

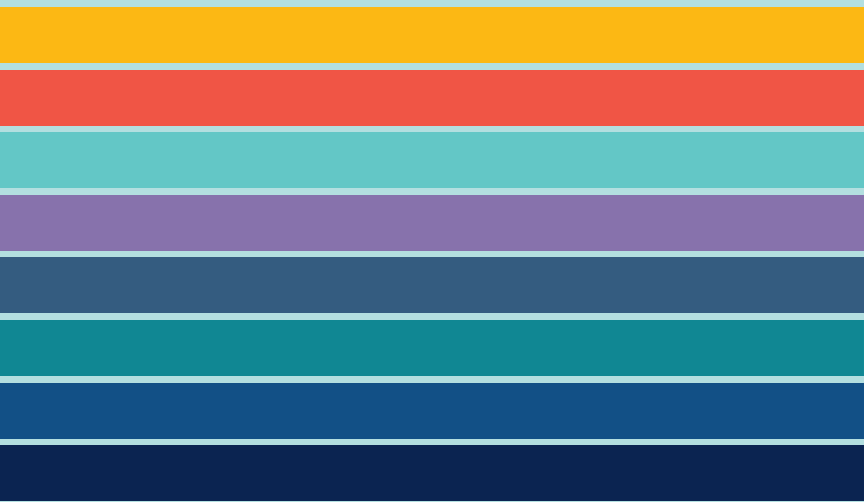
INDIA BUDGET SYNOPSIS 2019

Recent Policy Changes and Proposals For Direct and Indirect Taxes, Impact and Economic Indicators



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We have taken all steps to ensure that the information contained herein has been obtained from reliable sources and that this publication is accurate. However, this publication is not intended to give legal, tax, accounting or other professional advice. We recommend appropriate advice be taken prior to initiating action on specific issues.



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FOREWORD



HOPE, TRUST, ASPIRATION

I am delighted to see that the political powers are thinking like accountants – a number drives the plan. A big number. To become a 5 trillion-dollar economy!

It is a relief that there were no major surprises. In a way, the budget was on expected lines i.e. laying the direction for next 5 years.

The thrust of Make in India was evident. Starting from customs duty which has generally been increased across the board on items which are made in India or can be made in India, to tax exemptions for large scale manufacturers of needed technologies i.e. semi-conductors, lithium batteries, etc. Engineering too gets a boost viz. making India an aviation hub in terms of Maintenance, Repair and Overhaul. However, while Air India is again touted for divestment, and others as well, no clear plan has been laid out. Interestingly, the Make in India plan is being widened. It is not just manufacturers, we want financial powers to be here as well. International Financial Centers, the likes of GIFT in Gujarat, are being encouraged through a slew of tax exemptions.

Wisely, the local sourcing requirements, for those foreign firms setting up single brand retail, are to be diluted. Aviation, Media and Insurance sectors are indicated to be further opened up. In similar spirit, multiple labour laws to be submerged into 4 codes. However, no mention was made of the earlier touted Direct Tax Code to replace the current Direct Tax Law.

Pension to small retailers, nearly 11 million houses in rural belts as equally 8 million for the urban poor, a large generous capitalization largesse to public sector banks, which follows a similar one just allocated to our ailing public sector telecom giants, MTNL and BSNL – these would add to the fiscal deficit all good intentions notwithstanding. Probably better to accelerate the privatisation process.

The interphase between tax payers and tax officers enters a whole new dimension. While we had already entered the era of faceless e-assessment, whereby submissions against tax verification were made electronically, it now becomes virtually traceless e-assessment where cases for verification would be picked at random and tax payers would not know the tax officer assessing them! Similarly, the fight against corruption continues – tax withholding on payments by individuals to contractors for high value payments or when one withdraws over ₹10 million from bank account in a year, compulsorily filing tax returns where bank balances are beyond set limits or foreign travel/ electricity bill exceed ₹200,000/100,000. I respect the thought, and hope these yield desired results and does not simply add to compliances.

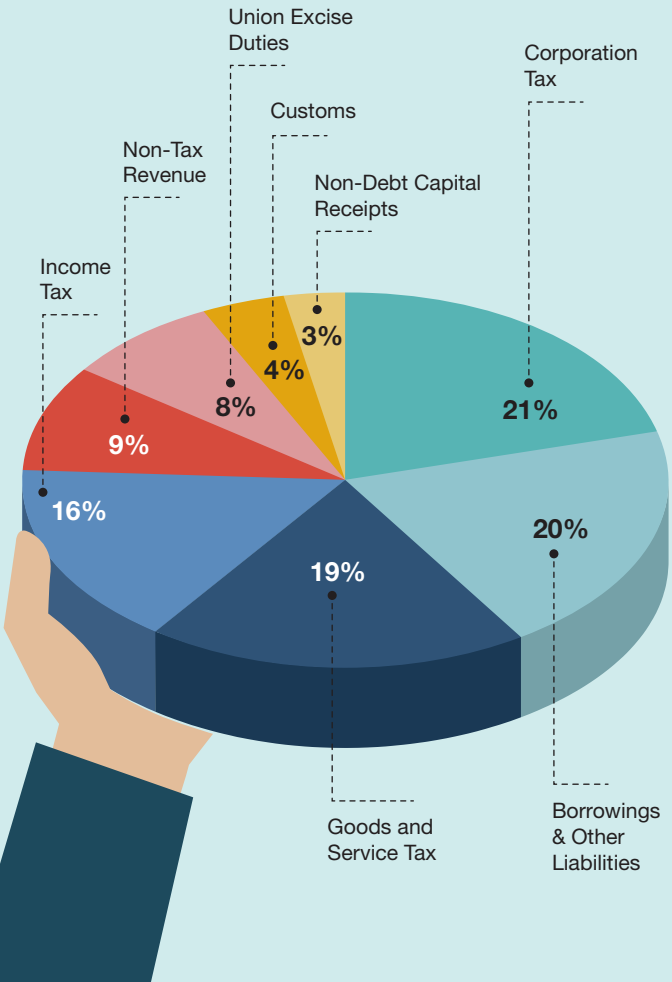
Electric Vehicles and Startups are the new babies demanding attention. And they seem to have got that. Besides reducing tax impact on manufacturers of EVs, the buyer too can get tax rebates against the vehicle loan. The startups must be giving a sigh of relief. The ambiguous angel tax is out of the window, and the tax officers encouraged to close past cases quickly, not to forget that initiating verification processes against startups would need more clearances. Spells well for our young entrepreneurs. To similarly encourage our rural entrepreneurs, a scheme is set rolling to identify 100 clusters of traditional industries and set up incubators to encourage and build at least 75000 entrepreneurs. A good inclusion plan.

