

sljainindia.com



|   | INDEX   |       |
|---|---|-------|
| * | WAY FOREWORD  | 01-02 |
| * | ECONOMIC SURVEY 2019 - 2020   | 03-08 |
| * | OVERALLSECTORALIMPACT   | 09-11 |
| * | FINANCE BILL 2020   | 12-28 |
|   | Rate of Tax   | 12    |
|   | Efficient tax administration  | 13    |
|   | The Direct Tax Vivad Se Vishwas Bill, 2020  | 13    |
|   | Tax Deducted At Source  | 15    |
|   | Non-Resident  | 18    |
|   | Rationalization of tax provisions of start-ups  | 23    |
|   | Extending time limit for approval of affordable housing project                               | 23    |
|   | <ul> <li>Modification of the definition of "business trust"</li> </ul>                        | 23    |
|   | <ul> <li>Increase in safe harbour limit of 5% to 10%</li> </ul>                               | 23    |
|   | Compute cost of acquisition   | 23    |
|   | <ul> <li>Providing an option for not availing deduction u/s. 35AD</li> </ul>                  | 24    |
|   | <ul> <li>Allowing carry forward of losses or depreciation in certain amalgamations</li> </ul> | 24    |
|   | <ul> <li>Modification of E-assessment scheme</li> </ul>                                       | 24    |
|   | <ul> <li>Provision for e-appeal</li> </ul>  | 24    |
|   | <ul> <li>Provision for e-penalty</li> </ul>   | 24    |
|   | <ul> <li>Stay of demand by the Income Tax Appellate Tribunal (ITAT)</li> </ul>                | 25    |
|   | <ul> <li>Penalty for fake invoice</li> </ul>  | 25    |
|   | <ul> <li>Removing Dividend Distribution Tax (DDT)</li> </ul>                                  | 26    |
|   | <ul> <li>Check on survey operations</li> </ul>  | 26    |
|   | <ul> <li>Rationalization of provision relating to Trust/Institutions and Funds</li> </ul>     | 27    |
|   | <ul> <li>Provision relating to Tax Audit</li> </ul>   | 27    |
|   | <ul> <li>Due date for filing of return</li> </ul>   | 27    |
|   | <ul> <li>Provision relating to Form 26AS</li> </ul>   | 28    |
|   | <ul> <li>Widening the scope of Commodity Transaction Tax (CTT)</li> </ul>                     | 28    |
| * | INDIRECT TAX PROPOSAL   | 29-32 |
| * | KEY FEATURES OF BUDGET 2020   | 33-40 |
| * | BUDGET AT A GLANCE  | 41-42 |

Every effort has been made to avoid errors or omissions in this publication. Inspite of this, errors may creep in. Any mistake, error or discrepancy noted may be brought to the notice of our office. It is notified that Shankarlal Jain and Associates will not be responsible for any damage or loss of action to anyone, of any kind, in any manner therefrom. It is suggested that to avoid any doubt the reader should cross check all the facts, Law and contents of the Publication with our office.

 $All \ rights \ reserved. \ No \ part \ of this \ book \ may \ be \ reproduced \ in \ any \ manner \ whatsoever; stored \ in \ a \ retrieval \ system \ or \ transmitted \ or \ translated \ in \ any \ form \ or \ manner \ by \ any \ means, \ without \ the \ prior \ written \ permission \ of \ SHANKARLALJAIN \&ASSOCIATES \ LLP. FOR \ PRIVATE \ CIRCULATION.$ 





# **WAY FOREWORD**

On 1st February, 2020 Finance Minister Nirmala Sitharaman presented Union Budget 2020 in the Parliament. The government has been continuously trying to stimulate the economy. Last year corporate tax rate were cut. However, since the economic growth has stalled to just 5% in the current FY, all eyes were on the Finance Minester expecting to create jobs and raise consumption and demand in the economy through measures in the budget.

