Analysis of Tax and Regulatory Changes – Impact on Business
On 1st February 2019, Mr. Piyush Goyal, Honourable Finance Minister of India presented the Union Budget 2019. Owing to the upcoming general assembly elections in May 2019, the budget was initially predicted to be a mere “Vote on Account”, outlining the key decisions taken by Government during the last 5 years. However, due to the present political situations in India, the Finance Minister announced several pro-farmer, pro-poor policy decisions, which are widely expected to have huge ramifications on the general elections.

The major announcements include the following:

- A minimum income guarantee scheme of INR 6,000 per annum to farmer families having cultivable land of up to 2 hectares to be paid in 3 equal instalments has been implemented from the present financial year itself. Apart from the above, the Government also announced interest subvention of 2% + 3% (on timely loan repayment) to farmers undertaking activities animal husbandry and fisheries as well as farmers affected by natural calamities.

- Social security scheme which would guarantee minimum pension of INR 3,000 per month subject to a small contribution, to the workers in the unorganized sectors earning a monthly income of less than INR 15,000 per month, after attaining the age of 60 years.

The budget speech emphasized on the fact that India continues to be the fastest growing economy of the world and from 11th largest economy in 2014, the same is now 6th largest in the world. The Finance Minister also highlighted, on several occasions, the effectiveness of the various schemes launched by the Government during the last 5 years including “Swachh Bharat”, “Ujjwala Scheme”, “Aayushman Bharat”, “Jan Dhan”, “Mudra Scheme” etc. Apart from controlling inflation, he also highlighted important legislations such as Goods and Service Tax, Banking reforms, Insolvency & Bankruptcy Code, RERA, Benami Properties and Fugitive Economic Offenders law brought by the Government.

The budget also provided a “Vision 2030” statement highlighting 10 focus areas for the Government which include physical and social infrastructure, Digital India, Green India, expanding industrialization, clean water, coastline development, space programme, self-sufficiency in food, healthcare and policy rationalization.

The Finance Minister refrained from making any major changes in the tax and regulatory laws and mentioned that the same would be announced after the elections by the new Government. Some of the proposed amendments include the following:

- On the regulatory side, stamp duties applicable on listed as well as unlisted securities and debentures have been rationalized across India.

- On the direct tax side, while the tax rates and slabs were not changed, full tax rebate has been proposed for individual tax payers having annual taxable income of up to INR 0.5 million. The salaried tax payers have been granted benefits by increasing the standard deduction from INR 40,000 to INR 50,000. Capital gains exemption for investment made in two residential properties is being proposed (as against one property earlier). Notional rent applicable to a second house property is proposed to be waived off.

- On the indirect tax side, no announcements were made. However, the amendments proposed by the GST council during the last GST Council meeting have been made effective from 1 February 2019 by way of issue of relevant notifications.

On the following pages, we have summarised the changes proposed under the Finance Budget 2019.
2 BUDGET HIGHLIGHTS

2.1 POLICY AND REGULATORY CHANGES

- Proposed amendments in stamp duty rates has been provided in order to streamline various stamp duty provisions as well as streamlining the stamp duty collection mechanism. Designated stock exchanges and authorized depositiories and corporations are proposed to collect stamp duty on sale or transfer of securities and then be obligated to transfer the same to respective state governments within the prescribed timelines.

- The hitherto exemption of stamp duty on dematerialized shares is proposed to be done away with.

- MSMEs that have been registered under GST have been provided with interest rebate for loans upto INR 10 million which would help in furthering compliance practices by encouraging them to register under GST.

- The Pradhan Mantri Shram-Yogi Maandhan Yojana will provide social security to a large number of marginal wage earners in the country, who are part of the unorganized labour sector and thereby encourage savings amongst this sector.

2.2 INCOME TAX

Changes in Tax rates

Considering this being an interim Budget, no major changes proposed in Direct tax provisions.

For Individuals

- No changes are proposed in the existing slabs and tax rates applicable to an individual. Rates of Education Cess remain unchanged.

- Amount of rebate under section 87A for a resident individual is enhanced from the existing INR 2,500 to INR 12,500 or Income-tax whichever is less if total income does not exceed INR 0.5 million.

For Corporates

There are no changes applicable to a company.

- Tax rate for domestic companies whose total turnover or gross receipts in the previous year 2017-18 does not exceed INR 2500 million would be 25 %.

- No Changes in Minimum Alternate Tax and Dividend Distribution Tax proposed. No change in Surrogagre and Education cess is proposed.