Overall, the intent and direction remain the same. Will this push the industry to react favorably as well as encourage foreign investors? I sure hope so.

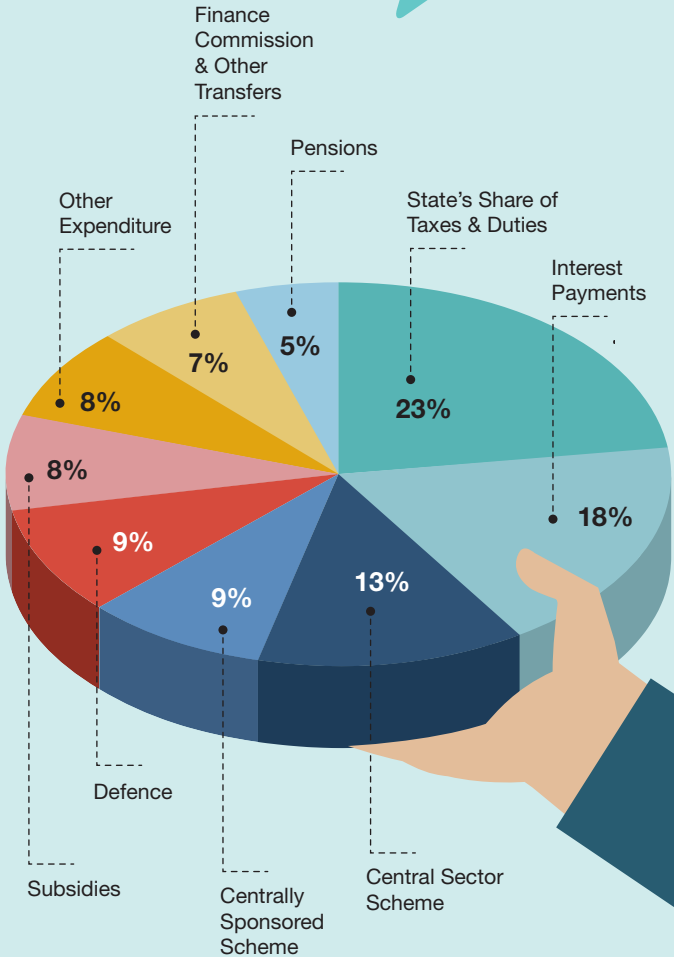
Ajay Sethi

Managing Partner

RUPEE COMES FROM



RUPEE GOES TO



IN BRIEF

Budget Statement



DIRECT TAXES

- Red carpet for eligible start-ups
- Higher surcharge on HNIs
- Additional income tax in lieu of secondary adjustment under TP
- Enhanced criteria for compulsory filing of tax returns
- Digital payments to substitute cash payments



INDIRECT TAXES

- Authentication of identity made mandatory through AADHAAR or an alternative mechanism for GST registration
- Interest to be paid on net GST liability
- National Appellate Authority for Advance Ruling to be constituted under GST
- Scheme introduced for resolution and settlement of pending cases of Central Excise and Service tax
- Persons obtaining scrips or licenses by malafide means and utilizing them to be penalized under Customs Act



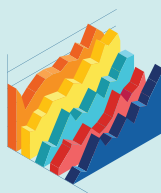
COMMERCE & TRADE

- In focus – rural development, banking, finance and ease of living
- Extension of benefits in social protection, infrastructure, and MSME sectors
- National Common Mobility Card to enable payment of multiple transport charges
- Enhanced recoveries under Insolvency and Bankruptcy Regulations
- Minimum public shareholding limits in listed companies sought to be increased



SOCIAL FOCUS

- Special emphasis on water resource management and utilisation
- Pension benefits extended to small businesses in unorganised sector



ECONOMIC INDICATORS

- GDP growth estimated at 6.8 per cent in 2018-19. Expected to be 7.3 per cent for 2019-20
- WPI based inflation at 4.3 per cent
- Foreign exchange reserves at US\$ 412.9 billion
- Growth in Infrastructure, Power and Roads

BUDGET PROPOSALS



DIRECT TAXES



INDIRECT TAXES

This section summarises the significant proposals on Direct and Indirect taxes made by the Finance Minister on July 5, 2019. The direct tax provisions in the Finance Bill, 2019 would ordinarily apply to the Financial Year commencing on April 1, 2019 (Assessment Year 2020-21) whereas the indirect tax provisions would apply with immediate effect, unless otherwise specified. Finance Minister is likely to propose further amendments through separate Bills.



The proposals contained in the Finance Bill are subject to ratification by the Parliament

DIRECT TAXES

INCOME TAX

- The basic tax slabs for individual & HUF remains unchanged i.e.

INCOME RANGE (₹)	RATE (%)
Upto 250,000 ¹	Nil
250,001 – 500,000	5
500,001 – 1,000,000	20
1,000,001 and above ²	30

¹Exemption limit for individuals reaching 60 and 80 years remains at ₹300,000 and ₹500,000 respectively

²Surcharge remains at 10 per cent on income exceeding ₹5 million; stands at 15 per cent on income exceeding ₹10 million; increased to 25 per cent on income exceeding ₹20 million; increased to 37 per cent on income exceeding ₹50 million

- Tax rates on partnership firms and co-operative societies remain unchanged. Surcharge at 12 per cent where income exceeds ₹10 million.
- Corporate tax rate remains unchanged i.e.

