



Since 1957

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R.)



*Together We Serve
Together We Grow*

CA. RAGHAVENDRA SHETTY
President

CA. JIGAJINNI KUMAR S.
Secretary

Date: 8th Jun 2019

To,

Smt. Nirmala Sitharaman
Hon'ble Union Minister of Finance
Government of India
North Block
New Delhi - 110001

Hon'ble Madam,

**Subject: SUGGESTIONS TO CONSIDER for BUDGET 2019 IMPLEMENTATION on
Taxation**

The Karnataka State Chartered Accountants Association (R) (in short 'KSCAA') is an association of Chartered Accountants, registered under the Karnataka Societies Registration Act, in the year 1957. KSCAA is primarily formed for the welfare of Chartered Accountants and represents before various regulatory authorities to resolve the professional problems faced by chartered accountants and business community.

We have written to your good selves many a times populating issues and possible solutions. Herein, we are presenting before your good selves the ideas and theme considering the imbalances, difficulties and hardship faced by the trade, consultants and companies at large and as well as to boost the economy.

The mandate for the present Government has been enormous especially with single largest party and incumbent being able to form Government on its own. Such a mandate is with lot of expectations for all the segments of society. Naturally, this gives free hand to implement much needed booster steps as well as tough measure and more so through the Budget. With greater power comes great responsibility. The business and economy need as much attention as the imposing and recovery of taxes. An appropriate balancing act is necessary between the tax revenues and the boost to the business environment as many a times it is easy to be carried away when bureaucrats surround the legislators and ground realities are quite far away.

Our fraternity, who have been in touch with the ground realities and rightly known as true Partners in Nation Building, have put forth certain inputs and we are here in presenting our suggestions for inclusions/amendments/deletions of certain taxation provisions.



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BOOSTING ECONOMY AND FORESIGHTS: CORPORATE TAXATION, PERSONAL TAXATION:

1. It is admirable that the erstwhile Finance Minister has brought down corporate taxes to 25% plus 4% cess in the First innings of the Government as promised. However, there are many taxes apart like the Dividend Distribution Taxes 20.56% effectively, Taxes on Dividend above 10 lakhs in Individual hands @ 10%. In effect its cumulative effect demotivates the earning for private limited companies. These are alongside the indirect taxes in force. The higher tax rates for corporates **collectively (including Dividend Distribution Tax and Dividend Tax)** does not help entrepreneurs to Make in India/ Build in India and hence the attention is drawn herein. A cue must be taken from the United States on the taxation for corporates which has reduced considerably couple of years ago to boost the economy. This would help the entrepreneurs who risk building and scaling up company and promote healthy job creation. We cannot afford to lose our entrepreneurs and need relaxation to spruce up sectors other than Information Technology by giving fillip to such initiatives.
2. The noted Indian jurist Nani Palkhivala had remarked **“the cause of concern about efficacy of the existing law could be a mere aberration warranting just the ironing out of creases without any need for changing the fabric itself.”** The evolved Direct Taxation is rather helpful, and any new code, if it is in the pipeline may have same sequence and arrangement of legal provisions to promote stability in thought process, new legislation takes considerable time to give judicial precedents as well.
3. It is more appropriate to consider adhering to our evolution of taxation rather than bringing in new provisions from the developed countries in terms of Inheritance/ Succession laws/ Direct Tax Code. On the flip side, **there is no social security for the tax payers, unlike in developed countries/ China**, who may have fallen of the cliff by taking business risks sometimes. Balanced view is necessary, India needs to support value creation by entrepreneurs and promote wealth creation, that is the need of the hour. The fabric of the country makes it difficult to bring in Social Security for all, hence needs a balance while conceiving such measures.
4. Stable tax environment will surely bring in more entrepreneurs and boost the job environment. Hence frequent changes to reverse the recent Apex/ High court judgments through amendments to appease the tax administration should be screened and must pass filters of balanced mind before any such implements.
5. Now is the time to reduce the peak rate for Individuals/ Firms/ LLPs to 25% especially when **they consume their disposable income through services and products which are already covered under Indirect Taxation.**
6. It is important to screen the accountability of the Budget spending/distribution in right earnest by the Central as well as State Government as well as local bodies. It helps to reduce the administration machinery by modernizing and assessing the existing bureaucracy setups.