Domestic Tax Provisions

- It is proposed to raise the standard deduction for salaried tax payers from INR 40,000 to INR 50,000.

- It is proposed that the annual value of two Self Occupied House Properties would be considered as Nil. Earlier this relaxation was applicable only to one self occupied house
property. The aggregate amount of deduction for interest on Housing Loan is capped at INR 0.2 million.

- It is proposed to allow an exemption in respect of long term capital gains (LTCG) from sale of residential House Property, if the amount invested in purchase or construction of two new residential house properties, where the amount of capital gain does not exceed INR 20 million. (Earlier, exemption was allowed in case of only one residential house property). However, a taxpayer will be entitled to exercise an option to avail the exemption in respect of two house properties only for one assessment year.

- It is proposed that where property consists of any building or land appurtenant thereto held as stock-in-trade and such property or any part of property is not let out during the whole or any part of the previous years, the annual value of such property or part of the property, for the period up to two years from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil (earlier this relaxation was applicable to one year).

- Amendments to the withholding tax provisions

<table>
<thead>
<tr>
<th>Provision</th>
<th>Finance Act 2018</th>
<th>Proposed in Interim Budget 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>TDS on Interest on bank deposits/ co-operative society/ any deposit with post office</td>
<td>Limit of INR 10,000</td>
<td>Limit enhanced to INR 40,000</td>
</tr>
<tr>
<td>TDS on Rent for the use of any machinery or plant or equipment/ for the use of any land or building (including factory building) or land appurtenant to a building/Furniture &amp; fittings</td>
<td>Limit of INR 0.18 million</td>
<td>Limits enhanced to INR 0.2 million</td>
</tr>
</tbody>
</table>

- The above proposed amendments to the Direct Tax provisions will take effect from 1st April 2020.

2.3 INDIRECT TAX

- No changes have been proposed under Goods and Services Tax (‘GST’) and Customs. However, various changes which were carried out vide Central Goods and Services Tax (Amendment) Act, 2018 have been made effective from 1st February 2019. These include:

  - For levy of GST on transactions included in Schedule II of the CGST Act, 2017, the said transaction need to qualify as a “Supply” in accordance with provisions of section 7. In case the transaction does not qualify as supply, no GST would be applicable.

  - The reverse charge levy in respect of purchases from unregistered dealers is restricted only to the specified category of taxable supply which would be notified by the Government.

  - The limit for opting the composition scheme is enhanced upto INR 15 million.

  - The eligibility of claiming input tax credit is also extended for “bill to – ship to” invoices for the services which was earlier restricted to goods only.
- The ineligible category of goods and services under Section 17 of the CGST Act are further aligned.

- The person surrendering the registration under GST is not required to carry out the procedural formalities of filing return, etc. from the date of application till actual cancellation of registration.

- A single debit / credit note is allowed to be issued with respect to multiple tax invoices.

- A new Section 43A is inserted to enhance the onus on registered assessee to ensure substantial compliance by the supplier under GST regulations before availing input tax credit.

- Section 49 of the CGST Act is further amended to streamline the manner of utilisation of input tax credit. Further Section 49A & 49B are inserted to empower Central Government to prescribe manner of utilisation of input tax credit as per the recommendation of the GST Council.

- The maximum amount of pre-deposit required for filing an appeal is capped.

- Section 140 of the CGST Act is amended to retrospectively clarify that eligibility of credit of Cesses (like Education Cess and Krishi Kalyan Cess) under the erstwhile regime cannot be carried forward as input tax credit under GST. Further cenvat credit of Additional Excise Duty (Textile and Textile Articles) is omitted from the category of eligible duties for input tax credit which can be carried forward to GST regime.

- The time limit for returning the goods by the job-worker can be extended for a further period not extending one year for inputs and two years for capital goods.

- The scope of Schedule I is further extended for Free of Cost supply received from related / distinct person.

- Schedule III of the CGST Act amended to insert additional activities which should not be considered as either supply of goods or services which includes merchating trade transactions, high sea sales and sale from customs bonded warehouse. Apart from the transaction involving supply of land and building, reversal of ITC would not be required for other transactions mentioned in the said Schedule.
3 BUDGET IMPACT

The Union Budget 2019 has several policy announcements relating to farmers and low income groups which is expected to have a significant impact on the overall political scenario. The increase in overall spending on infrastructure, defense, housing and education would result in stimulating growth and would provide relief to the middle class. Other policy announcements revolve around affordable housing, curbing black money, promoting digital economy and simplification of tax administration. However, with the nature of the announcements, it may be difficult for the Government to maintain its fiscal deficit targets.