COMPANY	RATE (%)
Domestic ¹	
▷ MSME / New enterprise	25 ²
▷ Others	30
Foreign	40 ³

¹Surcharge remains at 7 per cent and 12 per cent where income exceeds ₹10 million and ₹100 million respectively

²The benefit of lower rate of tax now available to companies with turnover up to ₹4 billion during financial year 2017-18

³Surcharge remains at 2 per cent and 5 per cent where income exceeds ₹10 million and ₹100 million respectively

- Dividend Distribution tax rates remain unchanged.
- Health and Education cess at 4 per cent remain unchanged.

CAPITAL GAINS

- In case of demerger, Indian entities complying with the Indian Accounting Standards can dispense with bringing the book values of assets and liabilities for the purpose of exemption from capital gains.

INCOME FROM OTHER SOURCES

- Gifts received by non-resident persons from Indian residents taxable in India subject to treaty benefits. Transactions between specified persons remain exempt.

REBATES AND DEDUCTIONS

INTRODUCED

- Interest of ₹150,000 under section 80EEA on loan sanctioned between April 1, 2019 to March 31, 2020 for purchase of first residential house property under affordable housing scheme.
- Interest of ₹150,000 under section 80EEB on loan sanctioned between April 1, 2019 to March 31, 2023 to an individual for purchase of first electric vehicle.

MODIFIED

- Conditions under section 80-IBA modified for affordable housing projects approved on or after September 1, 2019.

TAX WITHHOLDING

- Individuals and HUFs not liable to tax audits, to withhold tax at 5 per cent on contractual or professional payments exceeding ₹5 million per annum. Tax deposit permitted without a Tax Deduction Account Number ('TAN').
- Tax withholding at 1 per cent on purchase of immovable property also applicable to incidental payments.
- Tax withholding norms on payments to non-residents treated at par with residents. Now, failure to deduct tax at source will not result into disallowance of expense if non-resident recipient has discharged its tax liability.
- Tax withholding at 2 per cent on cash withdrawals exceeding ₹10 million per annum.

TRANSFER PRICING

- Where the Arm's Length Price ('ALP') of an international transaction is agreed under an Advance Pricing Agreement ('APA'), the Assessing Officer is bound to accept such ALP and compute tax liability.

- Where an enhancement to income exceeding ₹10 million is accepted by the taxpayer and such funds are not repatriated into India, the taxpayer can either receive such funds from another non-resident Associated Enterprise or voluntarily pay a one-time additional tax at 18 per cent alongwith surcharge at 12 per cent to avoid a secondary adjustment.
- The Indian entity of an international group to comply with Master File requirements even if no international transaction has taken place during the financial year.

START-UP TAX REGIME

- Conditions for carry forward and set-off of losses eased.
- Capital Gains tax exemption norms on investments made under section 54GB relaxed i.e.
 - Time limit extended from March 31, 2019 to March 31, 2021.
 - Minimum shareholding requirement reduced from 50 to 25 per cent.
 - Time limit on transfer of new computers or computer software reduced from 5 to 3 years.

OTHERS

- Mandatory tax filing by persons (other than a company or a firm) entering into high value transactions i.e.
 - Deposits exceeding ₹10 million annually into current accounts in India.
 - Exceeding ₹200,000 annually on foreign travels for self or others.
 - Exceeding ₹100,000 annually on electricity consumption.
- Where income exceeds the minimum threshold, prior to claiming rollover benefits under capital gains tax exemption schemes, filing a tax return is mandatory.
- PAN, not linked to AADHAAR (Unique Identification Number) before the specified date, is considered inoperative. Once linked, PAN and AADHAAR can be used interchangeably.

- Medium to large scale businesses to now offer and accept payments in electronic mode to encourage cashless economy. Non-compliance to attract penalties. Relevant tax provisions amended to include electronic mode as a valid form of making or receiving payments under different circumstances.
- Benefits extended to a company and its step-down subsidiaries where an insolvency petition is being processed by the National Company Law Tribunal ('NCLT')
 - carry forward of business losses despite change in shareholding .
 - allowing the aggregate of unabsorbed depreciation and brought forward losses in computing book profits under Minimum Alternative Tax (MAT).
- Buy-back of shares by a listed company to be treated at par with an unlisted company and consideration taxed at 20 per cent.

INDIRECT TAXES

CUSTOMS DUTY

Basic Customs Duty ('BCD') maintained at 10 per cent.

HIGHLIGHTS

- Amendments
 - Provisions introduced empowering proper officer to verify the identity of a person either through AADHAAR number or an alternative authentication mechanism.
 - Scope of Customs Act, 1962 enhanced to include power of arrest in case of any offence or contravention committed outside India by any person.
 - Provision introduced to attach bank account for a period of 6 months for safeguarding the interest of revenue and prevention of smuggling.
 - Persons obtaining scrips or licenses by malafide means and utilizing them for payment of duty to be penalized.
 - Road and Infrastructure Cess increased by ₹1 per litre on motor spirits including petrol and diesel.
- Change in BCD rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To
AUTOMOBILE PARTS			
▶ Sheets, rolls, strips, segments, discs, washers and pads	10	↑	15
▶ Glass mirrors, including rear view mirrors	10	↑	15
▶ Locks used in motor vehicles	10	↑	15
▶ Oil or petrol filters for internal combustion engine	7.5	↑	10
▶ Windscreen wipers, defrosters and demisters, sealed beam lamp units and other lamps	10	↑	15
▶ Catalytic Converters	5	↑	10
PAPER AND PAPER PRODUCTS			
▶ Newsprint	0	↑	10

