UNION BUDGET 2020

PROGRESSIVE NATION GROWING ASPIRATION

GBCA & ASSOCIATES LLP
Chartered Accountants

Tax & Regulatory | Audit & Assurance | Transaction Advisory | Estate & Succession Planning

FOREWORD

ACE of BASE…

The Finance Minister, Smt. Nirmala Sitharaman, has now provided the country with two of the longest budget speeches in history. The speech given on 1 Feb 2020 was the longest by a margin and she had difficulty in finishing the budget speech - this difficulty is symptomatic of the difficult backdrop in which she has had to present her budget. The severe growth slowdown requires a strong fiscal response in building infrastructure and continuing social spending. Sluggish revenue collections constraint the government finances to provide the fiscal impetus and she has had to unconventionally bridge this using the FRBM deviation of 50bps on fiscal deficit for both the current and the next year and also announce of divestment of LIC.

The hope was that Smt. Nirmala had an ACE up her sleeve to kick start the economy from its current low BASE. She spoke about **A**spirational India, **C**aring Society and **E**conomic Development (ACE) at length. While these are longer term positive developments, we must remember that the Central Government budget can only do so much in terms of near term solutions. State Government expenditures are 40% more than the Central Government and States do nearly twice the capital expenditure of the Centre. We need everyone, including private businesses, doing their bit to revive the economy. The central government can provide a conducive backdrop for the same.

Kick starting growth is a daunting task - while a lot of plans were explored by the finance minister, a lot will depend on the execution capability of the government.

Only time can tell with certainty if Smt. Nirmala shall be capable of successfully addressing this issue, the quick assessment of the stock market was underwhelming and clearly indicate that the market expected a lot more from this budget outside of the ACE she currently has shown.

This is short term and eventually we will start focusing on the longer term trends where given our favourable demographics, the recent reforms such as GST, Insolvency code, and the thrust on formalization and digitalization of the economy, we should be able to accelerate our growth.

We will continue to track this development and keep you posted. In the meanwhile, we wish you a very happy, successful and healthy year ahead.

CA Dinesh D. Ghalla **CA Haresh K. Chheda**

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All the amendments mentioned below are proposed in the Finance Bill, 2020 and will take effect from AY 2021-22 unless otherwise specifically stated, subject to passing by both the houses of the Parliament and assent by the President.

This document summarizes the Union Budget 2020-21 and the recent policy changes. It has been prepared for the privileged use of our clients. We recommend you to seek professional advice before taking action on specific issues.

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Economic Overview

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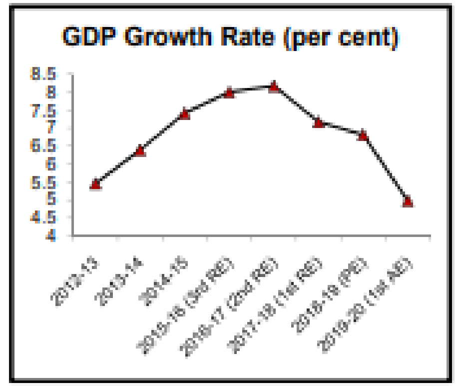
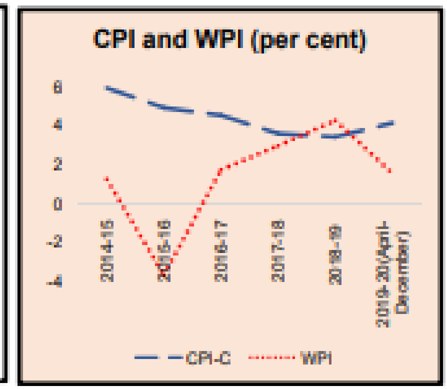
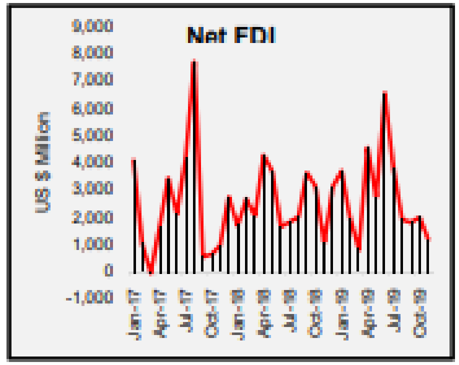
ECONOMIC OVERVIEW

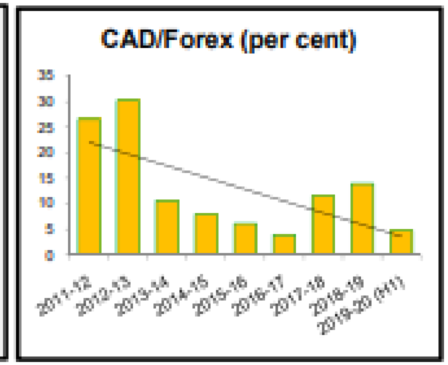
The theme of the Economic Survey 2020 is "Enable Markets, promote 'Pro-business' Policy & Strengthen 'Trust' in the economy 'so as to pave a concrete way towards creating a USD 5 Trillion Economy. The confidence of the investors across the globe continues to grow as witnessed by significant improvements in the ease of doing business and gross FDI inflows.

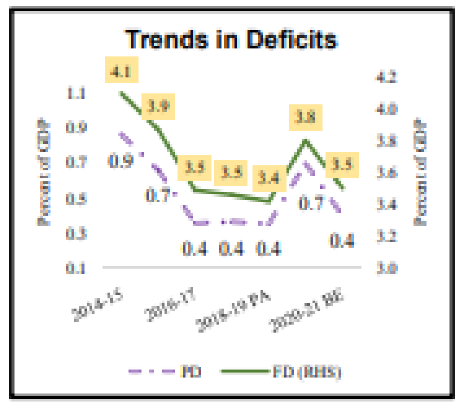
- The real GDP growth for the year 2020-21 is projected around 6 - 6.5 percent as opposed to 7 percent for the year 2019-20, indicating a significant declined largely on account of the weakened global trade, Escalation in geo-political tensions between US-Iran and concerns of the banks over lending liberally.
- However, the growth is likely improve on account of key government initiatives to boost real estate sector, the increase in FDI on account of relocation of investors in wake of Trade Tensions and reduction in Corporate tax rate, thereby countering the downside risks.
- The headline inflation based on Consumer Price Index has increased to 4.1 percent in 2019-20 as against 3.4 percent in 2018-2019.
- India's Current Account Deficit (CAD) narrowed from 2.1 percent in 2018-19 to 1.5 percent of GDP in 2019-20, largely emanating from easing of crude prices. This has lead to an improvement in the Balance of Payments position with forex reserves reach USD 461.2 Billion as on 10th January 2020, largely on account of enhanced FDIs and rebounding of FPIs
- The trade deficit has reduced to 6.3 percent of GDP in 2019-20 from 6.8 percent of GDP in 2018-19.
- India's Manufacturing Purchasing Manager's Index (PMI) stood at 52.7 points whereas the Services Purchasing Manager's Index (PMI) stood at 53.3 points in December 2019 indicating a positive development in the industrial sector as well as the services sector.
- In 2019-20, the average monthly exchange rate of rupee was INR 70.48 per USD. The rupee had depreciated by 2.71 percent from INR 68.62 per USD in 2018-19.

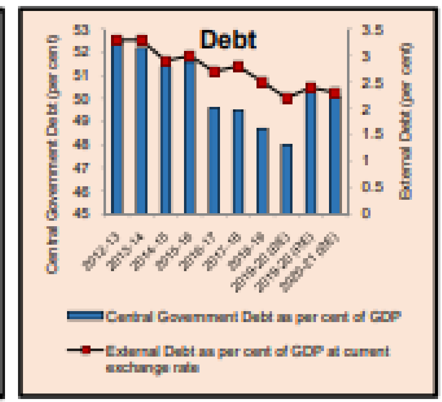












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Key Highlights

07 Budget At a Glance

Direct Tax Proposals:

- Lower personal Income Tax rate for individual taxpayers who forgo certain Income Tax deductions / exemptions; expected to relieve taxpayers in lower income bracket.
- There is an option for the cooperative societies to be taxed at effective tax rate of 25.17% (including surcharge and cess) without the benefit of certain deductions and incentives. Also if the option is exercised, AMT shall not apply.
- The burden of tax on dividend is transferred to shareholders instead of the company by abolishing DDT. Due to this change the overall tax burden in the hands of high net worth individuals could be significantly higher.
- The turnover threshold for tax audit has been increased from INR 1 crore to 5 crores if the following conditions are fulfilled:
    - Cash receipts ≤ 5 % of total receipts and
    - Cash payments ≤ 5% of total payments
- Notional tax on value of property as per stamp duty laws chargeable under the head capital gains, business income and income from other sources will not be triggered if the difference in the value as per stamp duty laws and actual consideration is not more than 10% (earlier 5%) of actual sale consideration.
- Due date for filing of return of income if the books of accounts are subject to audit is extended to 31st October of the relevant assessment year. However, the due date for filing tax audit report is 30th September of the relevant assessment year.
- An Indian Citizen who is not liable to tax in any other country shall be deemed to be a resident of India for the purpose of Income Tax. GOI has clarified that this provisions shall not adversely affect Indian Citizen working outside India. Also, income earned outside India shall be taxable only if derived from Indian Business/ Profession.
- Relaxation to foreign companies from filing return of income is extended to royalty income and fees for technical services.
- PAN to be allotted online instantly through Aadhaar Card.
- Substantial amendments in registration/ approval and compliance procedures by charitable institutions.
- Start-ups whose turnover does not exceed INR 100 Crores are eligible for a deduction of 100% of profits for 3 consecutive years out of 10 years.
- Tax liability in the hands of employee on ESOP's of eligible start-up company has been deferred.
- Time limit for approval of affordable housing project eligible for deduction u/s 80IBA has been extended to 31st March, 2021.
- Time limit for sanction of affordable housing loan to claim additional deduction up to INR 1.5 lakhs for interest paid on such loans extended till 31st March, 2021.
- TDS in case of fees for technical services (other than professional services) reduced from existing 10% to 2%.
- Concessional Tax Rate of 15% u/s 115BAB extended to companies engaged in the business of generation of electricity
- Deduction under section 35AD is now optional for the companies who wish to opt for taxation u/s 115BAA and 115BAB.
- Stay may be granted by ITAT only if the assessee has paid 20% of the disputed demand.
- Income Tax Dispute Resolution scheme to be rolled out.

