

## Union Budget



### From The Editor's Desk

Dear Reader,

With the vision of a 'New India' and a goal of becoming a USD 5 trillion economy over the next five years, Finance Minister Mrs. Nirmala Sitharaman presented her first budget on 5<sup>th</sup> July 2019.

The first term of the NDA government (2014-19) undertook major reforms across the board with a commitment to fiscal discipline. This has resulted in the economy growing from USD 1.85 trillion in 2014 to USD 2.70 trillion in 2019. So, while the government will look to continue that momentum and consolidate the gains, this budget has laid out a blueprint for the next five years to further strengthen India's position as a major global economy.

Towards that end and recognizing the role of India's private sector in nation-building, the budget announced several initiatives in key areas such as infrastructure development including road, rail, air and water connectivity as well as power and digital infrastructure, structural reforms to improve 'ease of doing business' for the private sector. Additionally, the budget also recognises the importance of innovation and the need to develop human capital to fuel the next phase of growth in the Indian economy.

In this edition of 'The Financial Kaleidoscope', you will get to know about some initiatives that are likely to impact the common man, entrepreneurs and small businesses as well as aspects pertaining to investment, personal finance and income tax as announced in Union Budget for F.Y. 2019-20. As you read, The Finance (No. 2) Act, 2019 stands duly published in official gazette on August 1, 2019. This effectively means that most of the budget proposals stand effective from April 1, 2019.

Regards,  
Team NSDL

# Income Tax

While the budget did not introduce any changes in income slabs or tax rates, surcharge rates have been increased for individuals with income in excess of ₹ 2 crore. The tax rates for F.Y. 2019-20 are as follows:

Tax Rate	Individuals (Below 60 years)	Senior Citizens (Between 60-80 years)	Super Senior Citizens (Above 80 years)
Nil	Up to ₹ 2,50,000	Up to ₹ 3,00,000	Up to ₹ 5,00,000
5%	₹ 2,50,001 to ₹ 5,00,000	₹ 3,00,001 to ₹ 5,00,000	-
20%	₹ 5,00,001 to ₹ 10,00,000	₹ 5,00,001 to ₹ 10,00,000	₹ 5,00,001 to ₹ 10,00,000
30%	Above ₹ 10,00,000	Above ₹ 10,00,000	Above ₹ 10,00,000

*The above rates are exclusive of surcharge and cess.*

## Surcharge and Cess

With the objective of revenue mobilisation and to increase the contribution of the creamy layer towards nation-building, the budget has increased the rate of surcharge on income-tax for individuals with a taxable income between ₹ 2 crore and ₹ 5 crore from 15% to 25%. The surcharge for individuals with income in excess of ₹ 5 crore has been raised from 15% to 37%.

Particulars	Income Range			
	₹ 50 lakh to ₹ 1 crore	₹ 1 crore to ₹ 2 crore	₹ 2 crore to ₹ 5 crore	Above ₹ 5 crore
Health & Education Cess	4%	4%	4%	4%
Surcharge	10%	15%	25%	37%

## Tax liability for NRIs for gifts received

Any gift (money or property valued in excess of ₹ 50,000) received in India by an NRI from a resident Indian will be taxable in the hands of the recipient. This is applicable for all transfers on or after July 5, 2019. All current exceptions and exemptions such as gifts from relatives on specific occasions like marriage will remain valid and applicable.

## Redefining 'consideration of immovable property' for TDS

For the purposes of calculating tax deductible at source for payments made for immovable property, the budget has redefined the term 'consideration'. The term 'consideration for immovable property' now include all incidental charges related to the property, including fees for club membership, car parking, maintenance, water and electricity as well as any other related charges. The tax deductible on payment made for the transfer of such property will be based on the gross amount inclusive of the additional charges as outlined above.

## Deduction of tax at source by individuals or HUF for resident contractor

Earlier, there were no provision that require an individual or HUF to deduct tax at source on payments made to a resident contractor or professional for personal use, or if the individual or HUF is not subjected to audit for their business or profession. With a view to broaden the tax base, the budget has a new provision making it obligatory for such individual or HUF to deduct tax at source at the rate of 5% if the total annual payment made to a contractor or professional exceeds ₹ 50 lakh. An individual deducting tax under this section shall be able to deposit TDS on the basis of the recipient's PAN.