INDUSTRY	RATE (%)		
	From	↑↓	To
▷ Uncoated paper used for printing of newspaper	0	↑	10
▷ Lightweight coated paper used for printing magazines	0	↑	10
▷ Printed books and manuals, in bound or in loose leaf form with binder executed on paper or any other material	0	↑	5
PETROLEUM AND PETROCHEMICALS			
▷ Crude Petroleum	0	↑	₹1/ ton
▷ Naphtha	5	↓	4
▷ Ethylene Dichloride	2	↓	0
▷ Methyloxirane	7.5	↓	5
TEXTILES			
▷ Wool fibre	5	↓	2.5
▷ Wool tops	5	↓	2.5
PRECIOUS METALS			
▷ Gold including gold plated with platinum, semi-manufactured or in powder form	10	↑	12.5
▷ Platinum, semi-manufactured or in powder form	10	↑	12.5
OILS AND ASSOCIATED CHEMICALS			
▷ Palm Stearin and other oils for use in manufacture of soap and oleochemicals	0	↑	7.5
CAPITAL GOODS			
▷ Stone crushing plants for road construction	0	↑	7.5
ELECTRONIC/HARDWARE			
▷ Charger / power adaptor for CCTV camera / DVR/ NBR	0	↑	15
▷ Loudspeaker	10	↑	15
▷ CCTV Camera and IP Camera	15	↑	20

INDUSTRY	RATE (%)		
	From	↑↓	To
‣ Optical fibres and cables	10	↑	15
PLASTIC AND RUBBER			
‣ Articles of plastic	10	↑	15
‣ Butyl Rubber	5	↑	10
‣ Chlorobutyl Rubber or Bromobutyl Rubber	5	↑	10
CONSTRUCTION MATERIAL			
‣ Floor covering of plastics, wall or ceiling coverings of plastics	10	↑	15
‣ Ceramic roofing tiles and ceramic flags and pavings, hearth or wall tiles	10	↑	15
‣ Base metal fittings, mountings and similar articles suitable for furniture, doors, staircases, windows, hinge for automobiles	10	↑	15
NUCLEAR FUELS AND NUCLEAR ENERGY PROJECTS			
‣ All form of Uranium ores and concentrates for generation of nuclear power	2.5	↓	0
‣ All goods for use in generation of nuclear power	7.5	↓	0
IRON AND STEEL AND OTHER BASE METALS			
‣ Stainless steel in ingots or other primary forms, semi-finished products of stainless steel	5	↑	7.5
‣ Other alloy steel in ingots, semi-finished product or other primary forms	5	↑	7.5
‣ Wire of other alloy steel	5	↑	7.5
‣ Amorphous alloy ribbon	10	↓	5

▪ Change in Export duty rates

LEATHER INDUSTRY			
‣ EI tanned leather	15	↓	0
‣ Hides, skins and leathers, tanned and untanned, all sorts	60	↓	40

EXCISE DUTY

Excise Duty has been subsumed under Goods and Services Tax ('GST') w.e.f. July 1, 2017 subject to exception of specified goods.

▪ Changes in Excise Duty

ITEMS	RATE (₹)		
	From	↑↓	To
SPECIAL ADDITIONAL EXCISE DUTY			
‣ Motor Spirit (Petrol)	7	↑	8
‣ High Speed Diesel	1	↑	2
ROAD AND INFRASTRUCTURE CESS			
‣ Motor Spirit (Petrol)	8	↑	9
‣ High Speed Diesel	8	↑	9

SERVICE TAX

Service Tax has been subsumed under GST w.e.f. July 1, 2017.

- Dispute Resolution Scheme proposed
 - Scheme introduced for resolution and settlement of pending cases of Central Excise and Service tax.
- Retrospective Exemptions
 - Effective April 1, 2016 – License fee or application fee received by State government against grant of liquor license.
 - Effective October 1, 2013 – Upfront consideration paid or payable by developers to State Government Industrial Development Corporations or Undertakings for long term lease of land where 50 per cent or more ownership is held by Central or State government, or Union territory.
 - Effective July 1, 2003- Services provided by the Indian Institutes of Managements (IIM's) by way of specified educational programs except Executive Development Programs.

GOODS AND SERVICES TAX

- Amendments
 - Threshold limit for registration for exclusive supplier of goods increased from ₹2 million to an amount not exceeding ₹4 million.
 - Authentication of identity, mandatory through AADHAAR or any other alternative mechanism for registration purposes.
 - Composition taxpayers to furnish single return for a financial year.
 - Inter-head transfer in the electronic cash ledger allowed.
 - Interest is to be paid only on net cash tax liability.
 - Central Government can also disburse the refund to taxpayers for State tax.
 - National Appellate Authority for Advance Ruling to be constituted.
 - Pronouncement by National Appellate Authority for Advance Ruling shall be binding on all registered persons having same Permanent Account Number ('PAN').

AGRICULTURE & TRADITIONAL INDUSTRIES

- Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship ('ASPIRE') to be consolidated for setting up Business Incubators to train 75,000 skilled entrepreneurs in agro-rural industrial sector.
- Scheme of Fund for Upgradation and Regeneration of Traditional Industries ('SFURTI') to establish 100 new clusters to enable and encourage 50,000 artisans working in traditional industries.

RURAL DEVELOPMENT

- *Jal Shakti Mantralaya* constituted as an integrated water ministry to manage water resources and supply. The objective is to provide water to all rural households by 2024.
- *Pradhan Mantri Awas Yojana – Gramin ('PMAY-G')* proposed to provide 19.5 million houses to eligible beneficiaries during 2019-20 to 2021-22.
- *Pradhan Mantri Gram Sadak Yojana ('PMGSY-III')* to upgrade 125,000 kms of road over the next 5 years with an estimated spent of ₹802.50 billion (US\$ 11.65 billion).
- Digital literacy achieved for over 20 million Indians, under the *Pradhan Mantri Gramin Digital Saksharta Abhiyan*.

