An “unconventional” Interim Budget 2019

As was **widely anticipated**, the Central Government has used the Interim Budget as a tool to **woo voters** particularly the middle class, salaried class and the farmers.

The government after changing quite a **few traditions/ conventions** during its five-year tenure such as merging railway budget with general budget, changing the dates of the presentation of the budget has now swayed away from yet another convention of not making any significant modifications to the prevailing tax laws and positions in the interim budget presented in the election year. In giving away sops, the **interim finance minister** chose to move away from the practice of presenting lack lustre “interim budget” and rather chose to present, in his own words, “**a road to development**” (or probably **“a road to re-election”!)**

Here are some of the key **sops** proposed in the so-called “Interim” budget 2019:

- **Direct income support under Pradhan Mantri KIsan SAmman Nidhi (PM KISAN)** – Under this scheme, direct income of Rs. 6000 per year (in three equal instalments) will be given to every farmer having cultivable land upto 2 hectare. This scheme is given ‘retrospective’ effect from December 2018 and the first instalment would be paid during this year itself. The annual expenditure from the said scheme is proposed at INR 75,000 crores.

- Extension of **interest subvention** of 2% to farmers pursuing animal husbandry and fisheries on loan availed through Kisan Credit Card and 3% additional subvention in case of timely repayment of loan. Further the benefit of interest subvention extended from 1st year of re-schedulement after natural calamity to the entire tenure of re-schedulement and an additional 3% subvention for prompt payment.

- **Pradhan Mantri Shram Yogi Maandhan** launched to provide for monthly pension of Rs. 3,000 for unorganised sector workers with monthly income of upto INR 15,000.

- **Single window clearance** for ease of **shooting films**, available only to foreigners, is now proposed to Indian filmmakers as well

- **Launch of separate departments** such as “Rashtriya Kamdhenu Aayog”, “Department of Fisheries”, “Welfare Board for Nomadic and Semi-Nomadic communities”, & “National Programme on Artificial Intelligence”

With the scope for amendment in indirect taxes taken away from Ministry and vested in GST council, the Government turned all its focus and attention on Direct Tax proposals focussed on individuals, while leaving tax on corporates and other forms of entities untouched.

Here are some of the **direct tax changes** proposed in the "Interim" budget 2019:

- **Rebate under section 87A** - Individual taxpayers with annual income up to INR 5 lakhs to get full tax rebate. This rebate would be applicable only to individuals whose total income does not exceed INR 5 lakhs. In other words, if the total income of the individual exceeds INR 5 lakhs, the said benefit shall not be applicable and such individual would be required to pay tax as per the slab rates. Therefore, the benefit is applicable only to lower income individuals and not to everyone.

- **Standard tax deduction** for salaried persons has raised from INR 40,000 to INR 50,000 rupees. This would be applicable to all salaried employees irrespective of the income slab.

- **Tax deduction at Source** ('TDS') threshold on **interest on bank** and post office deposits raised from INR 10,000 to INR 40,000. This would significantly ease taxpayers as many taxpayers were forced to file income-tax return to claim refund of tax deducted despite their income being less than the taxable limit.

- **TDS threshold on rental payment** raised from INR 180,000 to INR 240,000. For many individuals, the source of income is merely a rental income. Similar to interest income, many individuals were forced to file income-tax return to claim refund of the taxes deducted. This would ease the cashflow of the taxpayer and would reduce the unnecessary compliance burden.

- **Exemption for tax on 'notional income' on second self-occupied house** – The interim budget proposes to exempt tax on notional rent upto 2 self-occupied properties. This would bring significant relief to individuals owning 2 properties which have been kept for self-use and are not let out.

- **Capital gains exemptions for investment in two properties -** Benefit of capital tax gains exemptions to be increased from investment in one residential house to that in two residential houses, for a taxpayer having capital gains up to INR 2 crores. However, this benefit can be exercised once in a lifetime. *Though, one is not sure if this provision would remain unaltered for the lifetime.*

- **Deduction under section 80IBA to developers of affordable housing projects**: The interim budget proposes to extend the benefit of deduction under section 80IBA for one more year to projects approved by competent authority before 31 March 2020. The said projects can be completed within 5 years from the date of approval.

- **Extension of taxing notional rent on unsold inventory** – Taxation of notional rent on unsold inventory have been modified to apply to properties which are unsold beyond 2 years from the project completion as against 1 year currently. This would bring significant relief to real estate developers who are not able to sell the inventory within the stipulated time.

Overall, the reliefs proposed in the interim budget are certainly welcome and would bring cheers to the common man. It is also an 'unprecedent' budget in a way since it has been presented by a **Chartered Accountant** for the first time.

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