Overall, the budget focused on three broad areas of agriculture, economic development and caring society. It tried to balance higher expenditure and still maintain a prudent fiscal deficit target of 3.5% for FY21. Gross fiscal deficit is being pegged at 3.8% for FY20. This implies higher inflation in FY21. The government has prudently budgeted for 12% growth in tax revenues and 13% growth in expenditure for FY21BE. There is a steep jump in Disinvestment target of FY21BE pegged at ₹ 2.1 trillion mainly on the back of proceeds coming from LIC IPO.

India's consolidated fiscal deficit which is close to 7% including fiscal deficit of states and 9% including borrowing of central PSUs poses challenges to the economy. This is keeping market interest rates stubbornly high despite RBI's 135 bps rate cut in CY19 and limiting India's investment rate.

Rural sector could revive with bumper Rabi output and higher food prices. Revival in rural consumption could provide the much needed green shoots in the coming months.

To make sure that India stays globally competitive and a favoured destination for investment, the government had in Sep'19 reduce the corporate tax rate for new companies in the manufacturing sector to an unprecedented level of 15% (which will start manufacturing by 31st March, 2023). Similarly, for the existing companies, the rate was brought down to just 22%. To attract investment in power sector, the budget proposed the concessional corporate tax rate of 15% to

new domestic companies engaged in the generation of electricity.

The budget proposed an option to cooperative societies to be taxed at 22% as available to the Companies.

In order to provide relief to the individual taxpayers and to simplify the Income-tax law, the budget proposed to bring a new personal income tax regime wherein income tax rates are reduced for the Individual/ HUF taxpayers who forgo certain deductions and exemptions. The new tax regime shall be optional for the taxpayers. An individual who is currently availing more deductions & exemption may choose to avail them and continue to pay tax in the old regime.

Removal of DDT alongwith reduction in tax rates will lead to greater cash flows in the hands of corporate India, providing better cash funds in hands of companies for growth. It is likely to attract higher foreign capital. However taxation of dividend in assessee's hands will increase the tax liability substantially of investors.

The increase in turnover threshold for tax audit from Rs. 1 crore to Rs. 5 crore should provide relief to the MSME segment and help in improving the sentiment of smaller businesses.

The Finance Minister had re-iterated and focused on the infrastructure sector by providing Rs. 220 billion to infra finance companies, who in turn would leverage to create financing pipeline of more than Rs. 1 trillion. To attract foreign investment in infrastructure and other notified sectors, sovereign wealth funds will get 100% exemption on interest, dividends and capital gains. There has been emphasis on the PPP model towards building aspirational India. It will result in increased demand and in economic development.

The proposed amendments to the Companies Act for removing criminal action and Dispute Resolution Schemne 'Vivad se Vishwas' for Direct Taxes will result in curtailment of litigation and ease of doing business.





# ...Way Foreword

The increase in bank deposit insurance from Rs. 1 lakh to Rs. 5 lakh will help increase confidence among banking customers.

To protect and promote domestic manufacturing, the government has increased customs duty on various items. Prominent items where material custom duty increase has taken place are : household items & appliances, footwear, machinery parts, furniture goods, toys, stationary items and electrical vehicles. It is a protection measure to Indian industry.

Market expectations from budget were high on some kind of sector-specific stimulus (housing, infrastructure) and capital market reforms (abolishment of LTCG on equities) which did not materialise and to that extent there were some disappointment. Any further escalation of the coronavirus epidemic can be negative for Indian economy. From a flow perspective, budget is not negative for FPIs but their action would be more top-down based on global developments and view on emerging markets.

Chief Justice of India Honorable Shri. SA Bobde on 24th January, 2020 on the occasion of foundation day of the Income Tax Appellate Tribunal (ITAT) had a word of advice for tax officials. "The method of taxation is you draw taxes like a honeybee draws nectar without harming the comb. "He went on to quote from the Manusmriti to drive home his point" The King should not cut his own roots by imposing no tax at all, nor should he cut the roots of his subjects by imposing excessive taxation." Hope the government follow his holy advice.

