



The Union Interim Budget 2019-20 has stayed on the path of fiscal consolidation, with the fiscal deficit estimated at 3.3% for this year, against 3.4% last year. There has been a focus on measures to sustain growth over the next 5-10 years, aimed at achieving a USD 5 trillion economy. The Budget put a greater spotlight on Ease of Doing Business through “Simplification, Digitisation and Rationalisation” as the Finance Minister reiterated the government’s intent to further simplify procedures, incentivize performance, reduce red-tape and make the best use of technology.

## Tax Compliance

- The Budget has set out the roadmap to further simplify the GST process:

A simplified single monthly return is being rolled out and taxpayers with an annual turnover of less than 5 crore will be made to file only quarterly returns.

A fully automated GST refund module shall be implemented. Multiple tax ledgers for a taxpayer shall be replaced by a single one.

An electronic invoice system wherein invoice details will be captured in a central system at the time of issuance will be put in place, that will eventually be used to prefill the taxpayer’s returns.

There will be no need for a separate e-way bill. Its roll out would begin from January, 2020.

### **Our Perspective**

*This is an excellent move forward towards easing the compliance burden on businesses. However, the Budget misses a great opportunity to lay the foundation for greater digitisation in Labour Compliances such as EPFO and ESI which are critical to job creation and formalisation. Income Tax and GST should serve as blueprint for straight through filings in Labour Returns, Registers & Challans.*

- This Budget takes forward the move made in the Interim Budget of February to implement faceless e-assessment in electronic mode. This system, involving no human interface, is being launched this year in a phased manner. To start with, such e-assessments shall be carried out in cases requiring verification of certain specified transactions or discrepancies. Cases selected for scrutiny shall be allocated to assessment units in a random manner and notices shall be issued electronically by a Central Cell, without disclosing the name, designation or location of the Assessing Officer. The Central Cell shall be the single point of contact between the taxpayer and the Department. This new scheme of assessment will represent a paradigm shift in the functioning of the Income Tax Department.



### ***Our Perspective***

*This form of e-assessment should be extended to other departments that regulate businesses, particularly the Labour departments, to reduce interactions with inspectors. The move towards pre-filled income tax forms is much appreciated. While easing the compliance from individuals, it allows cross-referencing of transactions across different sources, thereby identifying mis-matches between income and expenditure.*

- PAN and Aadhaar are being made interchangeable for purposes of income tax.



### ***Our Perspective***

*While this simplifies compliance for individuals, the government should move towards a Unique Enterprise Number for the corporates. Currently, a company has to register for 12-21 numbers across different government departments.*

## Labour

- The government has taken a major step forward rationalisation of the labour laws. Instead of the current 44 Central Acts, four Labour Codes have been proposed - wages, industrial safety and welfare, social security and industrial relations. These bills will be introduced in the Parliament and will go a long way in streamlining and standardizing the number of registrations, returns and filings.

### *Our Perspective*

*Rationalisation of India's complex labour laws is long overdue reform and will reduce the cost of compliance of businesses operating in India. This will also reduce the number of notices from the government and pursuant litigation. Yet, the government could have been more ambitious and moved towards a single labour code to minimise the compliance burden on MSMEs and Startups.*

## MSMEs

- In order to make it easier to access credit, there is already a dedicated online portal providing loans upto 1 crore for MSMEs within 59 minutes - UDAYMIMITRA. Under the Interest Subvention Scheme for MSMEs, 350 crore has been allocated for FY 2019-20 for the 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans.
- A payment platform will be set up to facilitate uploading of bills by MSMEs and government payments to suppliers and contractors, thereby eliminating delays in payment.

### *Our Perspective*

*Digitising the interface between the government and MSME is a welcome move.*

## Startups

- The government has proposed easing compliance with the restrictive and vexatious Angel Tax issue that has been holding back growth of startups.  
Startups and their investors who file requisite declarations and provide information in their returns will not be subjected to any kind of scrutiny in respect of valuations of share premiums; the issue of establishing identity of the investor and source of his funds will be resolved by putting in place a mechanism of e-verification; funds raised by start-ups will not require any kind of scrutiny from the Income Tax Department.
- Currently, start-ups are not required to justify fair market value of their shares issued to certain investors including Category-I Alternative Investment Funds (AIF). An excellent move proposed is the extension of this benefit to Category-II Alternative Investment Funds also. Now, valuation of shares issued to these funds shall be beyond the scope of income tax scrutiny..

### *Our Perspective*

*The Budget shows a clear intent to create a conducive eco-system for startups. However, a lot can be done to reduce the compliance burden including number of registrations, returns and filings for startups. The government should consider measures such as exemptions from PF, ESIC, Professional Tax, Single annual TDS and MCA return and a single window NOC for quick closure.*



## Regulatory

- In order to deal with the huge pending litigations from pre-GST regime (more than 3.75 lakh crore is blocked in litigations in service tax and excise), the government has proposed a Legacy Dispute Resolution Scheme that will allow quick closure.
- The government proposes to amend the regulatory authority of RBI with regard to NBFCs, such that it has greater powers for monitoring and supervision.
- Given the conflict between the regulatory and financing roles of the National Housing Bank, the government proposes to return the regulation authority over the housing finance sector from NHB to RBI..
- The government proposes to request SEBI to increase the minimum public shareholding in the listed companies from 25% to 35%.

## Digital Payments

- In a bid to promote digital payments, the Budget has proposed that business establishments with annual turnover more than 50 crore shall offer low cost digital modes of payment to their customers and no charges or Merchant Discount Rate shall be imposed on customers as well as merchants.



### **Our Perspective**

*While this will improve the uptake of digital payments, it is essential for the government to monitor the costs borne by the RBI and banks in absorbing these costs, to ensure that there are savings earned from handling less cash.*

## Agriculture

- The Budget proposes significant investment in agricultural infrastructure - Setting up 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) in 2019-20 to develop 75,000 skilled entrepreneurs in agro-rural industry sectors.

Forming 10,000 new Farmer Producer Organizations, to ensure economies of scale for farmers over the next five years.

Improving access to markets by working with State Governments to allow farmers to benefit from e-NAM.

### *Our Perspective*

*The objective of doubling farmer income will be met through improved access to markets and infrastructure. The Budget looks at Ease of Doing Business for farmers, which is an excellent frame for the future.*

