



# **CNK & Associates LLP**

## **Interim Budget 2019 Analysis**



## CONTENTS

<i>Sr. No.</i>	<i>Particulars</i>	<i>Pg. No.</i>
<b>DIRECT TAX</b>		
<b>A.</b>	<b>INCOME FROM SALARIES</b>	
1.	Standard Deduction Increased	3
<b>B.</b>	<b>INCOME FROM HOUSE PROPERTY</b>	
1.	No notional rent on two self-occupied properties	3
2.	Limitation on interest deduction applicable to two self-occupied house properties	3
3.	Notional income in respect of house property held as stock in trade	3
<b>C.</b>	<b>CAPITAL GAINS</b>	
1.	Exemption under section 54 extended to investment in two residential house properties	4
<b>D.</b>	<b>DEDUCTION AND REBATES</b>	
1.	Promoting affordable housing	5
2.	Rebate under section 87A	5
<b>E.</b>	<b>AMENDMENT IN TDS PROVISIONS</b>	
1.	TDS on interest, other than interest on securities	5
2.	TDS on Rent	6

Note: Unless otherwise stated the amendments referred to in this e-publication are effective from AY 2020-21 onwards

## Foreword

With eyes clearly on the coming elections, the interim Budget sounded like an election speech full of promises and plans for the next 10 years. Expectedly, the Budget lacked the usual firepower but did dole out favours to the farmers, the housing sector, the poor and the middle class. To its credit, it promised to maintain the fiscal deficit at 3.2%.

The Budget proposals were received amongst thumping of the benches by the treasury and jeers from the opposition. Clearly the battle lines are drawn for the coming elections and whether the Budget is a “surgical strike” or “account for votes” and not a “vote on account” will depend on your political dispensation.

Even an interim Budget has its intricacies and team CNK is happy to present a full-fledged analysis of these Interim Budget proposals.

## INCOME FROM SALARIES

### ***Standard Deduction increased***

Standard deduction was reintroduced in the Budget of 2018 to the extent of INR 40,000 or the amount of salary, whichever is lower. The said standard deduction has been proposed to be increased to INR 50,000, thereby providing additional relief to the salaried taxpayer to the extent of INR 10,000 from taxable income.

## INCOME FROM HOUSE PROPERTY

### ***No notional rent on two self-occupied properties***

The existing section 23 permits the assessee to claim one residential house property as self-occupied. Any other house property, even though not actually let-out, was treated as 'deemed let out' and notional rent was taxable. With the proposed amendment, the assessee can now claim two house properties as self-occupied and not pay tax on notional rent on second self-occupied property as well. Where the assessee owns more than two residential properties, he can claim benefit in respect of any two house properties.

### ***Limitation on interest deduction applicable to two self-occupied house properties***

The existing section 24 grants deduction of interest paid upto INR 2,00,000, in respect loan taken for one self-occupied house property. In view of the proposed amendment in section 23, the assessee will not have to pay tax in respect of two self-occupied properties. The ceiling on interest deduction of INR 2,00,000 will now apply to interest in respect of loan taken for the two properties claimed as self-occupied. Thus, overall interest deduction on loan taken for both the self-occupied properties has been capped at INR 2,00,000.

### ***Notional Income in respect of House Property held as Stock in Trade***

The existing section 23 provides that unsold house properties, held as stock in trade and not let out shall be subjected to tax on notional income after one year from the end of the financial year in which completion certificate is received.

Now, the assessee would not be liable to tax on the notional rent of such house properties for two years from the end of the financial year in which completion certificate is received. Accordingly, the relief from taxability on notional income from such house properties has been proposed to be extended by one more year.

## CAPITAL GAINS

### ***Exemption under section 54 extended to investment in two residential house properties***

As per the existing section 54, any long-term capital gain earned on sale of residential house property, if reinvested in another residential house property within the specified time period is exempt from capital gains tax. This reinvestment was however permissible only in one residential house property in India.

The said benefit of reinvestment for claiming exemption is proposed to be extended to investment in two residential house properties. Such benefit would be available only if the capital gain does not exceed INR 2 crore. Where long term capital gain exceeds INR 2 crore, the assessee can invest in only one residential property and cannot avail benefit of the proposed amendment. It is further proposed that the above benefit can be availed by the assessee only once, on or after 1<sup>st</sup> April 2019.

Similar amendment has not been made in section 54F which grants exemption of capital gain on sale of any long term asset, other than a residential house property reinvested in one residential house property in India.

## DEDUCTION AND REBATES

### ***Promoting Affordable Housing***

Section 80-IBA provides for 100% deduction in respect of profits and gains from developing of affordable housing projects subject to certain conditions. One such condition requires approval by the competent authority on or before 31<sup>st</sup> March 2019.

The last date by which such approval needs to be obtained has been proposed to be extended upto 31<sup>st</sup> March 2020.

### ***Rebate under section 87A***

The existing section 87A grants rebate of INR 2,500 for resident individuals whose total income does not exceed INR 3,50,000. This rebate is proposed to be increased to maximum of INR 12,500 for resident individuals whose total income does not exceed INR 5,00,000. In view of the proposed amendment, resident individuals having total income upto INR 5,00,000 will not have any income-tax liability.

No rebate under section 87A would be available for resident individual earning taxable income exceeding INR 5,00,000.

## AMENDMENT IN TDS PROVISIONS

### ***TDS on interest, other than interest on securities***

Section 194A requires certain persons to deduct tax at source from interest, other than interest on securities. Tax is not required to be deducted by a banking company, co-operative banks or post offices, where aggregate interest does not exceed INR 10,000 in a year. The proposed amendment has enhanced this limit to INR 40,000. For deductors, other than banking company, co-operative banks or post offices, the threshold limit remains the same at INR 5,000.

***TDS on Rent***

Section 194-I requires certain persons to deduct tax at source from rent, where the amount of rent exceeds INR 1,80,000 in a year. The proposed amendment enhances this limit from INR 1,80,000 to INR 2,40,000.

There is no change in the threshold limit under section 194-IB i.e. payment of rent by certain individuals or HUFs.

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