#### Regards,

S. L. Jain)

#### Partners of our firm

Mr. Shankarlal Jain

Mr. Shankarlal Agrawal B.Com, FCA B.Com, FCA, DISA

Mr. Satish Jain B.Com, FCA Mr. Bineet Bagaria

B.Com, FCA

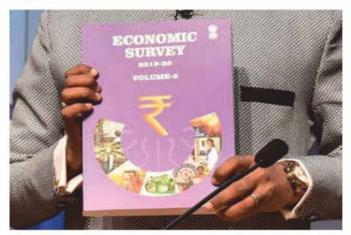
Mr. Dhaval Gala B.Com, ACA Mr. Vishal Patel B.Com, ACA, CS





# **ECONOMIC SURVEY 2019 - 2020**

In keeping with recent tradition, the latest Economic Survey came in two volumes. While the first delves into a few selected topics ranging from the economics of a 'thali' to the importance of systemic trust, thesecond volume was an update on the performance of various sectors.



The two-volume Economic Survey for 2019-20 (the "survey") was printed in lavender - the same as the colour of the new 100 rupee currency note. Explaining the colour and the intent behind this year's survey, Chief Economic Advisor Krishnamurthy V Subramanian said the choice symbolizes the blending of the old and thenew.

Subramanian picked wealth creation as the broad theme. "Wealth is both a cause and effect of investment. That is why it is important for us to focus on wealth creation."

The survey came at a time when the headcount of infected people from 2019 novel coronavirus has increased markedly. The survey paints an optimistic picture of recovery in gross domestic product (GDP) growth beginning second half of the next fiscal and projects India's GDP growth at 6-6.5 percent in 2020-21.

The survey indicates that the fiscal consolidation is satisfactory with gross GST monthlycollections having crossed the mark of Rs 1 lakh crore for a total of five times during 2019-20.

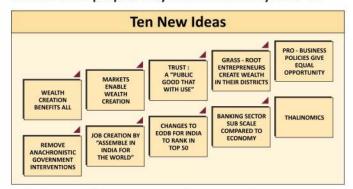
The survey focused on the theme of integrating old with new, through Trust in the economy, promoting probusiness policies and creating wealth and job opportunities.

The survey throws light on new ideas to boost growth and accelerate wealth creation. These are - Thalinomics, Adoption of China model, Trust and others.

This annual document of the Union Finance Ministry focuses on the implementation of various government schemes and policies and their impact on the economy so far.

Besides talking about the macroeconomic and microeconomic factors, GDP growth rate, Inflation, the survey throws a light upon the major impact of employment, agricultural policies and climate change on the Indian Economy.

Here are the key highlights from this year's survey: 10 New Ideas proposed by Economic Survey 2019-20



India's Overall Economic Performance in 2019-20: GDP, Inflation, Fiscal Developments, GST

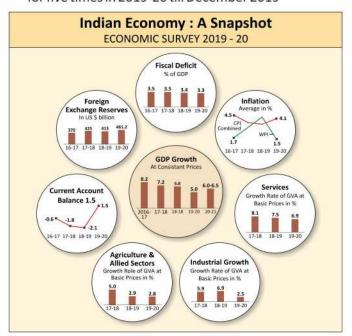
- India witnessed a GDP growth of 4.8% in the first half of 2019-20 amidst weakened global trade & demand
- Growth of Agriculture and allied activities & Public administration, defense, and other services' was higher in the first half of 2019-20 in comparison to second half 2018-19.
- Current Account Deficit (CAD) contracted to 1.5% of GDP in H1 of 2019-20
- Remarkable Foreign Direct Investment (FDI) and increase of foreign exchange reserves



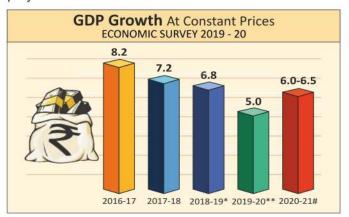


## ...Economic Survey 2019 - 2020

- Headline inflation mounted from 3.3% in the first half of 2019-20 to 7.35% in December 2019-20 due to food inflation rise
- Survey predicts 5% GDP growth for 2019-20 overall based on CSO's first Advance Estimates
- Revenue Receipts registered higher growth in H1 of 2019-20
- Gross GST monthly collections crossed Rs 1 lakh crore for five times in 2019-20 till December 2019



