

GMS Flash Alert

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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.

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