

Boost for MSMEs, stamp duty on stock transactions rationalised

Feb 01,2019

Finance Bill, 2019 proposes to enable larger financing of Micro, Medium and Small Enterprises ('MSMEs'), considerably ease cash flow challenges faced by them and reduce their tax burden; In furtherance of this objective, Govt. seeks to offer 2% interest subvention on loan up to Rs. 1 Cr. to MSMEs registered under the GST; Proposes reform measures w.r.t. stamp duty regime on financial securities transactions and make necessary amendments to the Indian Stamp Act, 1899 ('the Stamp Act'), inter alia (i) inserts definitions for securities including debentures, under the Stamp Act, and (ii) impose 0.005% stamp duty on issue of securities other than debentures and of 0.015% on transfer (on delivery basis); Thus proposes levy of stamp duties on one instrument, relating to one transaction and get collected at one place through the Stock Exchanges while adding that the duty so collected will be shared with the State Govts. seamlessly on the basis of domicile of buying client; Shri. Piyush Goyal also mentions that the Securities and Exchange Board of India Act 1992, Securities Contracts (Regulation) Act 1956, and Depositories Act 1996, are set to be amended to streamline adjudication procedures and to provide for penalties for certain infractions; Shri. Goyal highlights that India could attract massive amount of as much as USD 239 billion of Foreign Direct Investment (FDI) during the last 5 years (when most of the FDI was allowed through automatic route), due to "stable and predictable regulatory regime, growing economy and strong fundamentals"; In connection with major Banking reforms that the country has undergone, while lauding the success of the Insolvency and Bankruptcy Code, 2016, the FM states that "it has institutionalised a resolution-friendly mechanism, which is helping in recovery of non-performing loans while preserving the underlying businesses and jobs".

Experts react to Finance Bill 2019 proposals !



" In our opinion, the 2019 Interim Budget shares a positive outlook for business at large, with relief to sectors such as infrastructure ,logistics ,real estate and housing, defense , digital focused setups with the interests of common man being the heart of the budget reforms.

We see a positive uptake for the real estate sector, based on announcements such as tax benefits for builders, developers and home buyers and the efforts towards enhancing transparency within the sector.

The budget greatly encourages growth amongst SMEs and MSMEs, with initiatives towards increasing the threshold limit for presumptive taxation of business , reduction in the tax rate interest subvention for GST registered SME units and GST exemption for small businesses. Such initiatives will provide impetus to a growing MSME/SME segment. Also, initiatives such as digitalization of villages with drive technology and digital infrastructure businesses with greater growth opportunities as the government targets making around 1 lakh villages into digital villages in next 5 years with the help of common service centers.

Lastly, the Government's 10-point vision for 2030 will most definitely boost confidence among Indian citizens as it offers a positive holistic outlook towards the Indian welfare and development."

Prem Rajani

Managing Partner, Rajani Associates



"Though an Interim Budget, today's announcements come as a hearty welcome, especially for farmers and the long-neglected middle-class citizens of the country. The Budget also provides impetus to the unorganised sector for the first time, the defence sector, the agriculture sector and also continues to encourage young India through its efforts under Startup India, Stand Up India and the MUDRA Scheme.

The budget also serves as a relief factor for developers, real estate companies and homebuyers, as it extends the benefits under section 80(i)BA for 1 more year for all housing projects approved till end of 2019-20. The proposal to extend the exemption period of levying tax on notional rent and on unsold inventories, from 1 year to 2 years, from the end of the year, will be a push factor to encourage more activities and investments with the sector. With increased budgetary allocation set aside for Infrastructure, we may also see much positive activity within the sector, vis-a-vis railways, roadways, waterways and shipping. This, in turn, will certainly benefit and pave way for a further incremental robust GDP.

It is heartening to see that, for the first time, in this Interim Budget, the Interim Finance Minister articulated the 10 Dimensional Vision 2030, wherein leaders, irrespective of their political affiliations, hopefully agree on a common agenda for the country and are working in a concerted manner towards the growth story of India. This unified approach in itself is sure to enable the nation to leapfrog towards its 2030 goals."

Rajesh Begur

Founder & Managing Partner, ARA LAW