**GDP Growth in 2020-21 :** Economic Survey 2019-20 projects the GDP Growth of 6% - 6.5% in fiscal 2020-21.



**Wealth Creation :** Invisible Hand Supported by Hand of Trust

The Economic Survey talks about the need to bring openness in the market for the creation of wealth through increased investment. In light of this, the survey points towards an Invisible Hand that is supported by the Hand of Trust. It presents an amalgamation of old and new; old in terms of ancient Indian tradition and new suggests the use of FinTech in Indian Public Sector Banks. It calls for strengthening this invisible hand through:

- · Equal opportunities for new entrants
- Fair competition & ease doing business
- Trade for job creation
- Scaling up of the banking sector
- Introduction of the idea of trust as a public good



## **Entrepreneurship and Wealth Creation**

The Survey calls for the creation of wealth through:

- Entrepreneurship of the working class
- Pro-business policies to test the power of competitive markets
- Elimination of policies that weaken the markets
- Integration of Assemble in India into Make in India
- Scaling up of the banking sector
- Privatization to foster efficiency

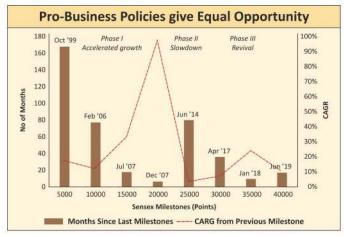
#### **Pro-business versus Pro-markets**

The Economic Survey says that India needs more of probusiness policies and break away from pro-crony policies to become a USD 5 trillion economy. The Survey says that



## ... Economic Survey 2019 - 2020

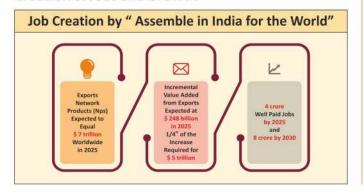
till 2011, several Pro-Crony policies were followed such as preferential allocation of natural resources. These procrony policies majorly led to willful defaults which drained off the banks.



# Undermining Markets: Is Government Intervention required?

The Survey suggests restricted government intervention in the markets. It lists out several instances where the intervention of Government has adversely affected the market such as imposing stock limits under Essential Commodities Act (ECA), 1955 that led to increase in onion prices in 2019; regulation of drug prices under ECA; intervention in the food grain market and so on. The government must analyze and then decide whether its intervention is even required in a particular market. This will directly benefit by encouraging investments and economic growth.

#### Creation of Jobs and Growth

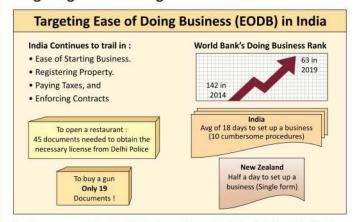


The Economic Survey calls for the integration of "Assemble in India" with "Make in India" to create more jobs and accelerate growth. The survey seeks to:

- Increase export market share to 3.5% by 2025 and 6% by 2030
- Creation of over 4 crore rewarding jobs by 2025 and over 8 crore jobs by 2030

This can be achieved by adopting China-like policies such as export of goods majorly to rich markets.

#### **Targeting Ease of Doing Business**



India was ranked at 63rd position in World Bank's Doing Business 2019 rankings, a jump of 79 positions from 142nd rank in 2014. However, the economy is still trailing in several parameters such as Ease of Starting Business, Paying Taxes, Registering Property and Enforcing Contracts.

The Economic Survey calls for close coordination between the Logistics Divisions of Union Ministry of Commerce and Industry, Union Ministry of Shipping, Central Board of Indirect Taxes and Customs and the port authorities. There are some sectors that require a more focused approach such as the tourism sector, manufacturing sector and others.