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General Pointers for your consideration and kind perusal:

DIRECT TAXES:

1. Income Tax Slabs for Individuals can be more progressive as suggested below:
 - a. Upto 5 lakhs Present Slab
 - b. 5-10 Lakh 10%
 - c. 10-15 Lakh 15%
 - d. 15-20 Lakh 20%
 - e. 20-50 Lakh 25%
 - f. 50-100 Lakh 30%
 - g. Above 100Lakh 33%Surcharge and Cess be done away.
Committing to stable tax rate for next five years removes any unnecessary surprise in the minds of tax payers and entrepreneurs
2. For Partnership Firms and LLPs – Standard Rate of 25% would be a huge relief.
3. In case of presumptive taxation for Partnership Firms, reasonable sum of partners salary and Interest on Capital be allowed as deduction to boost entrepreneurial initiative of small businesses.
4. Deduction under Section 80C be enhanced to Rs. 250000 for PPF etc, it helps securing and State funding.
5. Section 54EC Bonds lock in period be reduced to 3 years to motivate the Capital Gains to be invested thereunder in nation building activities. Mainly for the reason that the interest is about 250 basis points below normal rate, such interest being taxed on accruals and reducing money value due to inflation. Government can boost the infrastructure spend through such accumulation of public money by easing the holding period.
6. Late filing fees for delay in filing of Income Tax returns be done away as there are a myriad of factors and data matching and compilation. Especially when there is sufficient interest charged for delay in payment of Self Assessment and Advance tax, the measure is ill advised and a bit farfetched.



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INDIRECT TAXES:

- 1) Interest to be considered on net GST liability.
- 2) Clarity on mechanism to arrive at "benefit" to be passed on to customer - Anti profiteering perspective.
- 3) Condition of 180 days payment to be made more rational where the terms of payment allow more than 180 days
- 4) There is a need to remove /rationalize Schedule I provision of deemed supply for services done inter branch.
- 5) More cogent regime of real estate GST is expected to propel the sector.
- 6) To add a monetary limit for Non payment of tax for a period of 3 months to be considered for penalty u/s 122
- 7) To provide more clarity on ITC matching, considering HC judgements.
- 8) Cash basis of payment of tax like earlier regime of Service Tax atleast for small service provider as it affects the cash-flow.
- 9) Reverse Charge Mechanism can be totally removed - when Government is managing such large sectors then why not these few sectors. This will lend equity to GST tax payers and reduce/avoid the unnecessary burden for service recipient.
- 10) Development rights - Benefit arising out of land - Should be covered in schedule III
- 11) Further extension of GST TRAN-1 filing due dates
- 12) GST to be levied only on balance portion of construction on date of contract with new customer - in line with L & T judgment in context of VAT.
- 13) Petrol & Diesel to be brought into GST, without placing any restriction on availing credit on the same used in the course or furtherance of business.
- 14) To provide legal clarity on exemption of 7500/- per month for RWA - whether it is Slab mechanism as per income tax or otherwise.
- 15) Revision of GST returns facility to be provided.
- 16) No delayed filing fee/ reduced fee for delay in filing of Final return Rs.10000 in case of NIL return by a business as it is not in fair and just. There has to contrarily be a restriction on the filing fee to a certain percentage of the tax determined.



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This write-up is on the back of representation received from corporates, trade bodies and practitioners who are in the thick of things and their request for seeking redressal to issues faced.

We would be highly thankful if you could consider the above carefully crafted suggestions in the larger interest of business and the revenue.

Thanking you,

Yours sincerely,

For **Karnataka State Chartered Accountants Association ®**

CA. Raghavendra Shetty
President

CA. Kumar Jigajinni
Secretary

CA. Vijay Sagar Shenoy
Chairman, Representation
Committee