SOCIAL PROTECTION

- *Pradhan Mantri Karam Yogi Maandhan Scheme* to provide pension benefits to 30 million retail traders and small shopkeepers having annual turnover less than ₹15 million (US\$ 0.22 million).
- *Pradhan Mantri Shram Yogi Maandhan* to provide pension of ₹3,000 (US\$ 43.55) per month to workers over the age of 60 and working in the unorganised sectors.
- Women entrepreneurs to be allowed an overdraft facility of ₹5,000 (US\$ 72.59) and a loan of up to ₹0.1 million (US\$ 1,452) under the MUDRA Scheme.

INFRASTRUCTURE

- Over ₹100 trillion (US\$ 1.45 trillion) proposed for the next 5 years in infrastructure sector.
- Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India Scheme ('FAME Scheme Phase-II') commenced from April 2019 with an outlay of ₹100 billion

(US\$ 1.45 billion) for a 3-year period for faster adoption of electric vehicles and providing the correct incentives and charging infrastructure.

- The Jal Marg Vikas Project to enable commercial navigation of vessels using water ways. It will result in environment friendly and an alternate mode of transportation.
- New Space India Limited ('NSIL') incorporated to tap the benefits of R&D carried out by Indian Space Research Organisation ('ISRO') to spearhead commercialisation of space products.

BANKING

- Public sector banks to provide ₹700 billion (US\$ 10.16 billion) boosting credit for a strong impetus to the economy.
- Foreign Institutional Investor ('FII')/Foreign Portfolio Investor ('FPI') investments in debt securities issued by Infrastructure Debt Fund–Non–Banking Finance Companies permitted to be sold to domestic investors within the specified lock in period.
- Over than ₹4 trillion (US\$ 58.07 billion) recovered, in the past 4 years, under the Insolvency & Bankruptcy Regulations. Non-Performing Assets ('NPAs') of banks reduced by ₹1 trillion (US\$ 14.52 billion) in the last fiscal year.

FINANCE

- Reduction in the Net Owned Funds requirement for reinsurers from ₹50 billion (US\$ 725.92 million) to ₹10 billion (US\$ 145.19 million). This will attract international insurers find better risk price for the premium offered.
- Disinvestment receipts for FY 2019-20 targeted at ₹1.05 trillion (US\$ 15.24 billion).
- Securities Exchange Board of India ('SEBI') directed to consider increasing the minimum public shareholding limit in listed companies from 25 to 35 per cent.

FOREIGN INVESTMENT

- FPI limits to be increased from 24 per cent to sectoral foreign investment limits with an option to corporates to maintain a lower threshold.
- FPIs permitted to subscribe to listed debt securities issued by Real Estate Investment Trusts ('REITs') and Infrastructure Investment Trusts ('InvIts').

- 100 per cent FDI to be permitted for insurance intermediaries.
- Local sourcing norms to be eased for FDI in Single Brand Retail Trading.
- Investments made through NRI-Portfolio route to be merged with FPI route. This will help bringing in larger pools of non-resident capital through pooled and professionally managed structures.

MEDIUM SMALL AND MICRO ENTERPRISES ('MSME')

- Quick disbursement of loans up to ₹10 million (US\$ 145,185) to be provided to MSMEs through a dedicated online portal.
- Under the interest subvention scheme, ₹3.5 billion (US\$ 50.81 million) allocated for 2 per cent interest subvention to all GST registered MSMEs on all fresh or incremental loans.

FISCAL MANAGEMENT

- The Government to consider borrowing in external markets in external currencies. This is being considered as the sovereign external debt to GDP for India which is among the lowest globally at less than 5 per cent.

EASE OF LIVING

- The Government to launch a National Transport card. This card will enable to users to pay for travel, toll tax, retail shopping and withdraw money.
- Multiple labour laws proposed to be streamlined into a set of 4 labour codes for ensuring greater standardisation and reduction in disputes.
- A TV programme proposed to be commissioned exclusively for promoting start-ups, discussing their specific issues, for enabling matchmaking with venture capitalists and for their funding. This is aimed at promoting start-ups and inspiring them across the country.
- AADHAAR Cards proposed to be issued to Non-Resident Indians with Indian Passports after their arrival in India without having to wait for 180 days.

IMPACT



CAPITAL MARKET

The Bombay Stock Exchange ('Sensex') closed 0.99 per cent lower at 39,513.39 down by 394.67 points. The National Stock Exchange ('Nifty') lost 1.14 per cent or 135.60 points to finish at 11,811.15 points. The Sensex touched an intra-day high of 40,032.41 and a low of 39,441.38 while the Nifty touched a high of 11,981.75 and a low of 11,797.90 during the day.



KEY SECTORS

AGRICULTURE

Zero-budget farming to offset increased cost by income generated from intercroops through optimal use of ecological resources. 10,000 new Farmer Producer Organisations would link the farmers with economic value chain. Such measures to upgrade and regenerate traditional industries through cluster-based methods would aid productivity and employment generation. Livelihood Business Incubators and Technology Business Incubators would promote innovation and technological updation in agro-rural industries.

AUTOMOBILE

Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India' Scheme II would encourage faster adoption of electrical vehicles (EVs) by establishing necessary charging infrastructure. Reduced GST on EVs from 12 to 5 per cent and ₹0.15 million (US\$ 2,178) deduction on the loan interest to purchase an EV, would boost demand. Exemption of custom duty on certain parts of EVs would further incentivise the sector.

DIGITAL INDIA

Online courses for disadvantaged students, attracting global pool of scientists and researchers and encouraging internet connectivity in local bodies in every village panchayat, would solve engineering and technology challenges, upgrade quality of teaching, bridge the digital divide and accelerate digitization.