Although no significant changes are introduced in the Finance Bill, the Finance Minister in his speech announced that the Income tax department will soon be implementing a technology driven project to transform the Income Tax Department into assessee friendly. With this technology, the department will be able to process tax returns within twenty-four hours and issue refunds simultaneously. In a path breaking move, it was announced that almost all verification and assessment of returns selected for scrutiny will be done electronically through anonymised back office, manned by tax experts and officials, without any personal interface between taxpayers and tax officers. This one measure is intended to change the age-old mechanism of conducting income tax assessments.

The Government has acknowledged the contribution of the middle class in driving and shaping the growth of direct tax collections. In a move to encourage them further, tax rebate is extended to INR 12,500 under section 87A from the existing INR 2,500 which would provide full tax relief to Individual taxpayers having taxable annual income up to INR 0.5 million. The tax relief may even extend to INR 0.65 million considering the deduction of INR 0.15 million available to individuals on making the specified investments (provident funds, equity linked mutual funds etc). For salaried persons, standard deduction limit is raised from the current INR 40,000 to INR 50,000 which will directly benefit 30 million salary tax payers and pensioners in India. The increase in disposable incomes in the hands of the tax payers is also expected to provide a boost to the economy by increasing demand.

In addition to above, to promote affordable housing, the exemption from LTCG is now extended to two house properties and the levy of tax on notional rent on a second house property is proposed to waived off. Limits for tax deduction at source have been enhanced for interest and rental income. Also, for giving impetus to the real estate sector and promote affordable housing, the Finance Minister has proposed to extend the period of exemption from levy of tax on notional rent, on unsold inventories, from one year to two years, from the end of the year in which the project is completed.

From a GST perspective, it can be said that the issues surrounding introduction of GST have largely settled down. Further rationalization of compliance procedures would bring the much needed relief to MSMEs.

Changes in the Stamp duties may result in an increase in the costs associated with share transfer specially in case of M&A deals. Several loopholes relating to applicability of stamp duties on listed and unlisted securities have also been blocked. The Pension Scheme for unorganized sector will benefit millions of workers in attaining basic standard of living during their old age.

While the budget in itself may not have other significant or path breaking policy or regulatory announcements, the same would have to be seen in light of the last 5 year of the existing Government. As highlighted in the budget speech, this Government would be known for taking difficult policy decisions such as introduction of GST, implementation of demonitization, introduction of Insolvency and Bankruptcy Code, targeting black money and promotion of digitized economy. Recognition of the contribution of the taxpayers through a
special mention by the Finance Minister in his speech can signal better days for tax complying entities.

4 POLICY AND REGULATORY CHANGES

4.1 AMENDMENTS TO THE INDIAN STAMP ACT, 1899 (‘ISA’)

- It is proposed to amend the ISA in order to improve the collection process of stamp duty on securities transaction. Throughout India, an uniform rate of stamp duty would be levied on all financial instruments.

- It is now proposed that the Stamp Duty would be levied only on the principal instrument and not on the other instruments relating to the same transaction.

- Stamp duty on sale of securities made through stock exchange shall be collected from the buyer of such securities by the Stock Exchange or the clearing corporation authorised by such stock exchange on behalf of the state government. Stamp duty will be calculated on the market value of such securities.

- Stamp duty on transfer of securities, which are not traded on stock exchange, for consideration made by a depository, shall be collected from the transferor of such securities by the depository on behalf of the state government. Stamp duty will be calculated on the consideration mentioned in the instrument of transfer.

- Stamp duty on issue of securities, wherein any creation or change in the records of a depository is made, shall be collected from the issuer of such securities by the depository on behalf of the state government. Stamp duty will be calculated on the market value of the securities.

- Stamp duty would be payable on the transfer of securities held in dematerialised form which was exempted earlier. However, stamp duty would not be payable in case of dematerialisation of shares held in physical mode or re-materialisation of shares held in dematerialised mode.

- The proposed amendments has brought clarity that stamp duty will be payable by the issuer where its registered office is located, on the total market value of the securities so issued at the rate specified in Schedule I of the ISA.

- The rates of stamp duties pertaining to financial instruments specifically debentures and securities, have been amended.