#### Golden jubilee of Bank Nationalisation

The year 2019 marked the golden jubilee year of Bank Nationalisation. The Survey points out that the growth of Indian Banking Sector has not been proportionate with





## ... Economic Survey 2019 - 2020

the overall growth of the economy. So far, only one Indian bank has made it to the list of Global Top 100 Banks. In 2019, a Rupee investment in public sector banks (PSBs) led to a loss of 23 paise on an average. The Survey calls for making PSBs more efficient through:

- Employee Stock Ownership Plan (ESOP) for employees of banks
- Creation of an entity similar to that of GSTN to aggregate data from all PSBs and ensure better monitoring of borrowers through artificial intelligence and machine learning

#### **Recommendations For Public Sector Banks**



**USE Fintech Across All Banking Functions** 



Employee Stock Ownership at all Levels to Enhance Efficiency



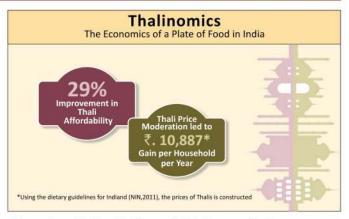
USE Big Data, Machine Learning and Artificial Intelligence to Make Better Lending Decisions

#### **Privatisation and Wealth Creation**

The Economic Survey 2020 calls for privatization to boost job and wealth creation. It examines the before and after the performance of over 10 CPSEs that underwent strategic disinvestment. The Strategic disinvestment in BPCL has led to an increase of over Rs. 30,000 crore wealth in India. Collectively, the net profit, net worth, return on assets (ROA) & equity (ROE) have improved notably. The more aggressive disinvestment is suggested for higher profitability.

#### Thalinomics: Economics of Plate of Food in India

This year, the Survey throws a light upon the price paid by a person for a Thali in India anywhere. The prices of a vegetarian Thali have declined sharply since 2015-16; however, this price increased in 2019-20. During 2006 – 2020, the affordability of Indian vegetarian Thalis improved by 29% and affordability of non-vegetarian Indian Thali improved by 18%.



#### Monetary Policy & Financial Intermediation

- RBI's monetary policy stance remained "accommodative" in 2019-20
- The Repo rate was cut by 110 basis points in 2019-20 due to slower growth & lower inflation.
- Non Performing Advances (NPA) ratio remained unchanged for Commercial banks at 9.3% during March-September 2019
- · Credit growth declined of banks & NBFCs declined.

#### **Prices and Inflation**

- CPI inflation increased to 4.1% in 2019-20 from 3.7% in 2018-19
- WPI inflation declined to 1.5% in 2019-20 from 4.7% in 2018-19
- The major drivers of CPI inflation in 2019-20 were food and beverages, particularly vegetables and pulses

#### Sustainable Development and Climate Change

- The Survey acknowledges that India is rightly moving forward on the path of Sustainable Development Goals (SDG) implementation. The states like Himachal Pradesh, Chandigarh, Kerala, and Tamil Nadu came out as front runners in SDG India Index 2019.
- Apart from this, India hosted COP-14 of UNCCD which resulted in the adoption of "Delhi Declaration"
- India strongly committed itself to implement the Paris Agreement at COP-25 of UNFCCC at Madrid, Spain.



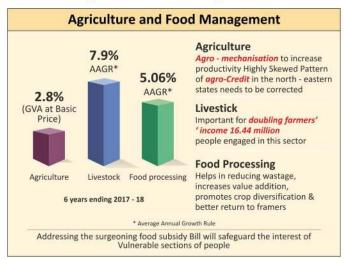


## ...Economic Survey 2019 - 2020

- Indian Forest and tree cover increased to 80.73 million hectare
- One of the major concerns is still burning of agricultural residues that lead to high pollution levels and deteriorates air quality.
- International Solar Alliance (ISA)

## Agriculture and Food Management

- The Economic Survey states that the largest proportion of the Indian population depends on agriculture for job opportunities. However, the share of agriculture and allied sectors in Gross Value Added (GVA) of India is continuously declining due to higher growth of non-agricultural sectors.
- The GVA at Basic Prices of 'Agriculture, Forestry and Fishing' sector expected to grow by 2.8% for 2019-20.
- Livestock sector has grown at 7.9% CAGR in the last five years. The income from Livestock has become a secondary source of income for rural families.
- The Survey stresses on the sustainability of food security by addressing the growing food subsidy bill and revising the rates and coverage under NFSA.