EDUCATION

New National Education Policy and National Research Foundation would promote research and innovation. Study in India programme would attract foreign students for higher education. Such measures would strengthen the overall research ecosystem, provide better governance and would transform India's education to global best.

POWER

One Nation, One Grid policy would ensure power connectivity at affordable rates. Replacement of old and inefficient equipment and to address the low utilization of gas plant capacity due to paucity of natural gas will improve efficiencies. Removal of barriers on open access sales or captive generation for industrial consumers would ensure affordable power for economic impetus.

RAILWAYS

Proposal to use public-private partnership model would help development and completion of tracks, rolling stocks manufacturing and delivery of passenger freight services. Focus on Rapid Regional Transport Systems and new metro rail network would aid balanced urbanization. Transit Oriented Development would ensure commercial utilization of transit hubs.

WATERWAYS

Investment in inland water transport would augment internal trade, improving logistics and increase competitiveness of domestically produced goods. The movement of cargo through waterways would not only decongest road and rail cargo movement but would also reduce the cost of transportation.

START-UPS

Tax incentives, ease of accessing funds, special administrative arrangements for pending assessments of start-ups and redressal of grievances would infuse confidence amongst investors. Relaxation in set-off of losses and permitting investment of capital gains in start-ups would provide a fillip to start-up ecosystem.

RECENT POLICY CHANGES

Legislative Initiatives

External Commercial Borrowings ('ECB')

Taxation

Company Law

Insolvency and Bankruptcy Code

Others



LEGISLATIVE INITIATIVES

- Period of recognition for Start-ups increased to 10 years from incorporation in respect of the Biotechnology sector.
- Mandatory registration for all commercial as well as residential projects under The Real Estate (Regulation and Development) Act, 2016 ('RERA') for land over 500 square metres or 8 apartments.
- Norms for debt investments eased for Foreign Portfolio Investors ('FPI's).
- Oil exploration norms eased by permitting producers to go beyond their assigned areas if the same reservoir continues outside the contracted areas.
- Rules simplified for exporters to receive long-term advances upto a tenure of 10 years against long-term export commitment for supply of goods.

EXTERNAL COMMERCIAL BORROWINGS ('ECB')

- Rationalisation of all-in-cost for ECB under all tracks and rupee denominated bonds at 450 basis points over 6 month USD LIBOR.
- ECB Liability to Equity Ratio raised to 7:1 from the existing 4:1 in case of borrowing from foreign equity holder.
- End usage norms for ECB simplified. The existing criteria of positive end-use list replaced with a single negative list.
- ECB from foreign equity holders permitted for working capital, corporate expenses and repayment of domestic rupee loans.

TAXATION

- Non-compete fees paid to a foreign company towards business income, not to be considered taxable in the absence of a Permanent Establishment in India.
- Multilateral Instrument ('MLI') ratified to enable modification of tax treaties to curb revenue loss through treaty abuse or Base Erosion Profit Sharing ('BEPS').

- Amendment in framework for compounding of offences and preventing money laundering, non-disclosure of foreign assets or possession of benami assets.
- Central Board of Direct Taxes ('CBDT') notifies the benefit of 10 per cent LTCG for non-STT based share acquisitions.
- Inter-governmental agreement for exchange of Country by Country ('CbC') report signed with USA.
- Interest income exempted on specified offshore rupee denominated bonds.

COMPANY LAW

- Mandatory disclosure by an Indian company on individuals exercising indirect interest, control and/or influence.
- Outstanding receipts of money or loan, not in the nature of deposits, to be reported annually.
- Outstanding payments for supplies of goods and services from micro and small enterprises exceeding 45 days to be reported.
- Failure to maintain registered office and valid corporate identity to trigger strike-off provisions.

INSOLVENCY AND BANKRUPTCY CODE

- Bad loan recoveries through Insolvency and Bankruptcy Code 2016 ('IBC') stood at ₹700 billion compared to ₹355 billion under previous resolution mechanisms.
- Home buyers reclassified as Financial Creditors to discourage real estate developers from defaulting on commitments.
- Criteria to qualify as 'connected persons' and 'related parties' eased. This is done to widen the potential pool of bidders.

OTHERS

- Memorandum of Cooperation signed between India and Japan to promote human resource in the field of acute medicine, surgery and trauma care.
- India and Australia agree to an open sky policy allowing airlines on either side to offer unlimited number of seats.

- Memorandum of Understanding ('MoU') signed with top UK academic institutions to facilitate meaningful exploration and early adoption of 5G technology.
- Mergers & Acquisitions ('M&A') deal size in 2018 increased to a total of US\$ 125 billion against US\$ 82.9 million in the same period last year.
- MoU signed with China to export non-basmati rice.
- Pact signed between India and France in the field of energy efficiency and conservation.
- National Health Resource Repository introduced to help evidence based decision making and develop a platform for India's healthcare resources.

FOREIGN TRADE

(Apr-Mar 2019)

MAIN TRADING PARTNERS FOR INDIA				
S. No.	Main Exports to	Share (%)	Main Imports from	Share (%)
1	USA	15.89	China	13.69
2	UAE	9.11	USA	6.92
3	China	5.08	UAE	5.80
4	Hong Kong	3.95	Saudi Arabia	5.55
5	Singapore	3.51	Iraq	4.36
6	UK	2.83	Switzerland	3.51
7	Bangladesh	2.79	Hong Kong	3.50
8	Germany	2.70	Korea	3.26
9	Netherlands	2.67	Singapore	3.17
10	Nepal	2.35	Indonesia	3.09