4.2 PREVENTION OF MONEY LAUNDERING ACT, 2002 (‘PMLA’)

- During investigation of any offence under the PMLA, the property under scrutiny would be attached, retained or frozen for a period not exceeding 365 (three hundred and sixty-five) days instead of 90 (ninety) days as per the existing regime. The period during which the investigation is stayed shall be excluded from the computation of these 365 (three hundred and sixty-five) days.

4.3 OTHER POLICY RELATED ANNOUNCEMENTS

Proposed pension scheme for unorganized sector (Pradhan Mantri Shram-Yogi Maandhan)
- Workers of unorganised sector contribute to half of the GDP of India and to provide them a comprehensive social security coverage for their old age, Government of India has provided for a mega pension scheme i.e. 'Pradhan Mantri Shram-Yogi Maandhan'.

- This scheme is offered to workers in unorganised sector, who are earning a monthly income up to INR 15,000. The workers enrolled under this scheme shall be entitled to a monthly pension of INR 3,000 after attainment of 60 years of age, on the basis of small contributions made during their working years.

Promotion of Artificial Intelligence (AI) technology

- In order to take the benefits of Artificial Intelligence (AI) and related technologies at a mass scale for the population at large, a National Programme on “Artificial Intelligence” has been envisaged by our Government. This would be catalysed by the establishment of the National Centre on Artificial Intelligence as a hub along with Centres of Excellence. Nine priority areas have been identified. A National Artificial Intelligence portal will also be developed soon.

- Such initiatives will give way to even more policy reforms in order to encourage companies to develop more AI technologies to benefit India and the tech industry at large.

Pradhan Mantri Gram Sadak Yojana (‘PMGSY’)

- PMGSY was launched to provide connectivity to unconnected habitations as part of a poverty reduction strategy. Under this scheme, INR 190 billion is being allocated in Budget Expenditure for 2019-20 which is almost 22.58% increase from previous budgeted (in 2018-19) amount of INR 155 billion.

- Enhanced budget amount will result in increase in opportunities for manufacturing/trading of road construction equipments companies; material supplier companies and will additionally generate employment.

Benefits to MSMEs (Micro, Small and Medium Enterprises) Sector

- MSME units with GST registration will get a rebate of 2% interest on incremental loan of INR 10 million.

- The requirement of sourcing from SMEs by Government enterprises has been increased to 25% out of which, the material of at least 3% will be sourced from women owned SMEs.

- This will promote more MSMEs to register under GST, which will in turn promote compliance and improve a formalized economy. It will also provide the MSMEs access to a larger market.

Proposed separate Department of Fisheries

- India is the second largest fish producing nation in the world accounting for 6.3% of global production, registering an average annual growth of more than 7% in recent years. To focus on marine industry, to attend more annual growth, and to provide sustainable development, the Government of India has decided to separate Fisheries business from Department of Animal Husbandry, Dairying & Fisheries, and to create a separate Department of Fisheries.
5 INCOME TAX

5.1 CHANGES IN TAX RATES

Personal Tax Rates

- Income tax slabs and applicable tax rates for individuals remain unchanged.
- Surcharge and education cess remain unchanged

Corporate Tax Rates

- Tax rate for domestic companies whose total turnover or gross receipts in the previous year 2017-18 does not exceed INR 2500 Million is proposed to be 25 %.
- Tax rates for all other corporates and foreign companies (including permanent establishments of non-resident entities in India) remain unchanged.
- Rates of Surcharge & Cess remain unchanged for domestic and foreign companies.
- Rates for MAT and DDT remain unchanged.

5.2 KEY PROPOSALS RELATING TO PERSONAL TAXATION

(All amendments take effect from 1st April 2020)

Rebate allowable to Individuals

- Presently, section 87A provides relief of up to INR 2,500 to a resident individual if his total income does not exceed INR 0.35 million.
- Relief under section 87A is proposed to be increased to INR 12,500, available to resident individuals whose total income does not exceed INR 0.5 million during the financial year 2019-20.

Higher standard deduction from the income under the head ‘income from salaries’

- It is proposed to increase the limit of standard deduction for the salaried taxpayers from existing INR 40,000 to INR 50,000. The benefit of increased standard deduction shall be available to salaried persons and pensioners.