#### **Industry and Infrastructure**

 The industrial sector has registered a 0.6% growth in 2019-20 and 5% growth in 2018-19

- Fertilizer sector showcased a growth of 4% in 2019-20
- Steel sector registered a growth of 5.2% in 2019-20
- Over 119 crore telephone connections were provided until September 2019
- Report on National Infrastructure Pipeline projects total investment of Rs 102 lakh crore on infrastructure from 2020 to 2025 in India
- Industrial growth is estimated at 2.5% of fiscal 2019-20.



# Employment, Social Infrastructure and Human Development

- The Government's expenditure on social services such as health & education as a proportion of GDP increased to 7.7% in 2019-20.
- India improved its position in the Human Development Index by fetching 129th rank in 2018 from 130th in 2017.
- Total formal employment increased to 9.98% in 2017-18 from 8% in 2011-12.
- Gender disparity widened in the labour market due to a decrease in the female labour force.
- Citizens' access to health services improved through Ayushman Bharat and Mission Indradhanush.
- Over 3.30 crore children & 87.18 lakh pregnant women have been vaccinated under Mission Indradhanush.





# ...Economic Survey 2019 - 2020

• In terms of houses, over 76% of households in rural and 96% in urban areas had pucca houses.

#### Key points to note

The Economic Survey is tabled a day before the presentation of Union Budget.

The Survey is prepared by the Finance Ministry's Department of Economic Affairs.

The Chief Economic Advisor (CEA) of India is the chief author of the Economic Survey.

It consists of Volume I, Volume II and Statistical Appendix.

It details the state of Indian Economy, future prospects and key challenges.

It reveals the true GDP growth achieved in the past fiscal and projects the further GDP growth.

It talks about the job growth & annual collection of the Goods and Services Tax (GST).





# **OVERALL SECTORAL IMPACT**

| Sector        | Policy  | Impact  | Effect |
|---------------|---|---|--------|
| Automobiles   | <ul> <li>Rs. 1,000 crore has been allotted for tech upgrade and research and development to push exports.</li> <li>Basic customs duty on completely built units of trucks and buses raised to 40% and on semi knocked down units of electric passenger vehicles to 30%.</li> <li>For completely knocked down units of Electrical Vehicles (EV's) basic custom duty hiked to 15%.</li> </ul> | ◆ There is no major incentive to<br>stimulate subdued demand  | N      |
| 5.1 N 19. 1   |   | ◆ This is positive for the bond market.   | N      |
| NBFCs & HFC's | <ul> <li>NBFCs eligibility limit for debt recovery reduced from:</li> <li>Rs. 500 crore to Rs. 100 crore asset size</li> <li>Rs. 1 crore to Rs. 50 lakh loan size.</li> </ul>   | <ul> <li>This would provide the necessary liquidity support to the NBFC sector.</li> <li>Would improve the credibility of the sector</li> </ul> | F      |
| Railways      | <ul> <li>High speed train between Mumbai and Ahmedabad to be actively pursued.</li> <li>More Tejas type trains to connect iconic tourist destinations.</li> <li>Rs. 18,600 crore allocated for 148 km long Bangaluru Suburban Transport project.</li> </ul>   | ◆ Development of better<br>railway transport  | F      |