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Direct Tax Proposals

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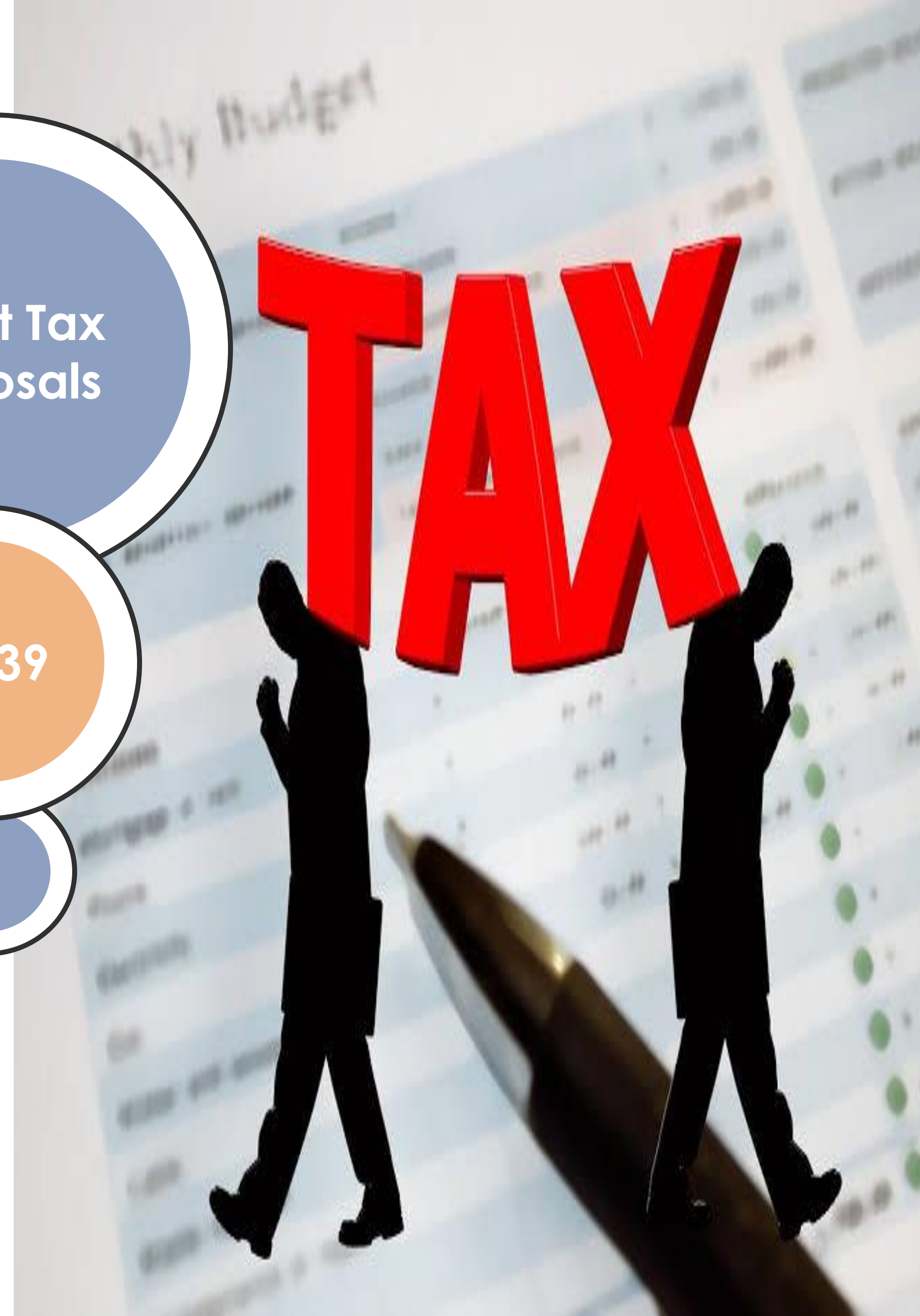


RATE CHARTS – INDIVIDUALS / HUF / AOP / BOI

An individual/ HUF shall **have an option** to opt for either of the two tax regimes described below:

I. Tax Rates in Existing Regime

Tax Rates for Individuals, HUF, AOP and BOI				
Status →	Individual, HUF, AOP and BOI	Senior Citizen (60 years & Above)	Very Senior Citizen (80 years & above)	Notes
Net Taxable Income (INR)				▪ Surcharge @ 10.0% if income exceeds INR 50 Lakhs but not exceeding INR 1 Crore. ▪ Surcharge @ 15.0% if income exceeds INR 1 Crore but not exceeding INR 2 Crores. ▪ Surcharge @ 25.0% if income exceeds INR 2 Crore but not exceeding INR 5 Crores. ▪ Surcharge @ 37.0% if income exceeds INR 5 Crores. ▪ Health and Education Cess @ 4.0% of Tax + Surcharge. ▪ Maximum rebate of INR 12,500 available to resident individuals with total income up to INR 5,00,000.
Upto – 2,50,000	NIL	NIL	NIL	
2,50,001 – 3,00,000	5.00%	NIL	NIL	
3,00,001 – 5,00,000	5.00%	5.00%	NIL	
5,00,001 –10,00,000	20.00%	20.00%	20.00%	
Above 10,00,000	30.00%	30.00%	30.00%	

- In case of short term capital gains u/s 111A and long term capital gains u/s 112A, the rate of surcharge shall be restricted to 15.0%, even if total income exceeds INR 2 crores.
- AOP/BOI shall continue to be taxed under above existing regime only.

RATE CHARTS – INDIVIDUALS / HUF / AOP / BOI

II. Tax Rates u/s 115BAC in New Regime

Tax Rates for Individuals, HUF		
Status →	**Individual, HUF**	**Notes**
Net Taxable Income (INR)		▪ Surcharge @ 10.0% if income exceeds INR 50 Lakhs but not exceeding INR 1 Crore. ▪ Surcharge @ 15.0% if income exceeds INR 1 Crore but not exceeding INR 2 Crores. ▪ Surcharge @ 25.0% if income exceeds INR 2 Crores but not exceeding INR 5 Crores. ▪ Surcharge @ 37.0% if income exceeds INR 5 Crores. ▪ Health and Education Cess @ 4.0% of Tax + Surcharge. ▪ Maximum rebate of INR 12,500 available to resident individuals with total income up to INR 5,00,000. ▪ Refer Note 1
Up to 2,50,000	NIL	
2,50,001 – 5,00,000	5.00%	
5,00,001 – 7,50,000	10.00%	
7,50,001 – 10,00,000	15.00%	
10,00,001 – 12,50,000	20.00%	
12,50,001 – 15,00,000	25.00%	
Above 15,00,00	30.00%	

Note 1:

- The option u/s 115BAC can be opted every year in case of Individual/HUF not having business income. In other case, once such option is exercised it can be withdrawn only once in subsequent year unless such Individual/HUF ceases to have Business Income.
- AMT will not be applicable if one opts for Section 115BAC.
- In order to opt for new regime, individual/ HUF shall have to opt for the same and file the return of income within the due date prescribed u/s 139(1).
- The individual/HUF will not be able to set off any loss from house property against any other head of income. However the said loss can be carried forward to the subsequent years as per the extant provisions.
- In case one opts to pay tax under the new tax regime, certain exemptions and deductions cannot be claimed. (refer Note 2) On failure to comply with the prescribed conditions the option shall be rendered invalid.

Rate Charts – Individuals / HUF / AOP / BOI

- The individual/HUF will not be able to set-off any loss carried forward or depreciation attributable to exemptions/deductions mentioned in Note 2 below. [Though set-off of loss of earlier years on account of unabsorbed depreciation is not allowed, corresponding adjustment in WDV of such block of assets shall be allowed].

Note 2:

In case one opts to pay tax under the new tax regime, the following exemptions and deductions cannot be claimed:

a) Leave travel concession u/s 10(5)- applicable for persons in employment

b) House rent allowance u/s 10(13A) - applicable for persons in employment

c) Allowances u/s 10(14) - applicable for persons in employment **other than**:

   i. Transport allowance to divyang employee commuting between residence and office

   ii. Conveyance allowance to meet expenses during conveyance on duty

   iii. Any allowance to meet cost of travel on tour or transfer

   iv. Daily allowance on account of absence from normal place of duty

d) Standard deduction (INR 50,000), deduction for entertainment allowance and profession tax u/s 16 against salary income

e) Allowances to MPs/MLAs u/s 10(17)

f) Allowance for income of minor u/s 10(32)

g) Exemption for SEZ units u/s 10AA

h) Interest on loan taken for self-occupied or vacant property u/s 24

i) Additional depreciation u/s 32(1)(iia)

j) Donations or expenditure on scientific research u/s 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(2AA)

k) Deductions u/s 32AD, 33AB, 33ABA, 35AD, 35CCC applicable to business income

l) Family pension u/s 57(iia)

m) Any deduction under Chapter VIA like life insurance premium, PPF, ELSS, repayment of housing loan, mediclaim, donations, deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development, etc. **other than** contribution to pension scheme u/s 80CCD(2), deduction in respect of new employees u/s 80JJAA and income of unit in IFSC u/s 80LA(1A).