## TDS on cash withdrawal from banks

In order to discourage withdrawal of a large amount of cash from bank accounts, the budget has a new provision that requires a 2% deduction of tax at source on cash withdrawals. This would be applicable to the transaction in excess of ₹ 1 crore with exemptions for business models requiring large cash withdrawals for day-to-day operations. This is effective from September 1, 2019.

# Deduction and Exemptions

## Deduction for interest on loan taken for 'affordable housing'

In order to promote 'Housing for All', the budget has allowed an additional deduction under Section 80EEA for individuals purchasing a property classified as 'affordable housing'. As per the provision, individuals will be allowed a deduction up to ₹ 1.5 lakh on the interest paid on a loan taken for purchasing residential property falling under the definition of 'affordable housing', subject to the following conditions:

- ✓ The value of such residential unit should not exceed ₹ 45 lakh.
- ✓ The individual should not own any other residential property.
- ✓ The loan should be sanctioned during the F.Y. 2019 – 20.

This shall be in addition to the existing interest deduction of ₹ 2 lakh, thus taking the total eligible deduction up to ₹ 3.5 lakh. Therefore, this will provide a total benefit of ₹ 7 lakh over a loan period 15 years to middle-class first time home owners.

## Deduction on profit from the development of 'affordable housing' project

Section 80-IBA provides a 100% deduction on profits derived by an individual involved in the development of 'affordable housing' for a period of three consecutive years. The deduction is permitted for projects that meet the criteria to qualify as 'affordable housing' as outlined below:

- ✓ The project should be approved on or after September 1, 2019.
- ✓ The carpet area of the housing units should not exceed
  - 60 square meters in metropolitan cities, or
  - 90 square meters in non-metropolitan locations.
- ✓ The value of each residential unit should not exceed ₹ 45 lakh.

## Deduction for interest on loan taken for purchasing electric vehicles

With the objective of reducing vehicular pollution and to promote electric vehicles as a viable option for carbon powered vehicles, the budget has allowed a deduction under Section 80EEB. As per the provision, individuals will be permitted a deduction up to ₹ 1,50,000 for the interest paid on a loan taken for buying an electric vehicle. This deduction will be available for a loan taken from April 1, 2019 to March 31, 2023.

## Deductions for Central Government employees under National Pension System

Section 80CCD allows a deduction on contributions made by individuals who have subscribed to the National Pension Scheme (NPS). In order to encourage contributions among Central Government employees, the budget has proposed to increase the current limit of 10% of salary as contribution to 14% when made by the Central Government. This would enable Central Government employees to get a maximum deduction on their contribution.

Additionally, the budget has allowed an additional deduction under Section 80C for Central Government employees. In order to promote investment for tax saving, Central Government employees will be eligible for deduction on the contribution made to Tier II accounts opened under the NPS.

## Exemption on withdrawal from NPS

Individuals who have subscribed to the NPS will be allowed additional tax exemption on lump-sum withdrawals. In order to enable liquidity, the exemption limit has been increased from 40% to 60% of the total accumulated corpus. This would also be applicable to subscribers closing their account or opting out of the scheme.

## Exemption for CPSE investors

The budget offers a concessional rate of short term capital gains tax to fund of funds set up for disinvestment of Central Public Sector Enterprises (CPSEs). The government will also facilitate setting-up of Exchange Traded Funds (ETFs) for CPSEs on the lines of Equity Linked Savings Scheme (ELSS) which is likely to encourage long term investment in CPSEs by retail investors.

## Mandatory filing of income tax returns

The budget has made some changes in norms making it mandatory for certain individuals to file income tax returns. According to the new provisions, individuals entering into high value transactions will be required to file income tax returns, if during the previous year they have:

- ✓ Deposited an aggregate amount in excess of ₹ 1 crore in one or more current account; or
- ✓ Incurred an expenditure on foreign travel in excess of ₹ 2 lakh; or
- ✓ Incurred an electricity expenditure in excess of ₹ 1 lakh;

These would be in addition to existing provisions that require individuals to file an income tax return.

