



Glimpse of Direct Tax Proposals

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Key Highlights of Interim Budget 2019 – Direct Tax Proposal

Tax Rate:

- ✚ No Changes in basic slab rates, surcharge and cess.
- ✚ Similarly, there is no change in the rate of MAT, AMT, Dividend Distribution Tax and Tax on Buyback and Security Transaction Tax.

Tax Rebate u/s. 87A

- ✚ Earlier, the rebate under section 87A of the ITA was INR 2,500 for resident individuals whose total income did not exceed INR 350,000 per annum. It is proposed to increase the rebate to INR 12,500 for resident individuals whose total income does not exceed INR 500,000 per annum.
- ✚ Accordingly, in case of resident individuals having total income upto Rs. 500,000, no tax will be payable.

Standard Deduction (For Salaried employee)

- ✚ It is proposed to increase the standard deduction for salaried individuals from INR 40,000 to INR 50,000 per annum.

Exemption u/s 54 from sale of Residential House Property

- ✚ Currently exemption is available u/s 54 for LTCG arising on sale of residential property where the individual invests such capital gains to purchase/construct one residential property in India.
- ✚ It is proposed for exemption u/s 54 to be made available even if such capital gain is invested to purchase/ construct two residential properties in India provided the capital gains do not exceed INR 20,000,000.
- ✚ However, this exemption can be claimed by the individual only once in a lifetime.

Increase in the threshold limit for TDS on interest

- ✚ Currently, Section 194A of the IT Act prescribes TDS on interest income, other than interest on securities prescribing the threshold limit as Rs. 10,000 in a financial year.
- ✚ It is proposed to amend Section 194A of the IT Act to raise the threshold limit from INR 10,000 to INR 40,000, for TDS on interest income, other than interest on securities, paid by a banking company, co-operative society or a post office in a financial year.

Key Highlights of Interim Budget 2019 – Direct Tax Proposal

Increase in the threshold limit for TDS on Rent

- ✚ Currently, Section 194-I of the IT Act prescribes TDS on rental income prescribing the threshold limit of Rs. 180,000 in a financial year.
- ✚ It is proposed to amend Section 194-I of the IT Act to raise the threshold limit from Rs. 180,000 to Rs. 240,000, for TDS on rental income.

Relief on second self-occupied property

- ✚ Earlier, if there were 2 self-occupied properties, the 2nd property was treated as deemed let-out and taxed accordingly u/s 23. Now, the Finance Bill 2019 proposes that the Annual Value of the 2nd Self-occupied property will also be considered as Nil. Accordingly, tax will be exempted on second self-occupied house.
- ✚ In respect of 2 self-occupied house properties, the aggregate amount of deduction for interest on Housing Loan shall not exceed Rs. 2 Lakhs (including Rs. 30,000 for repair, renewal or reconstruction)

Unsold stock in trade in case of real estate developers- Tax implication

- ✚ Earlier, the notional rent on any unsold property or part of property which is not let out during the whole or any part of the year was treated as nil for a period of one year from the end of financial year in which the certificate of completion is obtained. It is proposed that tax on notional rent on unsold inventory will not be paid for 2 years.

Deductions in respect of profits and gains from housing projects

- ✚ Benefit u/s 80IBA has been increased to one more year i.e. 2020. This section provides 100% deduction for profit and gains derived from the business of developing and building housing projects approved by the competent authority after 1st June, 2016 but on or before 31st March, 2019 which is now increased to March 31st 2020.

Note: All these amendments will take effect from 1st April, 2020 (AY 2020-2021)

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