RATE CHARTS - ILLUSTRATION FOR INDIVIDUALS

Individuals Aged < 60 days	Example 1			Example 2		
Particulars	Existing Regime (With HP loss)	Existing Regime (Without HP loss)	New Regime	Existing Regime (With HP loss)	Existing Regime (Without HP loss)	New Regime
Salary	11,52,500	11,52,500	11,52,500	15,00,000	15,00,000	15,00,000
Less: Standard Deduction	(50,000)	(50,000)	NIL	(50,000)	(50,000)	NIL
Less: Profession Tax	(2,500)	(2,500)	NIL	(2,500)	(2,500)	NIL
Income from Salary	**11,00,000**	**11,00,000**	**11,52,500**	**14,47,500**	**14,47,500**	**15,00,000**
Net Annual Value (Self Occupied Property)	NIL	NIL	NIL	NIL	NIL	NIL
Less: Interest expense u/s 24	(2,00,000)	NIL	NIL	(2,00,000)	NIL	NIL
Income from House Property	**(2,00,000)**	**NIL**	**NIL**	**(2,00,000)**	**NIL**	**NIL**
Gross Total Income	**9,00,000**	**11,00,000**	**11,52,500**	**12,47,500**	**14,47,500**	**15,00,000**
Less: Deductions under Chapter VI-A						
80C – LIC, PPF, etc.	(1,50,000)	(1,50,000)	NIL	(1,50,000)	(1,50,000)	NIL
80D – Mediclaim	(25,000)	(25,000)	NIL	(25,000)	(25,000)	NIL
Total Taxable Income	**7,25,000**	**9,25,000**	**11,52,500**	**10,72,500**	**12,72,500**	**15,00,000**
Tax Liability (Excl. Cess)	**57,500**	**97,500**	**1,05,500**	**1,34,250**	**1,94,250**	**1,87,500**
Cess	2,300	3,900	4,220	5,370	7,770	7,500
Total Tax Liability (Including Cess)	**59,800**	**1,01,400**	**1,09,720**	**1,39,620**	**2,02,020**	**1,95,000**

From the above examples, it is understood that the new tax regime may not be beneficial to those assessee's who are availing benefit of varied deductions and exemptions, including deduction for interest on housing loan. Hence, assessees who are committed to savings habit, may not be attracted by new tax regime.

RATE CHARTS – FIRMS / LLPS / DOMESTIC COMPANIES

Tax Rates for Firms (including LLPs)					
Particulars	**Basic Tax**	**Surcharge**	**Cess**	**Total**	**Notes:**
Income upto INR 1 Crore	30.00%	-	4.00%	31.20%	Health and Education Cess @ 4.0% of Tax + Surcharge
Income exceeding INR 1 Crore	30.00%	12.00%	4.00%	34.94%	

Tax Rates for Domestic Companies			
Particulars	**Company opting for Sec 115BAA**	**Company opting for Sec 115BAB**	**Other Company**
Business of the Company	Any Business	Manufacturing/Production	Any Business
Eligibility Criteria	No specific requirement	Set up and registered on or after 1 October, 2019 (manufacturing / production to commence by 31 March, 2023) (Also refer note 6) It is now proposed to include companies engaged in generation of electricity.	No specific requirement
Basic Tax Rate	22%	15%	25% /30% (refer note 1)
Surcharge	10%	10%	0%/7%/12% (refer note 2)
Cess	4%	4%	4%
Effective Tax Rate	25.168%	17.16%	26% to 34.94%
Minimum Alternate Tax	Not applicable	Not applicable	Basic Rate =18.5% (from FY 2020-21 the rate is 15%) of Book profits. Plus applicable surcharge and cess
Prescribed exemptions /deductions allowed (refer Note 7)	No	No	Yes

RATE CHARTS – DOMESTIC COMPANIES

Notes:

1. Basic rate is 25% if turnover in FY 2018-19 is not more than INR 400 Crores.
2.

Total Income	Applicable Surcharge
Upto INR 1 Crore	0%
INR 1 Crore < Total Income ≤ INR 10 Crores	7%
More than INR 10 Crores	12%

3. The option of Section 115BAA can be exercised in any year but before the due date specified u/s 139(1) for filing return of income for that year.
4. The option of section 115BAB needs to be exercised before the due date specified u/s 139(1) for filing **1st Return** of Income of the Company.
5. The option, once exercised, cannot be withdrawn subsequently. However, if the company fails to satisfy the conditions of Section 115BAB it can opt for Section 115BAA. However, in the year of violation it may be doubtful to opt such option since the option u/s 115BAA is to be exercised on/before the due date specified u/s 139(1) for filing return of income for respective year.
6. Companies formed by restructuring or splitting up of existing business or using old plant & machinery more than 20% of total plant and machinery or using building used previously as hotel or convention centre are not eligible for opting tax rate u/s 115BAB.
7. Prescribed exemptions/deductions includes:
   - S. 10AA : Units in Special Economic Zone
   - S. 32(1)(iia) : Additional depreciation allowance
   - S. 32AD : Deduction for investment in new plant and machinery in notified backward States.
   - S. 33AB : Tea/ coffee/ rubber development allowance
   - S. 33ABA : Site restoration fund.
   - S. 35(1)(ii), (iia), (iii) and 35(2AA), (2AB) : certain scientific research expenditure.
   - S. 35AD : Deduction in respect of expenditure on specified business (e.g Cold Storage, cross country gas line etc)
   - S. 35CCC : Expenditure on agricultural extension project.
   - S. 35CCD : Expenditure on skill development project.
   - All the deductions under Chapter VIA **except** section 80JJAA (deduction in respect of new employees) and section 80M (receipt of dividend).
8. Set-off of any loss carried forward from earlier years to the extent that such loss is attributable to any of the deduction mentioned above. Though set off of loss on account of unabsorbed depreciation is not allowed, corresponding adjustment in WDV of such block of assets shall be allowed.

RATE CHARTS – FOREIGN COMPANIES

Tax Rates for Foreign Companies					
Particulars	**Tax**	**Surcharge**	**Cess**	**Total**	**Notes:**
Income upto INR 1 Crore	40.00%	-	4.00%	41.60%	Health and Education Cess @ 4.0% of Tax + Surcharge
Income exceeding INR 1 Crore but not exceeding than INR 10 Crores	40.00%	2.00%	4.00%	42.43%	
Income exceeding INR 10 Crores	40.00%	5.00%	4.00%	43.68%	

Rate Charts – Co-Operative Society

Tax Rates for Co-Operative Societies					
Particulars	**Tax**	**Surcharge**	**Cess**	**Total**	**Notes**
Income upto INR 10,000	10.00%	-	4.00%	10.40%	▪ Health and Education Cess @ 4.0% of Tax + Surcharge ▪ **Co-operative societies can opt for concessional rate of tax u/s 115BAD. (Refer Note Below)**
Income exceeding INR 10,000 but not exceeding INR 20,000	20.00%	-	4.00%	20.80%	
Income exceeding INR 20,000	30.00%	-	4.00%	31.20%	
Income exceeding INR 1 crore	30.00%	12.00%	4.00%	34.944%	

Concessional rate of tax for Co-operative society u/s 115BAD

- In line with provisions related to domestic companies, it is proposed that co-operative society, resident in India, shall have the option to pay tax at effective rate of @ 25.17% (inclusive of surcharge and cess), subject to fulfilment of following conditions:
  1. No deduction to be claimed in respect of:
     - S. 10AA : Units in Special Economic Zone
     - S. 32(1)(iia) : Additional depreciation allowance
     - S. 32AD : Deduction for investment in new plant and machinery in notified backward States.
     - S. 33AB : Tea/ coffee/ rubber development allowance
     - S. 33ABA : Site restoration fund.
     - S. 35(1)(ii), (iia), (iii) and 35(2AA): certain scientific research expenditure.
     - S. 35AD : Deduction in respect of expenditure on specified business (e.g. Cold Storage, cross country gas line etc)
     - S. 35CCC : Expenditure on agricultural extension project.
     - All the deductions under Chapter VIA **except** section 80JJAA (deduction in respect of new employees) and section 80LA (income from IFSC Unit).
  2. Set-off of any loss carried forward from an earlier year to the extent that such loss is attributable to any of the deduction mentioned above shall not be allowed. Though set off of loss on account of unabsorbed depreciation is not allowed, corresponding adjustment in WDV of such block of assets shall be allowed.
- AMT will not be applicable if one opts for Section 115BAD.
- Rest of the provisions are in line with the condition applicable to companies as per section 115BAA.

Rate Charts – Tax Deducted At Source (TDS)

Rates of Tax Deduction at Source					
Section	Nature of Payments made to Resident	Threshold Limits (INR)	Payee		Notes
			Company, Partnership Firm / LLP / Co–op Society / Local Authority	Individual, HUF, AOP & BOI	
		Rates	Rates	Rates	
192	Salary	N.A.	N.A.	*	N.A.
192A	Payment of accumulated balance due to an employee by RPF	50,000	N.A.	10.0%	1
193	Interest on Securities	2,500	10.0%	10.0%	2
194	Dividends	5,000 (only for Individuals)	10.0%	10.0%	N.A.
194–A	Other Interest	5,000	10.0%	10.0%	3 & 4
194–B	Winning from Lotteries	10,000	30.0%	30.0%	N.A.
194-BB	Winnings from Horse races	10,000	30.0%	30.0%	N.A.
194–C	Payment to Contractors / Sub–Contractors	Single Transaction = 30,000 Aggregate= 1,00,000	2.0%	1.0% / 2.0%	3,5 & 6
194–D	Insurance Commission	15,000	5.0%	5.0%	N.A.
194–DA	Payment in respect of Life Insurance Policy(other than amount in section 10(10D)	1,00,000	1.0% / 5.0%	1.0% / 5.0%	7

*At the rates applicable to particular slab of income including applicable Surcharge and Health & Education Cess.

