

India's Budget 2019 tax proposals

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Amidst the hullabaloo of the upcoming general elections, India's interim budget was announced a few hours ago, on February 1.

While the budget did not bring about any change which would directly affect multinationals and foreign investors, it proposes to bring reforms which would provide incentives to small businesses, MSMEs, labourers and farmers, and the healthcare industry.

As a part of its digital India revolution, it also proposes to completely digitalize the way assessments take place and how refunds are granted.

Specifically, the budget has proposed streamlining of income tax return filings with electronic verification and provision for quick refund mechanism (within 24 hrs).

Automation of scrutiny assessments, which will be done electronically through anonymised back office, is also proposed to take place in the next 2 years.

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Certain other incentives also have been provided to middle-class individuals and families.

On the indirect tax front, the budget proposes to increase in exemption limit for payment of Goods and Services Tax (GST) from INR 20 lakhs to INR 40 lakhs.

It has also proposed that businesses comprising over 90% of GST payers require to file only quarterly tax returns and has also proposed a 2% interest rebate on incremental rebate of INR 1 crore to GST registered SMEs.

This is a welcome move and will spread cheer in the retail business and MSME community.

This also has an indirect benefit to foreign investors whose subsidiaries in India are providing services which have a small turnover but whose services cannot be categorized as exports and hence end up paying GST.

While the tax changes proposed in the budget can positively impact the lower income group, currently, these are just promises.

How well the government is able to execute them remains an open question which may get answered in the near future.

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