

# 2019 India Union Budget Direct Tax Proposals

With the victory over the 2019 elections, the New Finance Minister of India, Ms. Nirmala Sithraman has taken charge of her new position as evidenced by her accelerated action of announcing the budget 2019 on the 5th July 2019. The Budget was all about introducing incremental measures towards the development of various sectors of the Indian economy especially infrastructure development, facilitating ease of banking and liberalizing the foreign policies to invite more foreign investors.

Below are some key highlights of the direct tax proposals

## 1. Income Tax Rates:

### a) Corporate Tax Rate:

- Tax rate reduced to 25% for companies with annual turnover up to INR 400 crore;

### b) Individual & HUF Tax Rate:

- Surcharge increased on taxable income from INR 2 crores to INR 5 crores and INR 5 crores and above.

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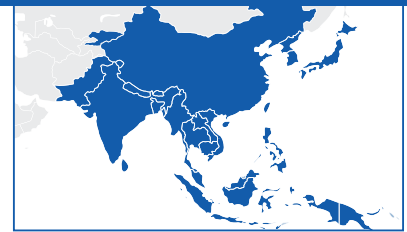


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Range of income (INR)	Tax Slab Rate	Surcharge	Cess	Aggregated Tax Rate	Aggregated Tax Rate before Union Budget	Effective Increase in Tax Rates
0 – 2.5 Lacs	0%	-	4%	0%	0%	-
2.5 to 5 Lacs	5%	-		0% due to rebate	0%	-
5 to 10 Lacs	20%	-		20.80%	20.80%	-
10 to 50 Lacs	30%	-		31.2%	31.2%	-
50 Lacs to 1 Crore		10%		34.32%	34.32%	-
1 Crore to 2 Crore		15%		35.88%	35.88%	-
2 Crore to 5 Crore		25%		39%	35.88%	3.12%
5 Crore +		37%		42.74%	35.88%	6.86%



2. Income tax returns can now be filed using Aadhaar number in case a person does not have PAN.
3. Prefilled tax returns with details of several incomes and deductions to be made available. Information to be collected from banks, stock exchanges, mutual funds, etc.
4. Faceless e-assessment with no human interface to be launched in phase manner. E-notices to be issued without disclosure of assessing officer or their location information.
5. Additional deduction up to INR 1.5 Lacs for interest paid on loans borrowed up to 31st March, 2020 for purchase of house valued up to INR 45 lacs.
6. Individuals and HUFs will now have to deduct tax at source at 5% if aggregate sums paid or credited on account of contractual work or professional fees exceed INR 50 Lacs in a year. Earlier individuals or HUFs were not required to deduct tax at source on contractual work or professional services availed during the year unless such individuals or HUFs were subjected to tax audit.
7. Tax deducted at Source (TDS) at 2% will now be levied on cash payments in excess of INR 1 Crore in aggregate made during the year, by a banking company, co-operative bank or post office, to any person from an account maintained by the recipient in such organizations.
8. Additional income tax deduction of INR 1.5 lacs on interest paid on electric vehicle loans.
9. Funds raised by start-ups will not be subject to Income Tax scrutiny and there shall be mechanism for e-verification of identity of investor and source of funds.
10. Capital Gains exemption from sale of residential house for investment in start-ups extended till FY 2020-21.

## Conclusion

The country has experienced positive vibes with, the Modi Government taking over for a second term. It is widely expected to see growth and momentum in the economy. Moreover, there is an increased awareness amongst the crowd about the tax measures and foreign policies further assisting in bringing down the unhealthy practices.

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