RATE CHARTS – TAX DEDUCTED AT SOURCE (TDS)

Rates of Tax Deduction at Source					
			Payee		
Section	Nature of Payments made to Resident	Threshold Limits (INR)	Company, Partnership Firm / LLP / Co–op Society / Local Authority	Individual, HUF, AOP & BOI	Notes
		Rates	Rates	Rates	
194–E	Income arising to a Non–Citizen, Non–Resident Entertainer or Sportsmen	NIL	N.A	20.0%	N.A.
194-EE	Payment in respect of deposits under NSS	2,500	10.0%	10.0%	N.A
194-G	Commission etc. on the sale of lottery tickets	15,000	5.0%	5.0%	N.A.
194–H	Commission/Brokerage	15,000	5.0%	5.0%	3
194–I	Rent of machinery, plant or equipment	2,40,000	2.0%	2.0%	3
194–I	Rent of land, building, or Furniture	2,40,000	10.0%	10.0%	3
194–IA	Payment on transfer of certain immovable property other than agricultural land	50,00,000	1.0%	1.0%	N.A.
194-IB	Payment of Rent by Individuals/HUF (other than covered by Section 44AB)	50,000 p.m.	N.A.	5.0%	No TAN required
194- IC	Payment under Specified Agreement for Joint Development	NIL	N.A.	10.0%	N.A.
194–J	Professional Fees	30,000	10.0% / 2.0%	10.0% / 2.0%	3,8 & 9

RATE CHARTS – TAX DEDUCTED AT SOURCE (TDS)

Rates of Tax Deduction at Source					
			Payee		
Section	Nature of Payments made to Resident	Threshold Limits (INR)	Company, Partnership Firm / LLP / Co–op Society / Local Authority	Individual, HUF, AOP & BOI	Notes
		Rates	Rates	Rates	
194-K	Payment to resident for income in respect of units of Mutual fund or Administrator of Specified Undertaking or Specified Company	5,000	10.0%	10.0%	10
194–LA	Compensation or Consideration for Compulsory Acquisition of Immovable Property(other than agricultural land)	2,50,000	1.0%	1.0%	11
194-LBA	Incomes form units of Business Trust.	NIL	5.0% / 10.0%	5.0% / 10.0%	12
194–LC	Interest Income paid to Non–Residents by Specified Companies or Business Trust	NIL	5.0% / 4.0%	5.0% / 4.0%	13
194-LD	Interest income paid to Non-Residents by certain Bonds and Government Securities.	NIL	5.0%	5.0%	14
194-M	Payment for contract /professional services by individual/ HUF. (other than those covered under 194C and 194J).	50,00,000	5.0%	5.0%	No TAN Required
194-N	Cash Withdrawn from bank, co-operative bank and post office.	1,00,00,000	2%	2%	15
194-O	Payment made by E-commerce operator to E-commerce Participant.	NIL	1%	1%	16

RATE CHARTS – TAX DEDUCTED AT SOURCE (TDS)

Notes:

1. TDS provisions u/s 192A applies when withdrawal of accumulated balance in RPF is to be included in the total income.
2. Threshold limit for interest paid on debentures is INR 5,000. Threshold limit for interest on 7.75% GOI Savings (Taxable) Bonds, 2018 is INR 10,000.
3. The provisions of following TDS / TCS Sections, which were linked to applicability of Tax Audit provisions, shall now apply if the Gross Receipts / Turnover is INR 1 Crore or more for Business and INR 50 Lakhs or more for Profession:
   - Section 194A, 194C, 194H, 194I, 194J and
   - Section 206C

   Thus, irrespective of applicability of Tax Audit provisions, TDS / TCS provisions, as mentioned above, shall apply.
4. The threshold limit for TDS on interest income for Senior Citizens is INR 50,000 and in any other cases 40,000.
5. TDS is to be deducted @ 2.0% if the payee is an AOP or BOI. No TDS is applicable on payment to Contractor during the course of plying, hiring or leasing of goods carriages, where such contractor owns 10 or less goods carriages during the FY and furnishes declaration along with PAN.
6. Presently, definition of "work" includes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer. In case the material is not purchased from such customer then the same is not considered as work for the purpose of this section. It is proposed to amend definition of "work" to include purchase of raw material from associate of the customer. The word Associate shall have the same relations as stated u/s 40A(2)(b).
7. Applicable only where amount is not exempt u/s 10(10D). Form 15G/15H can be given wherever applicable. The rate of 1% shall be applicable upto 31.08.2019 and w.e.f. 01.09.2019 the rate applicable shall be 5%.
8. a. Rate of TDS is 2% instead of 10% if the payee is engaged only in the business of operation of call centre.

   b. TDS on Remuneration to Director which is not in the nature of Salary to be deducted @ 10%.
9. It is proposed to reduce TDS rate under section 194J for payment of fees for technical services (except professional services) from existing 10% to 2%
10. Units of Mutual Fund have been specified under section 10(23D) of Income Tax Act, 1961. "Administrator", "specified company" and "specified undertaking" are specified u/s 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.
11. No tax will be deducted if payment is made in respect of any award or agreement which has been exempted from levy of income-tax u/s 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.
12. Interest payment from a SPV and Distribution of dividend by a Business Trust, to Resident unit holders shall be liable for TDS @ 10%. Whereas, in case of Non-Resident payee, TDS on dividend shall be @ 10% & that on interest payment shall be @ 5%.

RATE CHARTS – TAX DEDUCTED AT SOURCE (TDS)

13. The period of concessional rate of TDS of 5 % has been extended till 1st July 2023 from existing 1st July 2020. The rate of TDS has been reduced to 4% in case of interest payable to a Non-Resident on borrowings in foreign currency from a source outside India, by way of issue of any long term bond or Rupee Denominated Bonds on or after 1st April, 2020 but before 1st July, 2023 and which is listed only on a recognised stock exchange located in any IFSC.
14. In case of FPIs and QFIs, the lower TDS rate of 5% has been extended to 1st July, 2023. The said concessional TDS rate shall also be applied to FIIs and QFIs in respect of investment made in Municipal Bonds.
15. The threshold limit of INR 1 Crore is for aggregate cash withdrawn from an account during the FY.
16. Detailed notes on amendments in TDS / TCS provisions are given below:-

Reduction in TDS rate on fees for technical services (other than professional services)

- Currently Section 194J provides that any person responsible for paying to a resident any sum by way of fees for professional services or fees for technical services or fees to director other than covered u/s 192 or royalty shall deduct tax @ 10%.
- Section 194C provides that any person responsible for paying any sum to resident for carrying out any work in pursuance of a contract shall deduct tax @ 1% in case of individual & HUF or 2% in other cases.
- Due to increasing number of litigation with regards to scope of section 194C & 194J, it is proposed to amend TDS rate u/s 194J for payment of fees for technical services (except professional services) from existing 10% to 2%

Enlarging the scope for tax deduction on interest income under section 194A

- Currently no TDS is required to be deducted on following transactions:
  - Income credited or paid by a co-operative society (other than a co-operative bank) to a member or other co-operative society.
  - Income credited or paid in respect of deposits with a primary agricultural credit society /primary credit society /co-operative land mortgage bank /co-operative land development bank and deposits (other than time deposits) with a co-operative bank other than a co-operative society/ bank engaged in carrying on the business of banking.
- It is proposed to bring large co-operative society under the purview of TDS for interest paid on satisfaction of following conditions:
  i. Total sales/ gross receipts/ turnover of the co-operative society exceeds INR 50 Crores in immediately preceding FY; and
  ii. Interest paid or credited (either Individually or in aggregate) during the FY is more than INR 50,000 in case of payee being a senior citizen and INR 40,000, in any other case.

RATE CHARTS – TAX DEDUCTED AT SOURCE (TDS)

TDS on E-commerce Transactions

In order to widen the tax base, following TDS provisions are proposed on transactions carried out through the digital or electronic platform:

- TDS @ **1%** to be deducted by e-commerce operator on the gross amount of sales or services or both made by the e-commerce participant and facilitated through its digital or electronic platform.
- E-commerce operator is required to deduct tax at the **time of credit** of amount of sale or service or both to the account of e-commerce participant or at the **time of payment** thereof to such participant by any mode, whichever is **earlier**.
- Tax also to be deducted by e-commerce operator where payment is made by purchaser of goods or recipient of services **directly** to e-commerce participant.
- If the gross amount of sales or services or both of e-commerce participant, being an **individual or HUF**, through e-commerce operator during the previous year does not exceed **INR 5 Lakhs** and such e-commerce participant has furnished his **PAN** or **Aadhaar number** to the e-commerce operator then TDS will not be required to be deducted on the same.
- In case the PAN of the e-commerce participant is not available then the rate of TDS shall be **5%**.
- Transaction covered under this section shall not be liable for TDS under any other provisions.
- This shall take effect from 01.04.2020.

Amending definition of “work” in section 194C

- Currently definition of “work” includes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer. In case the material is not purchased from such customer then the same is not considered as work for the purpose of this section.
- It is proposed to amend definition of “work” to include purchase of raw material from associate of the customer.
- The word Associate shall have the same meaning as defined u/s 40A(2)(b).