Increase in threshold limit for deduction of tax from interest on deposits

- Threshold limit for deduction of tax from interest (other than interest from securities) paid or payable by a banking company or Co-operative bank or Post office is proposed to be increased from INR 10,000 to INR 40,000.
- Thus, covered tax deductors (i.e., banks, post-office, etc.) shall be liable to deduct tax if the interest payable on deposits (i.e., term deposits, recurring deposits, fixed deposits, etc.) exceeds the increased threshold limit of INR 40,000.
Increase in threshold limit for deduction of tax from rent

- Every person (including an individual or HUF who are subject to tax audit) are required to deduct tax under Section 194-I from payment of rent. Tax shall be deducted if the amount of rent paid or payable during the financial year exceeds INR 0.18 million.

- This threshold limit, for deduction of tax, is proposed to be increased from INR 0.18 million to INR 0.24 million.

Option for having two ‘Self Occupied House Property’

- As per the existing provisions, if an individual owns more than one house property for his own residence then only one house property, as per his choice, would be treated as self-occupied and its annual value is deemed as nil. The other house property is deemed to be let-out as per Section 23 and notional rent of such house is taxed under the head ‘House Property’.

- It is proposed to amend this provision by allowing an option to the assessee to claim nil annual value in respect of any two house properties as self-occupied. In other words, a taxpayer can now claim that he has two self-occupied house properties.

- Consequently, deduction with respect to interest on borrowed capital can be claimed with respect to both the house properties. However, the aggregate monetary limit for the deduction would remain same, i.e., INR 0.2 million.

Option to claim Section 54 exemption once for investment in two houses

- As per existing provisions, any long-term capital gains, arising to an Individual or HUF, from the sale of residential house property is exempted to the extent such capital gains are invested in another residential house property. The taxpayer is allowed to invest only in one residential house in India to claim relief under section 54.

- It is proposed to extend the exemption for investment made, by way of purchase or construction, in two residential house properties provided the amount of capital gains does not exceed INR 20 million. If the assessee exercises this option, he shall not be subsequently entitled to exercise the option for the same or any other assessment year, i.e., the assessee can exercise this option only once in a lifetime.

5.3 KEY PROPOSALS RELATING TO DOMESTIC TAXATION

House Property

- Section 23(5) provides that where the property consisting of any building or land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil.

- It is proposed to extend this benefit for 2 years from 1 year.

Deduction in respect of Profits and Gains derived from Housing Projects

- Deduction under section 80-IBA is allowed in respect of profits and gains derived from the business of developing and building affordable housing projects subject to certain condition, inter-alia, the housing project should be approved on or before 31st March 2019.
It is now proposed to extend the time limit for approval of the housing projects by one year, i.e., till 31st March 2020.

6 INDIRECT TAXES

6.1 GOODS AND SERVICES TAX

No changes have been proposed under the Goods and Services Tax Acts and the Customs Act, 1962 in the Union Budget 2019. However, various changes which were carried out vide Central Goods and Services Tax (Amendment) Act, 2018 have been made effective from 1st February 2019 vide issue of relevant notifications. The same have been discussed hereunder:

Levy under reverse charge for purchases from unregistered dealer

- Section 9(4) of the CGST Act, 2017 had created a levy of GST on procurement of goods and services by the registered dealer from an unregistered supplier which had resulted in huge compliance issues for such registered suppliers.

- Accordingly, such liability was initially exempted for purchases upto INR 5,000 per day and later on extended to all the purchases based on industrial representations.

- Therefore, based on the recommendation of the GST Council, the said provisions are amended to restrict such levy of GST on class of registered person in respect of supply of specified categories of goods or services which will be notified by the Government based on recommendation by the GST Council.

 Expansion of scope of ITC

- Section 16 of the CGST Act, 2017 only contemplated for supply of goods under “bill to – ship to” concept wherein the goods can be diverted on the directions of the purchaser to third location without receiving the goods in the registered premises of the assessee.

- However, similar situation can also happen even for supply of services. This was resulting in loss of ITC on account of genuine business transaction where the services were not received by the person providing the service to the end consumer.

- With the said amendment, such service providers would be entitled to take ITC on the invoices received from the actual supplier of service.

Rationalization of negative list of goods and/or services under Section 17

- At the outset, it is pertinent to note that though changes under Section 17 are effected through the GST Amendment Act, the said amended section is not enacted vide Notification No. 2/2019-Central Tax. The date of enactment of the said provision would be prescribed vide a separate notification.

- The ITC on motor vehicles which was allowed only for commercial vehicles has been liberalised and extended even for passenger vehicles having approved seating capacity exceeding thirteen persons.

- Further, ITC on vessels and aircrafts used for further supply, transportation services, training services etc has also been allowed.

