

# Farmers' income scheme needs revisit

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Published: 04th February 2019 11:23 AM | Last Updated: 04th February 2019 11:23 AM

By Prakhar Dua & Ashish Sodhani

Express News Service

With respect to the direct tax proposals, the budget has stipulated streamlining of income tax return filings with electronic verification and provision for quick refund mechanism (within 24 hours). The budget proposes automation of scrutiny assessments, which will be done electronically through anonymised back office within the next two years. This should result in increased transparency and help in curbing corruption and red-tapism. However, to be able to make the process seamless and hassle free for the taxpayer, the necessary infrastructure would need to be developed.

The budget has proposed a tax rebate of Rs 12,500 for individuals with annual income up to Rs 5 lakh. While this reduces the tax burden on middle class taxpayer, there is an anomaly that needs to be addressed. The proposal seems

to disincentivise certain individuals earning more than Rs 5 lakh as they may end up with lesser income in their hands after payment of taxes against those whose income falls below Rs 5 lakh.

The budget has also provided certain incentives to individuals who have made investment in residential properties. Providing an exemption on notional rent is a welcome move by the Finance Minister and is a step in the right direction vis-a-vis the middle class taxpayers. Also, the proposal to increase the withholding tax threshold for interest payments by bank/post office from Rs 10,000 to Rs 40,000 will also benefit sections of society for whom such interest may be the primary source of income.

In respect of Goods and Services Tax (GST), the budget has proposed to increase the exemption limit from Rs 20 lakh to Rs 40 lakh. To promote ease of doing business, the budget also proposes businesses comprising over 90 per cent of GST payers to file quarterly tax returns. This is a welcome move for small traders, manufacturers and service providers, which will help them to operate more efficiently and will significantly reduce their compliance burden.

While the tax changes proposed in the budget can positively impact the lower income group, retail businesses and MSMEs, some proposals such as the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) needs to be revisited as it does not seem to provide the adequate monetary assistance that should be provided to the farmer community. It would also be interesting to see how these proposals do not remain just promises, but become reality.

*(Authors are members of tax firm Nishith Desai Associates)*