Rate Charts – Tax Collection At Source (TCS)

TCS on remittance under LRS, Purchase of Overseas Tourist Program Package & Sale of Goods over specified limit

- Presently, tax is collected at source in certain business such as trading in alcohol, liquor, forest produce, scrap etc.
- It is now proposed to widen the scope of TCS by including the following:

Scenario	Person Responsible to collect TCS	If PAN / Aadhaar Card available	If PAN / Aadhaar Card not available
Remittance outside India under LRS (Applicable only if amount of remittance or aggregate thereof is INR 7 Lakhs or more)	Authorized Dealer	5%	10%
Overseas Tour Program Package (without any threshold)	Seller	5%	10%
Sale of goods (other than those already covered under TCS) by seller whose total sales, gross receipts or turnover exceeds INR 10 Crores in the year immediately preceding the FY	Seller receiving consideration for sale of value or aggregate of such value exceeding INR 50 Lakhs in any FY	0.1%	1%

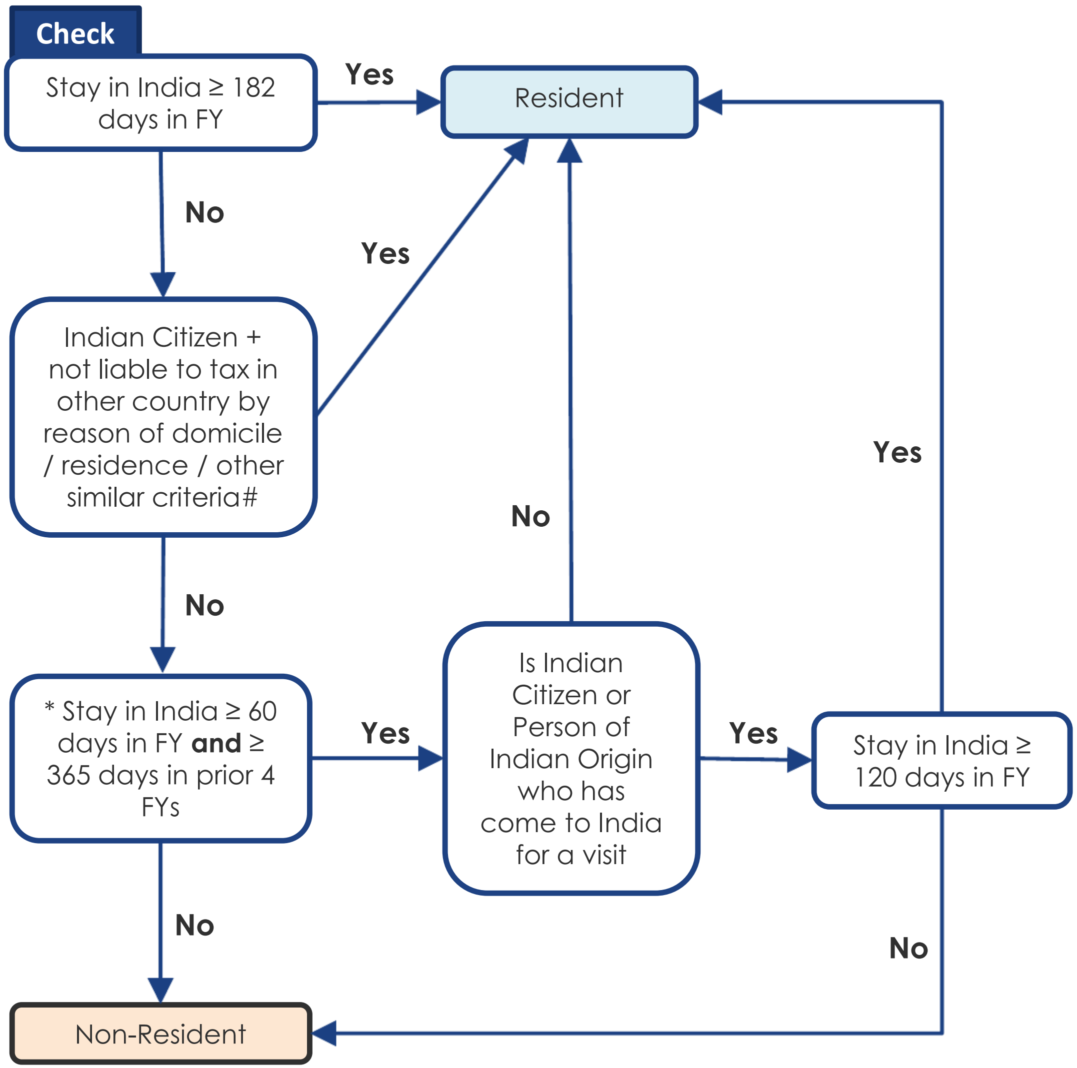
Exceptions:

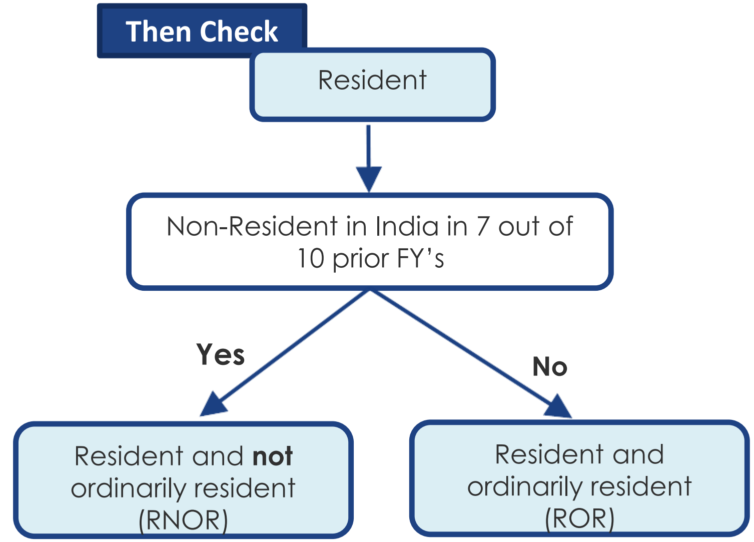
1. No TCS to be collected from Central Government, State Government, an Embassy, a High Commission, Legation, Commission, Consulate, Trade Representation of a Foreign state, a Local Authority or any other person as notified by the Central Government.

2. No TCS to be collected from buyer who is liable to deduct TDS under any provision of the Act and has deducted such amount.

PERSONAL TAXATION

Modification of Residency Provisions





- The bifurcation between ROR and RNOR becomes relevant because Global Income is taxable in the hands of ROR and the person also needs to disclose his Foreign Assets and Incomes.
- Person of Indian origin is a person who himself or any of his parents or any of his grandparents was born in undivided India.

*This condition shall not apply to Indian citizens who leave India during the previous year for employment or as a member of the crew of an Indian ship.

#GOI has clarified via press release that the provisions are not intended to include in tax net Indian citizens who are bonafide workers in other countries. Even if an Indian Citizen becomes a deemed resident in India, income earned outside India shall not be taxed in India unless it is derived from Indian Business/ Profession.

PERSONAL TAXATION

Rationalization of tax treatment of employer's contribution to funds.

- Presently, tax treatment in respect of contribution by employer to RPF, Super Annuation Fund (SAF) and NPS is as under:

Contribution by Employer	Taxable Amount in the hands of employee
To RPF	Amount in excess of 12% of salary*
To SAF	Amount in excess of INR 1,50,000
To NPS	Entire Amount is taxable and deduction u/s 80CCD(2) upto 10% of salary*

- It is proposed to provide combined upper limit of INR 7,50,000 for above mentioned contributions. Accordingly, aggregate contributions made by employer in respect of RPF, SAF and NPS for its employee in excess of INR 7,50,000 will be considered as taxable salary of such employee.
- Also, annual accretion by way of interest, dividend etc in respect of above mentioned contributions will be taxed in the hands of employee. The manner of computation shall be prescribed.
- It is pertinent to note that there is no corresponding amendment in Section 80CCD(2).

*Salary- Computed as per extant provisions

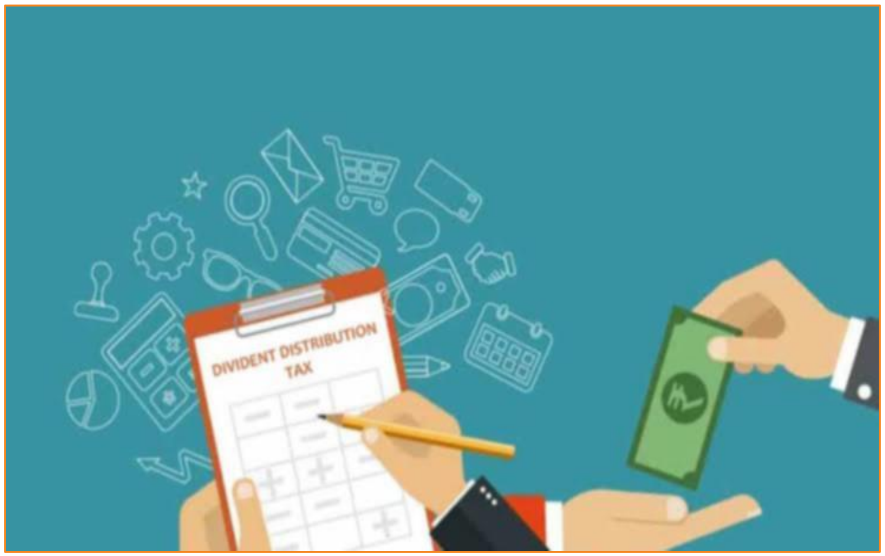
Deduction in respect of interest on affordable housing loan

- Presently, an Individual can claim deduction in respect of interest up to INR 1,50,000 on loan taken for his first residential house property from financial institution if such loan is sanctioned between 01.04.2019 to 31.03.2020 and Stamp duty value of such house property does not exceed INR 45 Lakhs.
- To promote purchase of affordable housing, it is proposed to extend the period of sanctioning of the said loan to 31.03.2021.

DIVIDEND

Amendment in relation to business trusts

- Currently, the dividend distributed by the business trust to the unit holders is exempt in the hands of unit holders.
- It is now proposed that the dividend distributed by the business trust to unit holders shall be taxable in the hands of unit holders.
- Currently the definition of Business Trusts includes trust registered as an Infrastructure Investment Trust or Real Estate Investment Trust regulated by SEBI and the units of which are listed on a recognized stock exchange.
- It is proposed to remove the requirement of listing of the units on stock exchange for being eligible business trust.



Removing dividend distribution tax and moving to classical system of taxing dividend in the hands of shareholders & unit holders.