- Additionally, doubts on eligibility of services availed in relation to motor vehicle are clarified to state that ITC on insurance, rental/ leasing and repair & maintenance services in relation to motor vehicles would be allowed in respect of such motor vehicle whose ITC
is allowed under the said section (that is having approved seating capacity exceeding 13 persons).

- ITC in relation to services provided by an employer to employees which are obligatory under any law, would also be allowed.

**Simplified process for surrendering the GST registration**

- While surrendering the GST registration, the authorities verify for past dues, etc. which is a time consuming process and requires assessee to submit various documentation.

- Therefore, during the pendency of such cancellation of registration i.e. from the date of application for surrender of registration till the date of passing of order cancelling the registration, the assessee was required to carry out the compliance process such as filing of returns within due date, etc.

- However, vide the Amendment Act, the Government has empowered the authorities to suspend the registration of the said person applied for cancellation till the process of cancellation is completed. Therefore, during the suspension period, the assessee would not be required to undertake any GST compliances.

**Issuance of debit / credit note**

- As per the GST regulations as well as GSTN return filing utility, a debit / credit note was required to be issued against a tax invoice and details thereof were required to be furnished for each such credit/ debit note linked with the original invoice in the GST returns. This resulted in several issues for business transaction such as target based year end discounts, periodical price revision contracts, etc, where linkage with original invoice was not possible.

- The GST law has been amended to allow issuance of single debit / credit note against multiple tax invoices. Having said above, it would be pertinent to note that as to whether pari materia changes would be incorporated in the GST return filing utility so as to reflect multiple invoice references against a single debit / credit note.

**Additional procedure for availing input tax credit**

- As GSTR-2 is still not operationalised, matching of input tax credit with the details furnished by the supplier is not implemented. Therefore, in order to implement the matching of input tax credit, a new Section 43A has been inserted.

- The Government has been empowered to prescribe a procedure to furnish the details of outward supplies by the supplier on the common portal which would enable the recipient to avail the input tax credit.

- Government can notify the procedure for availing input tax credit in respect of supplies which are not furnished as per the procedure prescribed above and the amount of input tax credit can be restricted upto twenty per cent of the total input tax credit available.

- The short payment of tax / excess availment of input tax credit in respect of supplies which are not furnished in return can be recovered jointly and severally from the supplier as well as the recipient.

**Utilisation of input tax credit for payment of output tax liability**

- As per Section 49, the assessee was at liberty to use the central tax as well as state / union territory tax for payment of integrated tax. However, the online utility was not
allowing the assessee to use the balance in state / uniton territory tax account towards payment of integrated tax until the balance under central tax account is Nil.

- In order to meet the requirement as per the online utility, similar provisions are now incorporated in Section 49 of the CGST Act, 2017.

- Further, Section 49A is inserted which is non-obstantive provision and states that balance in Integrated Tax account shall be first utilised towards payment of Integrated Tax, Central Tax, State Tax / Union Territory Tax and thereafter the balance in Central Tax, State Tax / Union Territory Tax can be used payment of output IGST liability.

- Further, Section 49B has been inserted which empowers the Government (based on recommendations of the GST Council) to prescribe the order and manner of utilisation of input tax credit towards payment of any taxes.

**Refund of GST**

- Section 54(8)(a) of the CGST Act, 2018 allowed the refund to be sanctioned in full without any restriction to satisfy the bar of unjust enrichment in respect of zero rated supplies. However, such term zero rated supplies is replaced with export / exports.

- Therefore, in respect of supplies effected to SEZ unit or developer, the supplier claiming refund would be required to satisfy the bar the unjust enrichment in order to avail the refund.

- The condition of realising the export proceeds in convertible foreign exchange is relaxed in respect specified categories of supplies wherein the RBI has permitted the realisation of export proceeds in INR. This amendment has merely streamlined the two legislations which was also permitted under the erstwhile regime.

- The relevant date for claiming refund of input tax in cases of inverted duty structure is amended and required to be calculated from the due date of filing return. Prior to amendment, such period was calculated from the end of the financial year for which such refund claim was required to be filed.

**Pre-deposit payable for filing appeal**

- Under various provisions of appeal, the amount of pre-deposit payable was prescribed as a percentage of amount in dispute without having any upper limit.

- However, such pre-deposit amount is proposed to be restricted for for first appeal upto INR 250 million and for second appeal upto INR 500 million.

**Amendment to transitional provisions**

- The transitional CENVAT credit as per Section 140(1) of the CGST Act was not restricted to specified eligible duties when such section was introduced.

