (1/5)

### Tax Rates

Individuals/HUF;

Taxable Income (Rs.)	Slab	Existing Tax Rates (F Y 2019-20)	New Tax Rates (F Y 2020-21)
0-2.5 Lakh		Exempt	Exempt
2.5-5 Lakh		5%	5%
(if taxable income exceeds Rs 5 lakhs)			
5-7.5 Lakh		20%	10%
7.5-10 Lakh		20%	15%
10-12.5 Lakh		30%	20%
12.5-15 Lakh		30%	25%
Above 15 Lakh		30%	30%

- Surcharge and cess shall be continued to be levied at the existing rates. Assessee's having income upto Rs 5 lakhs or less will continue to get relief u/s 87A and will pay nil tax.
- The new tax regime shall be optional for taxpayers. An individual who is currently availing more deductions and exemption under the Income Tax Act may choose to avail them and continue to pay tax in the old regime.

**Corporate Tax Rates announced in September 2019 unchanged**



## Direct Tax (2/5)

**If above rates are adopted, then following deductions shall not be allowed-**

- (i) Leave travel concession as contained in clause (5) of section 10;
- (ii) House rent allowance as contained in clause (13A) of section 10;
- (iii) Some of the allowance as contained in clause (14) of section 10;
- (iv) Allowances to MPs/MLAs as contained in clause (17) of section 10;
- (v) Allowance for income of minor as contained in clause (32) of section 10;
- (vi) Exemption for SEZ unit contained in section 10AA;
- (vii) Standard deduction, deduction for entertainment allowance and employment/professional tax as contained in section 16;
- (viii) Interest under section 24 in respect of self-occupied or vacant property referred to in sub-section (2) of section 23. (Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and would be allowed to be carried forward as per extant law);
- (ix) Additional depreciation under clause (iia) of sub-section (1) of section 32;
- (x) Deductions under section 32AD, 33AB, 33ABA;
  - (xi) Various deduction for donation for or expenditure on scientific research contained in sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35;
- (xii) Deduction under section 35AD or section 35CCC;
- (xiii) Deduction from family pension under clause (iia) of section 57;
- (xiv) Any deduction under chapter VIA (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc). However, deduction under sub-section (2) of section 80CCD (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed.



## Direct Tax (3/5)

### **Concessional Tax Rate for Corporates**

Concessional corporate tax rate of 15 per cent to new domestic companies in manufacturing and power sector.

### **Dividend Distribution Tax-**

Dividend Distribution Tax removed and classical system of dividend taxation adopted. The dividend shall be taxed only in the hands of the recipients at their applicable rate.

### **Concessional Tax Rate for Electricity Generation Companies**

In order to attract investment in the power sector, it has been proposed to extend the concessional corporate tax rate of 15% to new domestic companies engaged in the generation of electricity.

### **Tax Concession for Foreign Investments**

To incentivize investment by Sovereign Wealth Fund of foreign governments, the Finance Minister has proposed to grant 100% tax exemption to their interest, dividend and capital gains income in respect of the investment made in infrastructure and other notified sectors before 31st March, 2024 and with a minimum lock-in period of 3 years.



## Direct Tax (4/5)

### **Tax Audit Limit**

Turnover threshold for audit has been increased to Rs. 5 crore from Rs. 1 crore only if the following conditions are satisfied:

- (a) aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed five per cent. of the said amount; and
- (b) aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed five per cent. of the said payment,

### **Affordable Housing**

In the last budget, the Finance Minister had announced an additional deduction of upto one lakh, fifty thousand rupees for interest paid on loans taken for purchase of an affordable house. The date of loan sanction for availing this additional deduction is proposed to be extended by one year, beyond 31st March, 2020.

### **Charity Institutions**

Income of Charity Institutions is fully exempt from taxation. Donation made to these institutions is also allowed as deduction in computing the taxable income of the donor. It is proposed to pre-fill the donee' information in taxpayer's return on the basis of information of donations furnished by the donor.

In order to claim the tax exemption, charity institutions have to be registered with the Income Tax Department. It is proposed to make the registration completely electronic under a unique registration number (URN) to be issued to all new and existing charity institutions.

### **Faceless Appeals**

It is proposed to amend the Income Tax Act so as to enable faceless appeal on the lines of faceless assessment.