## Pre-filled income tax returns

The budget has a new initiative to make pre-filled forms available for individuals eligible for using ITR-1 and ITR-4 forms. These forms will contain pre-filled details such as salary income, capital gains from securities, bank interests, dividends and tax deductions. This information will be collected from several sources including banks, stock exchanges, mutual funds and state registration departments among others. This is in keeping with global trends across mature economies and is expected to make the process of filing income tax returns easier for individual taxpayers.

## Interchangeability of Aadhaar and PAN

The budget provides for interchangeability of Aadhaar and PAN when either of these is required to be quoted. Accordingly, individuals who do not have a PAN, but have enrolled for Aadhaar can use that in lieu of PAN and vice versa. Subsequently, such individuals will be issued a PAN by Income Tax Department.

## Consequences of not linking Aadhaar with PAN

According to earlier provisions, PAN will become invalid if it is not linked with Aadhaar before a notified date. However, this creates issues for past transactions based on such a PAN. In order to avoid that complication, the budget has a clause under which the failure of an individual to link the two would result in the PAN becoming inoperative (not invalid). While it would prohibit the user from using the PAN for future transactions, the past transactions would remain accessible and valid.

## Increase in the threshold for prosecution for non-filing of income tax returns

Earlier, Section 276CC provided that individuals who are liable to pay income tax in excess of ₹ 3,000 can be prosecuted for non-filing of income tax returns. However, since the intent of this provision has been to take into account pre-paid taxes while calculating the tax payable, the budget has amended the section to include self-assessment tax paid during the year and the tax collected at source on their behalf. Additionally, the current threshold of payable tax will be increased to ₹ 10,000 with effect from April 1, 2020.

## Faceless e-assessment

The existing system of scrutiny assessments involves a high level of personal interaction between the taxpayer and officials from the Income Tax Department. This tends to lead to certain undesirable practices on the part of tax officials. In order to reduce this, the budget has enabled rolling-out faceless electronic assessments in a phased manner. To begin with, such assessments will be carried out for cases requiring verification of certain specified transactions or discrepancies.

# Start-ups

## Exemption on capital gains for start-ups

Entrepreneurs selling their residential property to invest in their start-up will be exempt from capital gains tax for an extended period of two years, until March 31, 2021. Additionally, the minimum limit of shareholding or voting rights in eligible start-ups has been relaxed from the current level of 50% to 25%. The condition restricting the transfer of a new asset (computer or computer software) by eligible start-ups is also proposed to be reduced from five years to three years.

## Conditions relaxed for eligible start-ups to carry forward losses

The budget has relaxed the conditions for start-ups to carry forward and set off of losses as provided in Section 79. Going forward, start-ups are allowed to do so, subject to they satisfying one of the following conditions:

- ✓ At least 51% of voting power is held by the same person/s who held them on the last day of the year in which loss was incurred.
- ✓ 100% of the original shareholders (as on the last day of the year in which loss was incurred) continue to hold the shares in the start-up.

# MSMEs

## Pension for retail traders and shopkeepers

The budget has announced the launch of a new scheme called Pradhan Mantri Karam Yogi Maan-dhan Yojana. This is a first-of-its-kind pension scheme aimed at retail traders and shopkeepers with an annual turnover of under ₹ 1.50 crore. The scheme only requires the beneficiaries to possess Aadhaar and a bank account and is expected to cover around 3 crore beneficiaries across India.

## Ease of credit availability for MSMEs

For ease of access to credit for Micro, Small and Medium Enterprises (MSMEs), the government has launched a new initiative for providing loans up to ₹ 1 crore within 59 minutes through a dedicated online portal. Under the Interest Subvention Scheme for MSMEs, the government has earmarked a sum of ₹ 350 crore for FY 2019-20 to offer 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans.