- However, in order to restrict the transition of CENVAT credit pertaining to various cess such as Krishi Kalyan Cess, Education Cess, etc. a retrospective amendment is incorporated that only eligible duties as prescribed in explanation to the said section can be carried forward under Section 140(1) of the CGST Act.

- Further, earlier Additional Excise Duty (Textile and Textile Article) has been omitted from the purview of eligible duties.

- Therefore, transition of CENVAT credit pertaining to aforesaid cesses as input tax credit under GST regime would not be allowed.
Extention of time limit for goods sent to job-worker

- The powers were given to the Commissioner for extending the time limit of the goods including capital goods to be returned by the job-worker by way of clarificatory circular.

- The said provisions are now incorporated under Section 143 of the CGST Act.

- The Commissioner can extend the time limit for inputs by a period not extending one year and for capital goods for period not exceeding two years.

Amendment to Schedule I

- Certain transactions mentioned in Schedule I, effected without consideration are deemed to be supply.

- The Para 4 of the Schedule I only covered taxable person importing services from related person or from any of his other establishment outside India under its purview. However, a related person which is not registered under GST and availing such services was not covered within its purview.

- Therefore, the scope of “supply” is widened further by substituting the word “taxable person” with the term “person”. Consequently, any person, whether registered or not, importing free of cost services from its related establishment would be considered as receiver of supply of service.

Amendment to Schedule III

- Schedule III is amended to include certain activities or transactions to be considered as neither supply of goods nor services. Such amended list includes merchanting trade (supply of goods from one non-taxable territory to another non-taxable terrrioty without the goods entering in India), high sea sales (the ownership of goods being transferred by way of endorsement of documents before clearance for home consumption) and supply of goods stored in customs bonded warehouse.

- The confusion created by way of issuing contrary circular on sale of goods from bonded warehouse and other conflicting advance ruling is put to rest with this amendment.

- Apart from the transaction involving supply of land and building, reversal of ITC would not be required for other transactions mentioned in the said Schedule III.
ANNEXURES

Personal Income Tax rates

(i) Resident individuals* (other than those mentioned in (i) and (ii) below)

<table>
<thead>
<tr>
<th>Income Slab (INR)</th>
<th>Tax Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-250,000</td>
<td>Nil</td>
</tr>
<tr>
<td>250,001-500,000</td>
<td>5</td>
</tr>
<tr>
<td>500,001-1,000,000</td>
<td>20</td>
</tr>
<tr>
<td>Above 1,000,000</td>
<td>30</td>
</tr>
</tbody>
</table>

(ii) Resident individuals* of the age of 60 years or more but less than 80 years.

<table>
<thead>
<tr>
<th>Income Slab (INR)</th>
<th>Tax Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-300,000</td>
<td>Nil</td>
</tr>
<tr>
<td>300,001-500,000</td>
<td>5</td>
</tr>
<tr>
<td>500,001-1,000,000</td>
<td>20</td>
</tr>
<tr>
<td>Above 1,000,000</td>
<td>30</td>
</tr>
</tbody>
</table>

(iii) Resident individuals* above the age of 80 years.

<table>
<thead>
<tr>
<th>Income Slab (INR)</th>
<th>Tax Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-500,000</td>
<td>Nil</td>
</tr>
<tr>
<td>500,001-1,000,000</td>
<td>20</td>
</tr>
<tr>
<td>Above 1,000,000</td>
<td>30</td>
</tr>
</tbody>
</table>

* A resident individual, whose taxable income does not exceed INR 0.5 million, can claim a tax rebate under section 87A. The amount of rebate shall be lower of 100% of income-tax or INR 12,500.

- The rate of surcharge at 10% is to be levied on income-tax in case total income exceeds INR 5 million and is up to INR 10 million;

- The rate of surcharge at 15% to be levied on income-tax in case the total income exceeds INR 10 million.

- The health & education cess at the rate of 4% shall be computed on aggregate of Income-Tax and Surcharge.

CORPORATE TAX RATES

<table>
<thead>
<tr>
<th>Description</th>
<th>Tax rate (%)</th>
<th>Effective Tax Rate (including surcharge and Cess) (depending upon income levels)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Company:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Tax</td>
<td>25 %**</td>
<td>26% / 27.82% / 29.12%</td>
</tr>
<tr>
<td>Minimum Alternate Tax</td>
<td>18.5%</td>
<td>19.24%/20.59%/21.55%</td>
</tr>
<tr>
<td>Foreign Company:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Tax</td>
<td>40%</td>
<td>41.6% / 42.43% / 43.68%</td>
</tr>
</tbody>
</table>
** for domestic companies whose total turnover or gross receipts in the previous year 2016-17 does not exceed INR 2500 Million
As attorneys, tax advisers, management and IT consultants and auditors, we are present with 111 own offices in 51 countries. Worldwide, our clients trust our 4,700 colleagues.