- At present company pays DDT on dividend distributed to its shareholders.
- The amount of dividend received by the shareholder (other than Company) is taxed at 10 % (plus applicable surcharge and cess) without any deduction for expenses in hand of shareholder if such amount exceeds INR 10 Lakhs.
- At present Mutual Funds ("MF") pays tax on the amount distributed to its unit holders at specified rates. Such amount is exempt in the hands of the unit holders.
- It is proposed that company/MF will not be required to pay tax on dividend distributed. Such amount will be taxable in hands of shareholders/unit holders as per normal applicable tax rates. Shareholders/unit holders shall get the deduction of only interest expense against such income. The deduction shall be restricted to 20 % of such income.
- In order to eliminate cascading effect it is proposed that dividend received by the corporate shareholder (being domestic company) from the other domestic company will not be taxable to the extent of dividend distributed by such corporate shareholder at least 1 month prior to due date of filing income tax return. No such concession proposed in respect of dividend received from foreign company.
- It is proposed that dividend distributed by company/MF shall be subject to withholding tax.

BUSINESS PROVISIONS

Relief from tax audit provisions in certain cases

- Currently, every person carrying on business is required to get his/her accounts audited, if the total sales, turnover or gross receipts, in business exceeds INR 1 Crore in any FY.
- It is proposed to increase the above limit for a person carrying on business from INR 1 Crore to INR 5 Crores in cases where,-
  i. aggregate of all cash receipts during the previous year does not exceed 5% of total receipts; and
  ii. aggregate of all cash payments during the previous year does not exceed 5% of total payments.

Due Date for filing Return of Income

- Currently, the due date for filing return of income in case of Companies, persons whose books of account are required to be audited and working partners of such firm is 30th September of the relevant assessment year.
- It is now proposed to extend the said due date to 31st October of the relevant assessment year.
- It is further proposed to amend the due date for non working partners of a firm, whose accounts are required to be audited, to 31st October of the relevant assessment year. Consequently, the due date for filing return of income for working and non working partners is 31st October.
- The due date for filing tax audit report still remains the same i.e. 30th September of the relevant assessment year. However, tax payers who are subject to transfer pricing shall be liable to file tax audit report by 31st October of the relevant assessment year.
- The proposed changes are made to enable pre-filing of returns in case of said persons.
- No change in due date of filing ROI in case of assessees where transfer pricing provisions are attracted.

Deduction of Certain expenses in certain Insurance Companies:

- There is a separate mechanism for computation of Profits and Gains of Insurance business other than Life Insurance business under rule 5 of First Schedule of the Act whereby certain expenses covered under section 43B are disallowed if not actually paid during the previous year.
- However there was a lacunae with respect to the previous year in which the said expenses shall be allowed as deduction when actually paid.
- The said lacunae is now sought to be rectified by providing that the same shall be allowed as deduction in the year of payment.

BUSINESS PROVISIONS

Relief provided for Start-ups

- Currently a deduction of 100% of the profits and gains derived from eligible business by an eligible startup is available for any 3 consecutive assessment years out of **7 years**, if:
  - a) Eligible start up is incorporated on or after 01.04.2016 but before 01.04.2021and
  - b) Total turnover of such business does not exceed **INR 25 crores**
- It is now proposed to extend, the period of 7 years to **10** years and also enhance the turnover limit from INR 25 crores to INR **100** crores.

Deferring TDS or tax payment in respect of income pertaining to Employee Stock Option Plan (ESOP) of start- ups

- Currently, ESOP's are taxed as perquisites in the hands of employee and thus taxation of ESOP's is split into two parts:
  - i. Tax on perquisite as income from salary at the time of exercise.
  - ii. Tax on income from capital gains at the time of sale of such shares
- It is proposed to defer the taxation on ESOP's received by the employee from eligible start-up companies (defined u/s 80-IAC) and tax liability will need to be discharged within 14 days:
  - i. After the expiry of 4 years from the end of the relevant AY (of exercise of option) or
  - ii. From the date of the sale of such shares, or
  - iii. From the date on which the assessee ceases to be in employment with the eligible start-up

  whichever is earlier.
- The tax will be chargeable on the basis of rates in force of the FY in which such shares are allotted or transferred.

Annual Information Statement instead of Form 26AS:

- Due to advancement in technology & enhancement in capacity of system, multiple information in respect of a person such as sale/purchase of immovable property, share transactions etc. are being captured or proposed to be captured. In future, it is envisaged that in order to facilitate compliance, this information will be provided to the assessee by uploading the same in the registered account of the assessee on the designated portal of the Income-tax Department, so that the same can be used by assessee for filing of return of income and calculating his correct tax liability.
- This Annual Information Statement shall hitherto contain information which was also captured in Form No. 26AS and therefore the provisions relating to same contained in section 203AA are proposed to be done away with by proposing new provision under section 285BB whereby now annual information statement will be made available on registered account of the assessee.
- This amendment shall be effective from 1st June, 2020.

Penalty for falsification/ omission of entry in books of account.

- It is proposed to levy penalty on assessee, if it is found during the assessment proceeding that in the books of account maintained, there are false entries or any entry relevant for computation of income tax is omitted.
- The officer may direct such person or a person who causes such falsification to pay penalty amounting to aggregate of such false or omitted entries.
- False entries include the following :
  1. forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or
  2. invoice in respect of supply or receipt of goods or services or both issued by the person or any other person without actual supply or receipt of such goods or services or both; or
  3. invoice in respect of supply or receipt of goods or services or both to or from a person who do not exist.

Deduction for affordable housing projects extended for 1 more year

- Currently, an assessee engaged in the business of developing and building affordable housing projects is eligible to claim deduction of 100% of profits. The benefit is available in respect of the projects approved upto 31st March, 2020.
- It is proposed to extend the benefit by additional 1 year i.e. for projects to be approved on or before 31st March, 2021.

Option to the assessee for not availing deduction u/s 35AD

- Currently, certain specified businesses are allowed 100% deduction of capital expenditure u/s 35AD.
- It is now proposed to make the deduction optional so that the assessee willing to opt for concessional rate of tax where such deduction is not allowed, can exercise option of foregoing the benefit and avail deduction of normal depreciation in respect of such capital expenditure.

CAPITAL GAINS

Rationalisation of safe harbour limits u/s 43CA, Section 50C and Section 56

- Currently for computation of capital gains and business income from transfer of immovable property, stamp duty value ('SDV') is considered as deemed sale price, if it is more than 105 % of the actual sale consideration. Similarly receipt of immovable property, where SDV exceeds 105% of actual consideration, the difference between SDV and actual consideration is deemed as Income from other sources.
- In order to reduce the hardship caused in respect of genuine transactions, it is proposed to increase existing limit of 105% to110% of sale consideration.
- **Illustration:**

Scenario	SDV (INR in Lakhs)	Actual Sales (INR in Lakhs)	Implications
Sale of Building	109	100	Deemed sale price will not apply. 100 will be considered as sale price.
	115	100	115 will be considered as Deemed Sale Price
Purchase of Building	110	100	Difference of 10 (110-100) will not be taxable.
	120	100	Difference of 20 (120-100) will be taxable as income from other sources

Capital gains for assets acquired before 01.04.2001

- Currently, for computing capital gains in respect of an asset acquired before 1st April, 2001 assessee is allowed an option of either to take the FMV of the asset as on 1st April, 2001 or the actual cost of the asset as cost of acquisition.
- It is proposed that for asset being land or building or both the FMV of such asset as on 01st April 2001 shall not exceed Stamp duty value of such asset as on 01st April, 2001, wherever available.

Date of acquisition and cost of acquisition in case of segregated portfolios.

- In order to separate illiquid and distressed assets from other assets in a portfolio, SEBI permitted the creation of segregated portfolio of debt and money market instruments by Mutual Fund Schemes. As per the scheme, the existing unit holders receives equal number of units in the segregated portfolio as held in main portfolio.
- It is proposed that the date of acquisition of units held in segregated portfolio shall be the date of acquisition of original units in the main portfolio.
- The cost of acquisition shall be split between the units in a segregated portfolio and main portfolio in the ratio of Net Assets Value of the respective portfolios.

Assessment Provisions

Provision for e-penalty

- Currently, the assessment proceedings are conducted in an electronic mode without any requirement of personal attendance in the offices of the income tax department.
- It is now proposed to increase the scope of coverage of e-proceedings to penalty proceedings in lines with the E-assessment Scheme 2019 with the objective of eliminating human inference and physical attendance of tax payers/ Authorised Representative

Modification of E-assessment scheme

- Currently, there is no specific provision for the Assessing officer to compute the total income and pass the best judgement order under the E-assessment Scheme 2019.
- It is now proposed to expand the scope of E-assessment to enable the Assessing officer to pass best judgement assessment order also.

Provision for E-appeals before CIT(A)

- Currently, only filing of appeals before CIT(A) is carried out in an electronic mode. However, hearing takes place through personal hearing
- It is now proposed to notify an e-appeal scheme for Appeal proceedings before CIT(Appeals), in order to impart greater efficiency, transparency and accountability.

Providing check on survey operations u/s 133A

- Currently, if a survey is conducted by the income tax authority below rank of the Joint Director or Joint Commissioner then prior approval is required of the Joint Director or the Joint Commissioner, as the case may be.
- It is proposed that survey shall be conducted:
    - in a case where the information has been received from the prescribed authority, survey can be conducted by income tax authority below the rank of Joint Director or Joint Commissioner with the prior approval of the Joint Director or the Joint Commissioner, as the case may be;
    - in any other case, survey shall be conducted by income tax authority below the rank of Commissioner or Director with prior approval of the Commissioner or the Director of Income Tax, as the case may be.

Clarity on stay by the Income Tax Appellate Tribunal (ITAT)

- Currently, the ITAT may after considering the merits of the application made by the assessee grant stay of demand and pass an order of stay for a maximum period of 180 days in any proceedings against the order of CIT(A).
- It is now proposed to provide that ITAT can grant stay of demand, if the assessee deposits at least 20 per cent of the amount of tax, interest/penalty or provides security of equal amount.

INTERNATIONAL TAX

Relaxation to non residents from filing Income Tax Return

- Presently, non residents only having specified income such as certain dividends and interest income are not required to file Income Tax Return, if TDS on such income has been duly deducted.
- This relaxation has now been extended to income from royalties or fees from technical services earned by non resident, if applicable TDS on such income has been duly deducted.
- This provision shall be effective from FY 2019-20.