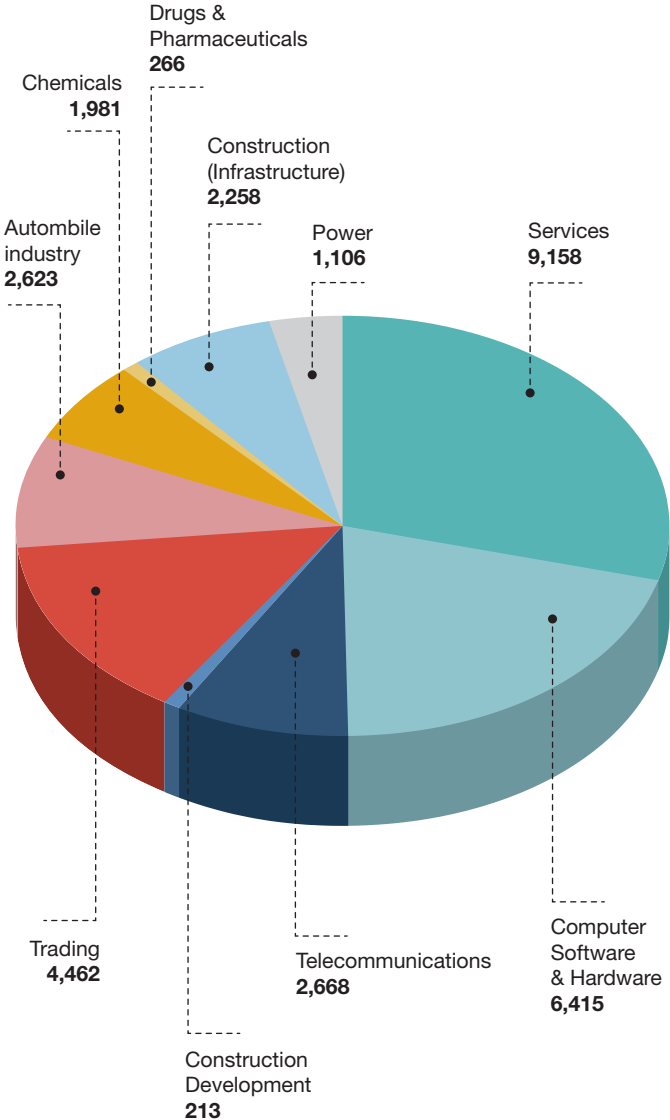
FOREIGN DIRECT INVESTMENT

(US\$ million)

FDI EQUITY INFLOWS (top ten countries)						
Rank	Country	2016-17	2017-18	2018-19	Cumulative Inflows (Apr 2000 - Mar 2019)	% age to total Inflows
1.	Mauritius	15,728	15,941	8,084	134,469	32
2.	Singapore	8,711	12,180	16,228	82,998	20
3.	Japan	4,709	1,633	2,965	30,274	7
4.	Netherlands	3,367	2,800	3,870	27,352	7
5.	UK	1,483	847	1,351	26,789	6
6.	USA	2,379	2,095	3,139	25,556	6
7.	Germany	1,069	1,124	886	11,708	3
8.	Cyprus	604	417	296	9,869	2
9.	UAE	675	1,050	898	6,652	2
10.	France	614	511	406	6,643	2

SECTORAL COMPOSITION OF FDI

(Apr'18 - Mar'19) (US\$ million)



ECONOMIC INDICATORS

GDP

Inflation

Foreign Trade

Foreign Exchange Reserves

Infrastructure

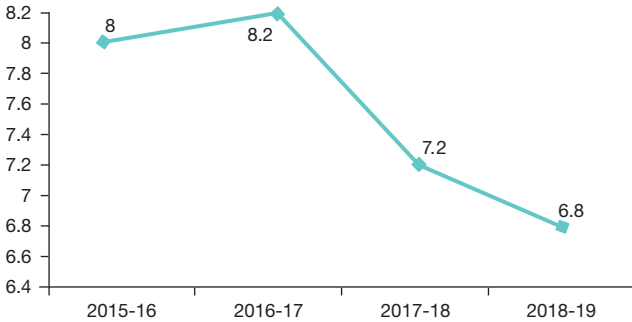


OVERVIEW

GDP

GDP growth for the year 2018-19 is estimated at 6.8 per cent compared to 7.2 per cent in the year 2017-18. It is projected that GDP growth during 2019-20 will be in the range of 7.3 per cent.

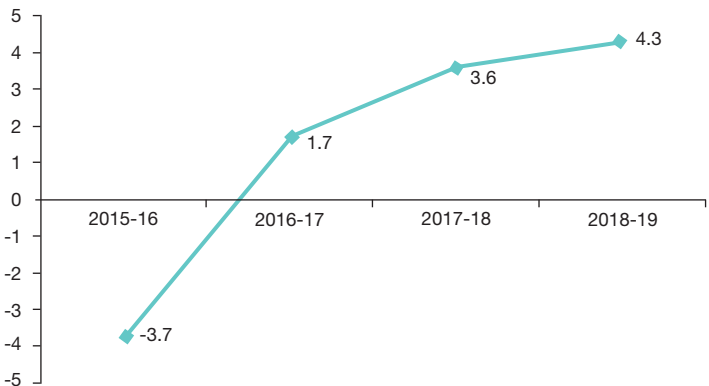
Overall GDP growth (%)



INFLATION

Inflation based on Wholesale Price Index ('WPI') increased from 3.6 per cent in 2017-18 to 4.3 per cent in 2018-19. WPI based food inflation was at 4.9 per cent in April 2019 as compared to 3.9 per cent in March 2019 and 0.8 per cent in April 2018.

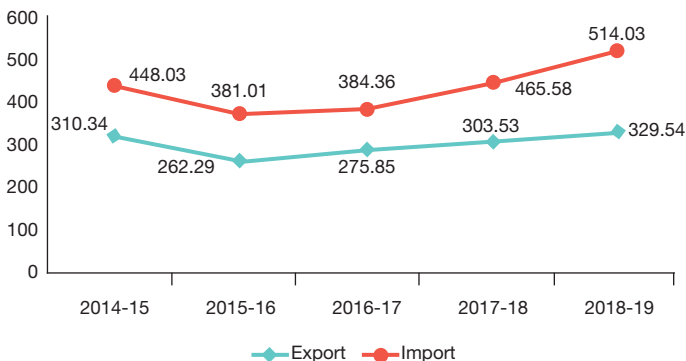
Inflation based on WPI (%)



FOREIGN TRADE

Exports for the year 2018-19 were US\$ 329.54 billion registering a marginal growth of 8.80 per cent from the last year. Imports for the year 2018-19 were US\$ 514.03 billion registering growth of 10.40 per cent from the last year. Trade deficit during the year stood at US\$ 184.49 billion.