## Direct Tax (5/5)

### **“Vivad se Vishwas” scheme**

Under the proposed ‘Vivad se Vishwas’ scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty, provided he pays by 31st March, 2020. Those who will avail the scheme after 31st March, 2020 will have to pay some additional amount. The scheme will remain open till 30th June 2020.

### **Instant PAN through Aadhaar**

In order to further ease the process of allotment of PAN, a system will be launched under which PAN shall be instantly allotted online on the basis of Aadhaar, without any requirement for filling up of detailed application form.

### **In section 139 of the Income-tax Act, in sub-section (1), in Explanation 2, in clause (a),--**

(a) in sub-clause (iii), the word “working” shall be omitted

(b) Due Date of filing of Income tax return has been extended to 31st day of October for the persons who are liable to get their accounts audited.

### **Co-operative societies-**

Tax on co-operative society resident in India u/s 115BAD shall be reduced to 22% w.e.f 1-April-2021.

### **Misc. Points-**

Under Section 194J, in case of technical services (other than professional services) rate for TDS is reduced to 2% from existing 10% w.e.f. 1-4-2020.

In section 6 of the Income-tax Act, with effect from the 1st day of April, 2021,--

To become a resident in India in any year, the assessee had to stay in India for a period exceeding 182 days. This limit has been reduced to 120 days.

(iii) Notwithstanding anything contained in clause (1), an individual, being a citizen of India, shall be deemed to be resident in India in any previous year, if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature



## Indirect Taxes

### ➤ Goods & Service Tax

- Simplified Return shall be implemented w.e.f 1<sup>st</sup> April, 2020
- Simple return filing with features like SMS based filing for Nil return, return pre-filing, improved Input tax credit etc
- Refund process made fully automated, no human Interface
- Electronic invoice has been introduced, it will implemented starting from this month on optional basis
- Aadhaar based verification of taxpayers is introduced
- Dynamic QR – Code is proposed for consumer invoices
- Input tax credit & invoice matching will be, wherein mismatch is of more than 10% in returns
- GST rate structure is deliberated to address issues like inverted duty structure

### Excise Duty

- Excise duty is being raised by National Calamity Contingent duty on Cigarettes & other tobacco products

### ➤ Custom Duty

- A number of measures has been taken for ease of doing business
  - India's quantum leap in the trading across border parameter of ease of doing business
  - India's rank on this parameter improved from 80 to 68 in 2019
  - Measures have also been taken for MSME sectors & for securing borders
- Provision relating to anti dumping duty, safeguard duty & import of subsidized goods are being strengthened for ensuring a level playing field for domestic industry
- Certain exemptions from Custom Duty have been withdrawn & suggestions would also be invited in respect of Custom Laws & procedures.
- Custom duty is being raised on items like footwear & furniture
- A nominal Health cess is being propose to impose on import of medical equipment
- Custom duty rates were pre announced for items like Mobile phone, electric vehicles & their components
- The rate of custom duty are being revised on electric vehicles & part of mobiles.
- Basic custom duty on import of news prints & light – weight coated paper are being reduced from 10% to 5%
- Anti Dumping duty on PTA for e.g. critical input for textile fibers & yarns is being abolished



# On Budget Day Sensex dives 988pts; Nifty below 11,700

## Lack of Sectoral specific sops (auto, realty...)

The Budget didn't have specific sops for any sector, be it auto or real estate, as widely expected to create demand in the economy and lift it out of the current slowdown.

## Income- Tax slab Confusion

There was some disappointment over the removal of all the exemptions under Section 80C. Also, by giving the option to choose between old and new income-tax formats, things have got more complicated.

## No LTCG revisit

The market was largely expecting the Finance Minister to make some tweaks to long-term capital gains tax (LTCG). But there was no such announcement. Investors were expecting the government to either abolish the tax for equities or extend the tenure to two years from one at present.

## Divestment targets a bit too high

LIC IPO might have been factored in, as the strategic divestment figures cannot go up so much

## Higher dividend tax on recipient

Abolition of dividend distribution tax (DDT)- which will lead to a Rs 25,000 crore in revenue foregone. But dividends will now be taxed in the hands of recipients.

### Market Watch 01.02.2020

#### SENSEX ↓

Open : 40,753.18  
Close : 39,735.53

#### NIFTY ↓

Open : 11,939.00  
Close : 11661.85



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