Deferring Significant Economic Presence (SEP) proposal

- Significant Economic Presence (SEP) is one of the factors leading to business connection and creation of taxable presence for non-residents in India. Thresholds of aggregate payments leading to SEP are not yet notified.
- Currently, the application of deemed income accrual through significant economic presence of a Non-Resident in India has been deferred and shall be applicable from FY 2021-22.

Clarification of income attribution in case of Business Connection

- It is proposed to expand scope of income attributable in case of a business connection to include income from
  - Advertisement targeted to Indian customers
  - Sale of data collected from Indian Resident
  - Sale of goods and services using data collected by Indian Resident
  - Any of the above using internet protocol located in India by any person.

Exemption from Indirect Transfer provisions to Category-I FPIs

- It is proposed to exclude Category II FPIs from existing exemption on Indirect transfers.
- However, investments held by a non-resident in a Category-I FPI shall continue to be exempt from indirect transfer provisions.

Rationalising definition of 'Royalty'

- It is proposed to include consideration for the sale, distribution or exhibition of cinematographic films within the definition of Royalty under deemed income accrual provisions.

INTERNATIONAL TAX

Rationalisation in conditions of offshore funds' exemption from business connection

- Presently, Fund Management Activity of eligible investment fund carried out through eligible fund manager located in India and acting on behalf of such fund does not by itself constitute business connection in India.
- Also, such Eligible funds are not considered as resident of India merely because the fund manager, undertaking fund management activities on its behalf, is located in India subject to certain conditions.
- In order to give an impetus to fund management activities in India, it is proposed to rationalise following conditions:
  - Requirement for the corpus of the fund to be minimum INR 100 Crores can now be satisfied at the end of 12 months from the last day of the month in which such fund is incorporated or established.
  - Contributions by fund manager up to INR 25 Crores will not be included in resident participation/investment cap of 5% for a period of initial 3 years.

Aligning purpose of entering into DTAA with MLI

- MLI has been introduced to plug loopholes in international tax treaties to tackle Base Erosion and Profit Shifting (BEPS) issue where entities artificially shift profits to low or no-tax locations without substantive economic activities. The MLI will be applied alongside existing DTAAs, modifying their application in order to implement the BEPS measures.
- India has signed MLI along with many other countries and it is applicable to India's DTAAs from FY 2020-21 onwards.
- It is therefore proposed to amend the provisions of the Act in order to give effect to the Preamble modified by MLI.

Transfer Pricing

Allowance of total interest expense paid or payable to Permanent Establishment (PE) of a non-resident bank

- Interest expense exceeding INR 1 Crore paid to an associated enterprise(AE) for a debt by an Indian company or PE of foreign company, is allowable to the extent of 30% of EBITDA or actual interest paid or payable whichever is less.
- It is proposed that, the above limit for interest expense will not be applicable to interest paid to lender which is PE of non-resident bank in India.

Tax Certainty for attribution of profit to Permanent Establishments.

- Currently the provisions of safe harbor rule (SHR) and Advance pricing agreement (APA) cover only determination of arm's length price of transaction.
- It is now proposed that, provisions of safe harbour rules and Advance Pricing Agreement shall also cover attribution of profits to PE of a non-resident for income deemed to accrue or arise in India.

Widening the scope to apply to the Dispute Resolution Panel

- Currently, as per Section 144C, the provisions of Dispute Resolution Panel (DRP) are applicable in case of certain eligible assessees being any foreign company and any person in whose case transfer pricing adjustments have been made. In such cases, the Assessing Officer (AO) is required to pass a Draft Order if he proposes to make any variation in the income or loss returned which is prejudicial to the interest of the assessee.
- It is proposed that an eligible assessee can apply to DRP in cases where **any variation** not necessarily in relation to income or losses returned, which is prejudicial to the interest of the assessee is being made.
- In addition to Foreign Company, it is further proposed that 'eligible assessee' shall also include a Non-Resident not being a company.

CHARITABLE TRUST/ INSTITUTIONS

Rationalization of Provisions relating to Trust, Institution and Funds

- Currently, the Trusts/ Institutions (Assessee) were required to be registered u/s 12A or 12AA and the registration once granted was valid until revoked.
- It is proposed that the new section 12AB shall replace the existing section 12AA to alter the process of registration with the onset of technological advancements. The entire application process is proposed to be digitalised under the new regime. Also, the registration is subject to renewal at the end of prescribed time limits. The details of the proposed amendments for grant of registration u/s 12AB are as follows:

<table>
<tr><th>Sr. No</th><th>Type</th><th>Application for Registration/ Renewal</th><th>Response to application</th><th>Validity of Registration</th></tr>
<tr><td>1</td><td>Where the Assessee was registered u/s 12A or 12AA</td><td>Before 01-09-2020</td><td>3 months from end of the month in which application is received</td><td rowspan="4">5 years</td></tr>
<tr><td>2</td><td>Where the Assessee is Registered u/s. 12AB and the registration is due to expire</td><td>Before 6 months of date of expiry of registration</td><td rowspan="3">6 months from end of the month in which application is received</td></tr>
<tr><td>3</td><td>Where the Assessee is provisionally registered under 12AB</td><td>1. Before 6 months of expiry of provisional registration, or
2. Within 6 months from the commencement of activities whichever is earlier</td></tr>
<tr><td>4</td><td>Where the Assessee has adopted or modified the objects of the trust/ institution and they are not in accordance with the conditions of registration</td><td>Within 30 days from the date of such adoption or modification</td></tr>
<tr><td>5</td><td>For new registrations or any other cases not specifically covered above</td><td>Before 1 month of commencement of PY for which said registration is sought</td><td>1 month from end of the month in which application is received</td><td>3 years</td></tr>
</table>

CHARITABLE TRUST/ INSTITUTIONS

- Further, an entity already having approval u/s. 80G of the Act, shall also be required to make an application to the Principal Commissioner or Commissioner for renewal or fresh grant of approval. The details of the proposed amendments for grant of approval u/s 80G for existing as well as new entities are as follows:

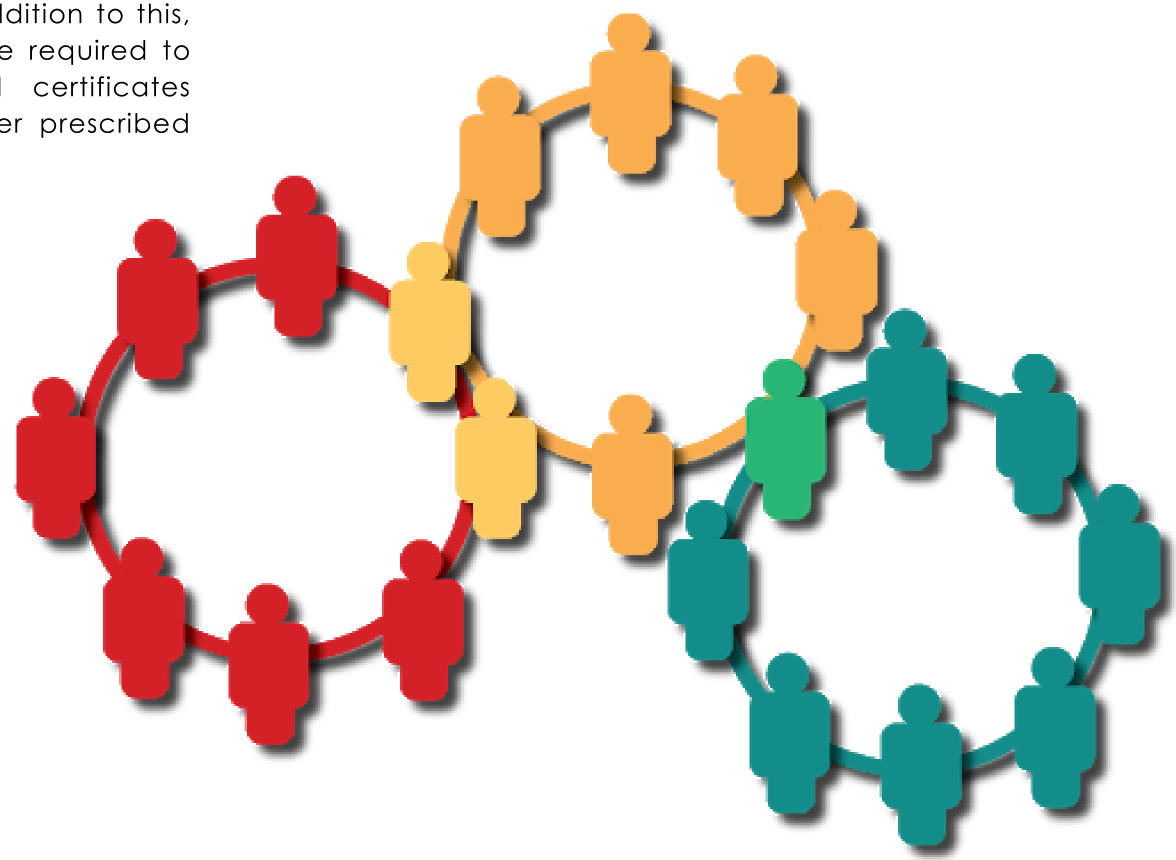
<table>
<tr><th>Sr. No</th><th>Type</th><th>Application for Registration/ Renewal</th><th>Response to application</th><th>Validity of Registration</th></tr>
<tr><td>1</td><td>Where the Institution/ Fund was approved u/s. 80G</td><td>Before 01-09-2020</td><td>3 months from end of the month in which application is received</td><td rowspan="3">5 Years</td></tr>
<tr><td>2</td><td>Where the period of approval of Institution/ Fund is due to expire</td><td>Before 6 months of date of expiry of approval</td><td rowspan="2">6 months from end of the month in which application is received</td></tr>
<tr><td>3</td><td>Where the Institution/ Fund was provisionally approved</td><td>1. Before 6 months of expiry of provisional approval, or
2. Within 6 months from the commencement of activities
whichever is earlier</td></tr>
<tr><td>4</td><td>For new approvals or any other cases not specifically covered above</td><td>Before 1 month of commencement of PY for which said registration is sought</td><td>1 month from end of the month in which application is received</td><td>3 years</td></tr>
</table>

- The Trusts/ Institutions which have been granted approval u/s 80G shall be required to submit details to the Tax Authorities in the format which shall be prescribed.
- The Trusts/ Institutions shall also be required to furnish a certificate to the donor specifying the amount of donation and such other prescribed particulars.
- The failure to comply with the above requirement of furnishing the statement and issue of certificates shall attract the liability to pay an amount of INR 250 per day of default by way of fees, subject to maximum of the amount of donation referred therein. In addition to the fees, the officer may direct the payment of a penal amount which shall not be less than INR 10,000 subject to maximum of INR 1,00,000.