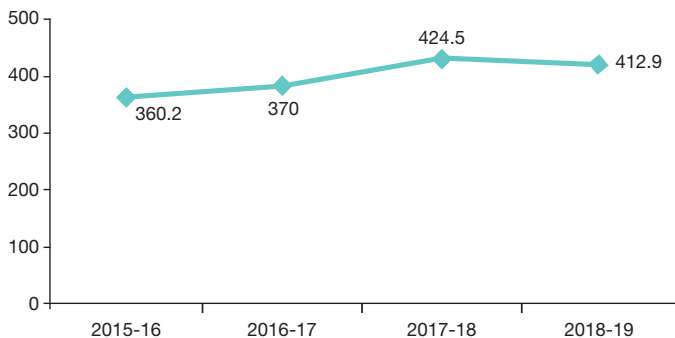
Exports and Imports
(US\$ billion)



FOREIGN EXCHANGE RESERVES

Foreign exchange reserves decreased by US\$ 11.6 billion during 2018-2019 compared to 2017-18. India's foreign exchange reserves continue to be comfortably placed at US\$ 422.2 billion, as on June 14, 2019.

Foreign Exchange Reserves
(US\$ billion)



INFRASTRUCTURE SECTOR

CORE INDUSTRIES

Steel production during April – May 2019 grew by 19.4 per cent over the corresponding period of the previous year. Refinery production grew by 1.3 per cent during the same period. However, there was a decrease in production of crude oil, natural gas and fertilizers.

Growth % age in Core Industries

SECTOR	2016-17	2017-18	2018-19	APR TO MAY	
				2018-19	2019-20
Coal	3.2	2.6	7.4	13.6	2.5
Crude Oil	-2.5	-0.9	-4.1	-1.9	-6.8
Natural Gas	-1.0	2.9	0.8	2.0	-0.4
Refinery Products	4.9	4.6	3.1	3.9	1.3
Fertilizers	0.2	0.03	0.3	6.6	-2.6
Steel	10.7	5.6	4.7	1.4	19.4
Cement	-1.2	6.3	13.3	17.3	2.5
Electricity	5.8	5.3	5.2	3.1	6.6

POWER

Total power generation registered a growth of 5.14 per cent during April to May 2019 compared to corresponding period of the previous year. Thermal sector and Nuclear sector grew by 1.80 per cent and 6.90 per cent respectively.

(billion units)

POWER SOURCE	APR TO MAY		
	2018	2019	Growth %
Thermal	189.90	193.32	1.80
Nuclear	6.49	6.94	6.90
Hydroelectric	18.24	25.15	37.92
Bhutan Import	0.34	0.59	76.72
Total Power Generation	214.96	226.01	5.14

TELECOMMUNICATIONS

The performance of the telecommunications sector during the year has been encouraging. The Government of India unveiled the National Digital Communications Policy in September 2018. With 560.01 million internet subscribers, as of September 2018, India ranks as the world's second largest market in terms of total internet users.

Further, as of December 2018, India is also the world's second largest telecommunications market with 1,197.87 million subscribers. Revenues from the telecom equipment sector are expected to grow to US\$ 26.38 billion by 2020. The National Digital Communications Policy, 2018 has envisaged attracting investments worth US\$ 100 billion in the telecommunications sector by 2022. The Indian Mobile Value-Added Services ('MVAS') industry is expected to grow at a CAGR of 18.3 per cent during the forecast period 2015–2020 and reach US\$ 23.8 billion by 2020.

RAILWAYS

In collaboration with the Government of Japan, a high speed passenger corridor project between Ahmedabad and Mumbai was undertaken in Railway Budget 2016-17. Construction work has already begun and the total cost of the project is estimated at US\$ 14.52 billion. The project is estimated to go operational by 2022.

Indian Railways is targeting to increase its freight traffic to 3.3 billion tonnes by 2030 from 1.1 billion tonnes in 2017

Foreign Direct Investment ('FDI') inflows into Railway related components from April 2000 to December 2018 stood at US\$ 940.92 million.

ROADS

The total national highways length increased to 122,434 km in 2018 from 92,851 km in 2014. A total of 2,345 km national highway projects were constructed, between April – August 2018. The Ministry of Road Transport and Highways has fixed an overall target to award 15,000 km projects and construction of 10,000 km national highways in 2019-20.

NOTES

A series of 25 horizontal dotted lines for writing notes.

Important Filing dates for the Year 2019-20

(The dates may be revised as per the notification by the regulators)

REGULATORY MATTER	DUE DATE
Corporate Law	
Board Meeting	Four meetings every year with a gap not exceeding 120 days between two such meetings
Annual General Meeting ('AGM') (adoption of financials)	Within 6 months of end of the financial year
Annual Return with the ROC	Within 60 days from conclusion of AGM
Tax	
Corporate Tax Return	September 30th & November 30th*
Tax Audit Report	September 30th & November 30th*
Transfer Pricing Report	November 30th
TDS Returns (Tax Withholding)	Quarterly
Individual Tax Return	July 31st
GST Return	
• GSTR 3B	Monthly**
• GSTR 1	
- Turnover > ₹15 million)	Monthly**
- Turnover ≤ ₹15 million)	Quarterly/Monthly**
Compliance	
Deposit of TDS	7th of every month
Deposit of GST	20th of every month

*

In case where the transfer pricing report is required

**

As notified till date

snap shot



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