<table>
<thead>
<tr>
<th>Location</th>
<th>Contact Person</th>
<th>Address</th>
<th>Phone Number</th>
<th>Email Addresses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rödl &amp; Partner - Nuremberg/ Germany</td>
<td>MARTIN WOERLEIN / TILLMANN RUPPERT</td>
<td>Außere Sulzbacher Straße 100, 90491 Nuremberg</td>
<td>+49 911 9193 3065</td>
<td><a href="mailto:martin.woerlein@roedl.com">martin.woerlein@roedl.com</a> <a href="mailto:tillmann.ruppert@roedl.com">tillmann.ruppert@roedl.com</a></td>
</tr>
<tr>
<td>Rödl &amp; Partner India Pvt. Ltd. - Delhi</td>
<td>MARTIN WOERLEIN / GAURAV KHANNA</td>
<td>#007, 12th Floor, Palm Spring Plaza, Golf Course Road, DLF Phase 5, Sector 54, Gurugram - 122 003</td>
<td>+91 124 6749 701</td>
<td><a href="mailto:martin.woerlein@roedl.com">martin.woerlein@roedl.com</a> <a href="mailto:gaurav.khanna@roedl.com">gaurav.khanna@roedl.com</a></td>
</tr>
<tr>
<td>Rödl &amp; Partner Consulting Pvt. Ltd. - Pune</td>
<td>RAHUL OZA / ANAND KHETAN</td>
<td>Lunkad Sky Cruise, Wing B, Survey No 210/3, Viman Nagar, Pune - 411 014</td>
<td>+91 20 6625 7100</td>
<td><a href="mailto:rahul.oza@roedl.com">rahul.oza@roedl.com</a> <a href="mailto:anand.khetan@roedl.com">anand.khetan@roedl.com</a></td>
</tr>
<tr>
<td>Rödl &amp; Partner Consulting Pvt. Ltd. - Mumbai</td>
<td>RAHUL OZA / ANAND KHETAN</td>
<td>1206, Lodha Supremes, Senapati Bapat Marg, Upper Worli, Lower Parel (W), Mumbai - 400 013</td>
<td>+91 22 4233 1818</td>
<td><a href="mailto:rahul.oza@roedl.com">rahul.oza@roedl.com</a> <a href="mailto:anand.khetan@roedl.com">anand.khetan@roedl.com</a></td>
</tr>
<tr>
<td>Rödl &amp; Partner Consulting Pvt. Ltd. - Chennai</td>
<td>RAHUL OZA / ANAND KHETAN</td>
<td>C5, Vatika Business Centre, Prestige Polygon, 3rd Floor, 471 Anna Salai, Teynampet, Mount Road, Chennai - 600 035</td>
<td>+91 44 4028 2506</td>
<td><a href="mailto:rahul.oza@roedl.pro">rahul.oza@roedl.pro</a> <a href="mailto:anand.khetan@roedl.pro">anand.khetan@roedl.pro</a></td>
</tr>
<tr>
<td>Rödl &amp; Partner Consulting Pvt. Ltd. - Bangalore</td>
<td>RAHUL OZA / ANAND KHETAN</td>
<td>S38, Vatika Business Centre, Divyasree Chambers, 2nd Floor, A Wing, 11, O'Shaughnessy Road, Langford Town, Bangalore - 560 025</td>
<td>+91 80 4291 1263</td>
<td><a href="mailto:rahul.oza@roedl.pro">rahul.oza@roedl.pro</a> <a href="mailto:anand.khetan@roedl.pro">anand.khetan@roedl.pro</a></td>
</tr>
<tr>
<td>Rödl &amp; Partner India Pvt. Ltd. - Ahmedabad</td>
<td>GAURAV KHANNA</td>
<td>B-407/A, Mondeal Square, Nr. Auda Garden, Prahladnagar Road, S.G. Highway, Ahmedabad - 380 015</td>
<td>+91 79 6617 7002</td>
<td><a href="mailto:gaurav.khanna@roedl.pro">gaurav.khanna@roedl.pro</a></td>
</tr>
</tbody>
</table>