## Launch of new payment platform for SMEs and MSMEs

Government payments to suppliers and contractors are a major source of cash flow, especially to SMEs and MSMEs. However, the current system is plagued by administrative and other delays which cause complications within the system which eventually burdens such business owners. With a view to address this challenge and to attract investments in the segment, the government will create a new payment platform for SMEs and MSMEs to enable them to file bills online as well as receive payments on the same platform.

# Youth

## New National Education Policy

With the objective of transforming India's higher education system, the government will be introducing a New National Education Policy. The proposed policy envisions major changes at both, school-level as well as and higher education to bring greater focus on research and innovation. The policy will also look to enhance the system of governance to ensure that the desired outcomes are met.

## 'World Class Institutions' and 'Study in India'

With the objective of developing world-class institutions along the lines of IITs and IISc, the budget has earmarked an amount of ₹ 400 crore for FY 2019-20. To further enhance the reputation of India as a centre of excellence for higher studies, the government has proposed a 'Study in India' initiative to encourage foreign students to study at higher educational institutions in the country.

## Higher Education Commission of India

The budget has proposed a comprehensive reform of our higher education structure and regulatory systems. The government will set-up the Higher Education Commission of India (HECI) which would promote greater autonomy, and focus on better academic outcomes.

## Committee on empowering women

Recognising the increasing role of women towards developments in the society and the economy, the finance minister has proposed the formation of a committee with participants from within the government as well as private stakeholders to evaluate the current contribution of women and to chart a roadmap for moving forward on gender budgeting. The government is also committed to changing its approach from women-centric policy making to launching women-led initiatives and movements.

## Women Self Help Groups

In order to support entrepreneurship among women, the government has launched a number of schemes such as MUDRA, Stand Up India and the Self Help Group (SHG) movement. In order to further encourage participation from women, the budget envisages expanding the existing Women SHG interest subvention programme to all districts across the country. Additionally, every verified woman SHG member having a Jan Dhan Bank Account will be allowed an overdraft of ₹ 5,000 whereas, one woman per SHG will be eligible for a loan of up to ₹ 1 lakh under MUDRA Scheme.

# News Section

## Training Programmes for Participants

### ➤ NISM Certification Programme for Participants

To facilitate officials of Participants to prepare and appear for NISM - Series VI - Depository Operations Certification Examination (DOCE), NSDL conducted one training programme at Kolkata in August 2019.

### ➤ NSDL Depository Operation Programme for Participants

To focus on NSDL day-to-day DP operations, NSDL conducted four day NSDL DP Operations Training Program for Participants at Mumbai in August 2019.

### ➤ CPE Training Programme for Participants

NSDL, a NISM accredited Continuing Professional Education (CPE) Provider offers CPE training programmes in different modules for eligible associated persons. In July and August 2019, NSDL conducted 14 such training programmes at Ahmedabad, Chennai, Hyderabad, Jaipur, Kolkata, Mumbai, New Delhi and Rajkot.

## Investor Education initiatives undertaken by NSDL

NSDL conducts Invester Awareness Programmes (IAPs) throughout the country to ensure investors are aware of different aspects of investing. Till date, NSDL has conducted over 3,600 programmes which have been attended by more than 3.51 Lakh investors. Feedback received from investors during these IAPs is extremely encouraging. While schedule of these programs is published online at <https://nsdl.co.in/Investor-Awareness-Programmes.php>, we shall be happy to conduct IAPs for your organization / institute / society. Help us in driving the investor education initiative further by writing to us at [info@nsdl.co.in](mailto:info@nsdl.co.in) about such programmes to be conducted.