CHARITABLE TRUST/ INSTITUTIONS

Section 35: Deduction for expenditure on scientific research

- Similar amendments requiring fresh intimation as may be prescribed, will have to be filed by the Research Association, University, College or Other Institutions before 01.09.2020 to be eligible to claim deduction under sub-clause (ii), (iia) and (iii) of section 35(1). In addition to this, a statement in the prescribed format shall be required to be furnished to the Tax Authorities and certificates specifying the amount of donation and other prescribed particulars will have to issued to the donor(s).



OTHERS - COMMODITY TRANSACTION TAX

Definition of taxable commodities transaction

Scope widened to cover new categories of derivate products

- Currently, "Taxable commodities transaction" means a transaction of sale of commodity derivatives in respect of commodities, other than agricultural commodities, traded in defined recognised associations
- In order to widen the base of transactions covered by CTT, definition is amended to also include the transactions of "sale of option in goods" and "sale of commodity derivatives based on prices or indices of prices of commodity derivatives" in the definition of taxable commodities transaction tax.
- The words 'recognised associations' is sought to be replaced with 'recognised stock' exchange as trading in derivatives is now governed by Securities Contract (Regulation) Act, 1956

Charge of CTT

- Currently, CTT is payable by seller on sale of commodity derivatives at the rate of 0.01% on taxable value of Transaction.
- However with introduction of new derivative products and in order to encourage the commodity transactions, settled by physical or actual delivery of goods, it is proposed to charge CTT on the new commodity derivative products at following rates:

Sr. No.	Taxable commodities transaction	Rate	Payable by
1	Sale of commodity derivative	0.01%	Seller
2	Sale of commodity derivatives based on prices or indices of prices of commodity derivatives	0.01%	Seller
3	Sale of option on commodity derivative	0.05%	Seller
4	Sale of option in goods	0.05%	Seller
5	Sale of option on commodity derivative, where option is exercised	0.0001%	Purchaser
6	Sale of option in goods, where option is exercised resulting in actual delivery of goods	0.0001%	Purchaser
7	Sale of option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods	0.125%	Purchaser

Others – Miscellaneous Provisions

Insertion of Taxpayer's Charter in the Act

- With the objective of enhancing the efficiency of the delivery system of the Income Tax Department it Is proposed to insert a new section 119A to empower the Board to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of Charter w.e.f. 1st April, 2020.

Bank Deposit Insurance Limit raised from INR 1 Lakh to INR 5 Lakhs

- It is proposed to increase existing limit of Deposit Insurance coverage by Deposit Insurance and Credit Guarantee Corporation (DICGC) from INR 1 Lakh to INR 5 Lakh. Deposit insurance is a protection cover against losses on bank deposits if a bank fails financially and has no money to repay. All deposits maintained by a depositor across all branches of a failed bank are clubbed together for the purpose for availing of the deposit insurance scheme. Currently the sum amount insured for principal and interest is INR 1 Lakh.

NBFC eligibility for SARFAESI Act reduced to INR 100 crores from INR 500 crores

- It was proposed that the limits for NBFCs to be eligible for debt recovery under the SARFAESI Act, 2002, to be reduced from asset size of INR 500 Crores to INR 100 Crores or loan size from INR 1 Crore to INR 50 Lakhs.

Investments in certain government securities liberalized

- It was announced that some categories of government securities will be opened fully for non-resident investor, apart from being available to domestic investors as well
- The limit for FPI in corporate bonds, to be increased from 9% to 15% of the outstanding stock of corporate bonds.
- Debt based ETF consisting of Government Securities would be floated to encourage long term investment.

International Bullion Exchange - GIFT city

- It has been proposed to set up an international bullion exchange at IFSC in GIFT City that would set up an additional option for trade by global market participants which would lead to better price discovery of gold, create more jobs and enhance India's position in the global bullion market.

LIC IPO

- The Finance minister proposed to sell a part of government's holding in one of the largest insurer via IPO along with government's remaining stake in IDBI Bank.

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Indirect Tax Proposals

41 GST & Customs

Scope of Penalty widened for fake invoices under GST Laws.

- In the recent past, after the launch of Goods & Services Tax (GST), several cases of fraudulent input tax credit (ITC) claim have been identified by the GST authorities. In these cases, fake invoices are obtained by suppliers registered under GST to fraudulently claim ITC and reduce their GST liability. Invoices are issued without actually supplying any goods or services. The GST charged on such invoices is neither paid nor is intended to be paid.
- Currently, there are provisions under the CGST Act to charge penalty but the same are restricted only to the person committing such offences.
- With a view to curb such frauds and offences, it is proposed to make the penalty provisions more stringent by punishing not only person committing such offences but also any other person who enjoys the benefits from the above offences or a person who causes to commit such offence.
- Apart from the penalty, even prosecution can be launched against such persons.

Punishment for certain offences

- Punishment for certain offences is proposed to be broad-based to include any person who causes to commit, or retain the benefit of transactions arising out of specified offences liable for punishment. Earlier only persons who commit the offence were punishable.
- A provision is proposed to be inserted to make the offence of availment of input tax credit without an invoice or bill a cognizable and non-bailable offence

Procedural Provisions

- The requirement of issuance of TDS certificate by the deductor and the corresponding provision of late fees of INR 100 per day upto a maximum of INR 5,000 for delay in issuance of TDS certificate to be removed.
- Hitherto there was no provision for cancellation of registration obtained voluntarily. The existing provisions for cancellation has now been extended to include such cases also.

Proposed Changes in BCD, CVD, SAD and Export Duty Rates

Sr. No.	Particulars	From	To
1	Footwear	BCD- 25.0%	35.0%
2	Parts of Footwear	BCD- 15.0%	20.0%
3	Specified Furniture Goods	BCD- 20.0%	25.0%
4	Newsprint and Light-weight Coated Paper	BCD– 10.0%	5.0%
5	Specified Medical Devices (Nominal Health Cess)	-	5.0%

Glossary

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Know the Terms 43

KNOW THE TERMS

Abbreviations	Full Forms
AE	Associated Enterprises
AIF	Alternate Investment Funds
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Persons
APA	Advanced Pricing Agreement
AY	Assessment Year
BBT	Buy Back Tax
BCD	Basic Customs Duty
BEPS	Base Erosion and Profit Shifting
CbCR	Country by Country Reporting
CBDT	Central Board of Direct Taxes
CSR	Corporate Social Responsibility
CVD	Countervailing duty
DDT	Dividend Distribution Tax
EBITDA	Earnings before interest, taxes, depreciation & amortization

Abbreviations	Full Forms
FCCB	Foreign Currency Convertible Bonds
FDI	Foreign Direct Investment
FEMA	Foreign Exchange and Management Act, 1999
FMV	Fair Market Value
FPI	Foreign Portfolio Investors
FPO	Follow on Public Offer
FTS	Fees for technical services
FY	Financial Year
GAAR	General Anti Avoidance Rule
GDP	Gross Domestic Product
GOI	Government of India
GST	Goods and Services Tax
GTA	Goods Transport Agency
HUF	Hindu Undivided Family
IFSC	International Financial Service Centre

Know the Terms

Abbreviations	Full Forms
INR	Indian Rupees
InvITs	Infrastructure Investment Trust
IPO	Initial Public Offer
ITAT	Income-Tax Appellate Tribunal
LRS	Liberalized Remittance Scheme
LTCG	Long-Term Capital Gains
MAT	Minimum Alternate Tax
MLI	Multi-Lateral Instrument
NBFC	Non-Banking Financial Company
NPS	National Pension Scheme
OECD	Organisation for Economic Co-operation and Development
PAN	Permanent Account Number
PE	Permanent Establishment
PF	Provident Fund
PoEM	Place of Effective Management
QFI	Qualified Foreign Investor

Abbreviations	Full Forms
RBI	Reserve Bank of India
RPF	Recognised Provident Fund
SAD	Special Additional Duty
SDV	Stamp Duty Value
SEBI	Securities and Exchange Board of India
SFT	Statement of Financial Transactions
SHEC	Secondary and higher education cess
SPV	Special Purpose Vehicle
STCG	Short-Term Capital Gains
STT	Securities Transaction Tax
TAN	Tax Deduction Account Number
TCS	Tax Collection at Source
TDS	Tax Deducted at Source
USD	US Dollars
u/s	Under Section
WDV	Written Down Value

‘ न चोर हार्यं न च राज हार्यं न भात्रू
भाज्यं न च भारकारि
व्ययं कृते वर्धत एव नित्यं
विद्याधनं सर्वधनप्रधानम ’

Knowledge is the **Wealth** that:

The **Thief cannot Steal**,

The **King cannot Acquire**,

The **Brothers cannot Share**,

Does not Weigh on You,

Grows Forever as you **share** ,

Truly, **Knowledge** is the **Greatest Wealth.**

Benefice Business House, 3rd Level,
126, Mathuradas Mills Compound,
N. M. Joshi Marg, Lower Parel (W),
Mumbai – 400013, India.

T: +91 22 3321 3737
E: reachus@gbcaindia.com
www.gbcaindia.com

GBCA
& Associates LLP
Chartered Accountants