

GMS Flash Alert

2019-029 | February 15, 2019



India – Interim Budget Sprinkled with Measures Benefiting Middle-Income Taxpayers

On 1 February 2018, India's Finance Minister presented the Interim Union Budget 2019 with a nod to the general elections, which are scheduled later this year.¹ The Interim Union Budget 2019 aims to provide benefits to middle-class taxpayers, especially salary earners, pensioners, and senior citizens. Some of the key tax proposals affecting individuals are highlighted below.² (For coverage of last year's budget, see [GMS *Flash Alert* 2018-049](#), 14 March 2018.)

WHY THIS MATTERS

To some extent, taxpayers subject to Indian tax law may see their tax burdens lightened by the measures in this Budget. However, it is important to note that the impact of the Budget measures on individuals will depend on each taxpayer's particular set of circumstances. In those cases where an assignee's tax burden decreases due to changes in India's tax law, the employer's international assignment-related costs could fall accordingly, and vice-versa.

The Budget changes could impact international assignment cost projections and budgeting. Payroll departments should be prepared to make necessary adjustments.

Personal Tax Measures

- The eligible rebate from income-tax payable has been raised – up to INR 12,500 (currently up to INR 2,500) for resident individuals whose total income does not exceed INR 500,000 (currently INR 350,000).
[INR 1 = EUR 0.0124 | INR 1 = USD 0.014 | INR 1 = GBP 0.011 | INR 1 = AUD 0.0197]
- The standard deduction in a financial year from salary income would be enhanced to INR 50,000 (currently INR 40,000).

Property-/Home-Related Measures

- A taxpayer's second Self Occupied Property (SOP) will not be subject to tax on a notional rent basis. Further, the aggregate deduction for interest on home loans for both such SOPs is capped at INR 200,000.
- The income tax exemption on Long Term Capital Gain (LTCG) from the sale of a residential house will be available even if the gain from the sale is re-invested in two "house properties" in India, on a once-in-a-lifetime basis, provided such LTCG does not exceed INR 20,000,000.
- The period for which the Annual Value of a house property that is held as stock in trade and not let out is considered nil (zero) is extended to two years from the end of the financial year of obtaining the "completion certificate" (currently this period is one year from obtaining such certificate).

Other Tax Proposals

- The threshold in a financial year for not having to deduct tax at source on interest income from deposits with a (i) banking company or (ii) co-operative society engaged in banking business or (iii) post-office will be increased from INR 10,000 to INR 40,000. (This pertains to banks, post offices, etc., but impacts the accounts at such institutions held by individuals.)

Interim versus Full Budget

This Interim Budget is different from full budgets, which we have reported on in the past. The government unveiled this budget as an "Interim Budget" because it is considered an outgoing government since elections will be taking place in the April-May 2019 timeframe. A full budget will be unveiled by the new government that will assume the reins of power following the elections.

RELATED RESOURCE

For more publications, webinars, and other materials on the Interim Budget 2019, published by the KPMG International member firm in India, [click here](#).

FOOTNOTES:

1 For the budget speech and related budget documents on the Ministry of Finance Web site, click [here](#).

2 This article is excerpted, with permission, from "India Interim Budget 2019," in *Tax Flash News* (1 February 2019), a publication of the KPMG International member firm in India.

* * * *

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in India:



Parizad Sirwalla

Tel. +91 (22) 3090 2010

psirwalla@kpmg.com

The information contained in this newsletter was submitted by the KPMG International member firm in India.

© 2019 KPMG, an Indian registered partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

www.kpmg.com

kpmg.com/socialmedia



© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.