# ...overall Sectoral Impact

| Sector                        | Policy   | Impact  | Effect |
|-------------------------------|--|---|--------|
| Telecom                       | <ul> <li>Revenue receipts have been budgeted at Rs. 1.33 trillion from 5G auction and Bharat Net spending at Rs. 6000 crore.</li> <li>Customs duty has been hiked on several mobile phone parts to a fillip to 'Make in India'</li> </ul>  | ◆ This may boost 'Make in India'<br>concept. However telecom<br>industry is suffering set back.   | F      |
| Aviation                      | ◆ Development of 100 more airports by<br>2024 to support UDAAN scheme.   | ◆ This will boost air fleet<br>number from present 600 to<br>1200 during this time  | F      |
| Power                         | <ul> <li>Smart metering to be promoted.</li> <li>Rs. 22,000 crore proposed for power and renewable energy sector in 2020-21.</li> <li>Expansion of national gas grid from present 16,200 km to 27,000 km proposed.</li> </ul>  | <ul> <li>The measures will likely increase renewable off take and improve the financial viability of electricity distribution companies.</li> <li>The fiscal measures could help to attract more capital for power sector.</li> </ul> | F      |
| Infrastructure & Construction | <ul> <li>Development of five new smart cities under public private partnership.</li> <li>Rs. 1.7 lakh crore proposed for transport infrastructure in 2020-21.</li> <li>Rs. 103 lakhs crore National Infrastructure Pipeline Project announced.</li> <li>National Logistics Policy to be released soon.</li> <li>Delhi- Mumbai Expressway to be completed by 2023.</li> </ul> | <ul> <li>Infrastructure continue higher allocations</li> <li>Proposals to develop highways call for augmenting road connectivity and will rekindle private companies interest in road development.</li> </ul>                         | F      |
| Cement                        | ◆ The infrastructure spends along with<br>affordable housing likely to substantially<br>increase in the next five years.   | <ul> <li>Higher allocations to<br/>infrastructure &amp; affordable<br/>housing will aid all cement<br/>makers.</li> </ul>   | F      |
| Metals                        | <ul> <li>Concessional rate of BCD on colloidal precious metals withdrawn, now to attract 10% BCD as against 7.5% earlier.</li> <li>BCD on pressure vessels increased from 7.5 % to 10%.</li> </ul>   | ◆ This may benefit domestic<br>manufacturers  | F      |



# ...overall Sectoral Impact

| Sector                   | Policy   | Impact   | Effect |
|--------------------------|--|--|--------|
| Textile                  | <ul> <li>A National Technical Textile Mission         has been proposed with an estimated         outlay of Rs. 1,480 crore over         fiscals 2021-24.</li> <li>There is also an upstick (54%) in funds         for the amended Technology         Upgradation Funds Scheme(TUFS).</li> </ul>   | ◆ Inflow of funds may<br>boost the sector  | F      |
| Irrigation & Fertilizers | <ul> <li>◆ Encourage use of traditional organic and innovative fertilizers to curb the excessive use of chemical fertilizers</li> <li>◆ BCD on butyl acrylate increased from 5% to 7.5 %</li> <li>◆ Anti-dumping duty on Pure terephtlalic Acid abolished.</li> </ul>  | <ul> <li>A hike in miscellaneous<br/>chemicals may help realizations.</li> <li>Removal of anti - dumping will<br/>hit realizations.</li> </ul> | N      |
| Oil & Gas                | <ul> <li>Proposal to expand national gas grid by 67%, from present 16,200 km to 27,000 km.</li> <li>BCD exemption provided for specific variant of marine fuel - Very Low Sulphur Fuel Oil.</li> <li>BCD on calcined petroleum coke reduced from 10 to 7.5 percent.</li> </ul>   | Negligible - perhaps levied to<br>have better accountability<br>of import.   | N      |
| Agriculture              | <ul> <li>Rs. 15 lakh crore agriculture credit target for 2020-21.</li> <li>20 lakh farmers to be covered for stand alone solar pumps under PM KUSUM</li> <li>"KISAN RAIL" &amp; "KISAN UDAAN for seamless National Cold Supply Chain to be launched.</li> <li>The allocations to agriculture and allied activities under various schemes have been increased by nearly 30% for 2020-21.</li> </ul> | → Will boost the mood of<br>the farmers.   | F      |
|                          | F - Favorable U - Unfavorable  | N - Neutral  |        |