**More the education, more the prudence**

## Forthcoming Investor Awareness Programmes

1	18-Sep-19	Hotel Sree Gokulam Fort, Opp. Railway Station, Goods Shed Road, Palissery, Thalassery - 670101, Kerala	Thalassery	Kerala	05.30 p.m. onwards
2	18-Sep-19	Tarawade Clarks Inn, 1205/2/5 Shirole Road, Near Sambhaji Udyan, Off. J. M. Road, Pune - 411005, Maharashtra	Pune	Maharashtra	07.00 p.m. onwards
3	19-Sep-19	Hotel Pearl Regency, Warriam Lane, Near Railway Station, Thrissur - 680001, Kerala	Thrissur	Kerala	05.30 p.m. onwards
4	20-Sep-19	The Dunes Doraiswamy Iyer Road, Shenoy's, Kochi - 682035, Kerala	Kochi	Kerala	05.30 p.m. onwards
5	20-Sep-19	ADR Hotel, C 96-97, RDC, Rajnagar, Ghaziabad - Uttar Pradesh 201001	Ghaziabad	Uttar Pradesh	05:00 PM to 8:00 PM
6	26-Sep-19	Hotel Best Western Plus, 31/1, Main Road, South Tukoganj, Indore - 452001, Madhya Pradesh	Indore	Madhya Pradesh	06.00 p.m. onwards
7	27-Sep-19	Hotel Courtyard Marriott, DB City, Area Hills, Bhopal - 462011, Madhya Pradesh	Bhopal	Madhya Pradesh	03.00 p.m. onwards
8	28-Sep-19	Punjabi Zaika, 3539, Chowk, Main Road, Mahindra Park, Raja Park, Rani Bagh, New Delhi - 110034, Delhi	New Delhi	Delhi	05.00 p.m. onwards
9	18-Oct-19	Hotel Ganapathi, NH-6, Bargarh - 768028, Odisha	Bargarh	Odisha	06.00 p.m. onwards
10	19-Oct-19	Hotel Durga, NH55, Turanga, Angul - 759123, Odisha	Angul	Odisha	06.00 p.m. onwards
11	20-Oct-19	Hotel Seetal, Gridco Colony, Bhojinar, Bhubaneswar - 751022, Odisha	Bhubaneswar	Odisha	10.30 a.m. onwards
12	20-Oct-19	The Blue Lagoon Premium, Ring Road, Near Sunshine Field, Rajabagicha, Cuttack - 753002, Odisha	Cuttack	Odisha	06.00 p.m. onwards

\* Schedule is subject to change. Please visit <https://nsdl.co.in/Investor-Awareness-Programmes.php> for updated schedule.

## Forthcoming Training Programmes for Participants on Continuing Professional Education (CPE) – Depository Operations Module

Sr. No.	Date of Training	Location of Training
1	September 14, 2019	Ahmedabad
2	September 21, 2019	Kolkata
3	September 27, 2019	Mumbai
4	September 28, 2019	Ahmedabad and New Delhi

\* Schedule is subject to change.



# Question for Knowledge Wins contest !

What is the additional benefit under section 80CCD(B) allowed for contribution in NPS?

Email your reply mentioning your name, address and contact no. with the subject 'Knowledge Wins Contest - July 2019' to [info@nsdl.co.in](mailto:info@nsdl.co.in)

#### Terms and Conditions

- NSDL shall be solely responsible for the execution and administration of this Contest.
- This Contest is only open to Indian Citizens. (NSDL employees are not allowed to participate in this contest.)
- All personal details submitted must be accurate and complete and are subject to proof upon request by NSDL.
- NSDL reserves the right, at any time, to verify the validity of entries and entrants and to disqualify any entry not submitted in accordance with these Terms or which tampers with the entry process.
- NSDL reserves the right to discontinue the contest at any given point of time without prior intimation.
- All prize drawings will be made on a strictly random basis and the decision made by NSDL will be final.

# KNOWLEDGE WINS Contest

Lucky 25  
Winners will  
Win Free  
Goodies



Your suggestions for newsletter are valuable to us.

Send in your suggestions mentioning your  
name, address and contact number  
with the subject

"Suggestions for the newsletter"

to [info@nsdl.co.in](mailto:info@nsdl.co.in)

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- For any grievances, you can email us at [relations@nsdl.co.in](mailto:relations@nsdl.co.in)
- To know more about NSDL Certification Program, you can email us at [trainingdept@nsdl.co.in](mailto:trainingdept@nsdl.co.in)
- For any other information, email us at [info@nsdl.co.in](mailto:info@nsdl.co.in)

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