## FINANCE BILL 2020

#### Rate of Tax

# Optional new tax regime

While there is no change in the existing Incometax slab rates for Individuals/ HUFs, a new tax regime has been proposed under which Individuals/HUFs foregoing exemptions and deductions would be taxed at reduced tax rates.

|   | Rate of tax                         |                                |  |
|---|-------------------------------------|--------------------------------|--|
| Individual tax rates  | As per old tax regime               | As per optional new tax regime |  |
| Income upto Rs. 2.5 Lacs  | Nil                                 | Nil                            |  |
| Income between<br>Rs. 2.5 Lacs - Rs. 5 Lacs   | 5%                                  | 5%                             |  |
| Income between<br>Rs. 5 Lacs - Rs. 7.5 Lacs   | 20%                                 | 10%                            |  |
| Income between<br>Rs. 7.5 Lacs - Rs. 10 Lacs  | 20%                                 | 15%                            |  |
| Income between<br>Rs. 10 Lacs - Rs. 12.50 Lacs  | 30%                                 | 20%                            |  |
| Income between<br>Rs. 12.50 Lacs - Rs. 15.00 Lacs   | 30%                                 | 25%                            |  |
| Income above Rs. 15 Lacs  | 30%                                 | 30%                            |  |
| Senior citizen (>60 years)  | Exemption<br>limit of<br>Rs. 3 Lacs |                                |  |
| Very senior citizen (>80 years)   | Exemption<br>limit of<br>Rs. 5 Lacs |                                |  |
| Surcharge   |                                     |                                |  |
| Income between<br>Rs. 50 Lacs and Rs. 1 Crore   | 10%                                 | 10%                            |  |
| Income between<br>Rs. 1 crore and Rs. 2 crore   | 15%                                 | 15%                            |  |
| Income between<br>Rs. 2 crore and Rs. 5 crore *   | 25%                                 | 25%                            |  |
| Income exceeding<br>Rs. 5 crore *   | 37%                                 | 37%                            |  |
| * Enhanced surcharge rates introduced<br>in the Finance Bill 2019 have been<br>waived on capital gains from equity. |                                     |                                |  |
| Education cess  | 4% (health & education cess)        | 4% (health<br>education ce     |  |

#### Note :

Under the new optional tax regime, below mentioned exemptions /deductions shall not be entitled:-

- 1. Leave travel concession as contained in clause (5) of section 10
- 2. House rent allowance as contained in clause (13A) of section 10
- 3. Some of the allowance as contained in clause (14) of section 10
- 4. Allowances to MPs/MLAs as contained in clause (17) of section 10
- Allowance for income of minor as contained in clause (32) of section 10
- 6. Exemption for SEZ unit contained in section 10AA
- Standard deduction, deduction for entertainment allowance and employment/professional tax as contained in section 16
- Interest under section 24 in respect of self-occupied or vacant property referred to in sub-section (2) of section 23. (Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and would be allowed to be carried forward as per extant law);
- Additional deprecation under clause (iia) of sub-section (1) of section 32
- 10. Deductions under section 32AD, 33AB, 33ABA
- Various deduction for donation for or expenditure on scientific research contained in sub-clause (ii) or sub-clause (iia) or subclause (iii) of sub-section (1) or sub-section (2AA) of section 35
- 12. Deduction under section 35AD or section 35CCC
- 13. Deduction from family pension under clause (iia) of section 57
- Any deduction under chapter VIA (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc.)

However, deduction under sub-section (2) of section 80CCD (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed.

# Certain contributions to be taxed as perquisite

Contributions exceeding Rs. 7.5 Lacs made by employer to an employee's account in a recognized provident fund, notified pension scheme or approved superannuation fund would be taxable perquisite in the hands of the employees. The annual accretions to such contributions exceeding Rs. 7.5 Lacs would also be considered as taxable perquisite.

#### Corporate Tax

To make sure that India stays globally competitive and a favoured destination for investment, the government had in Sep'19 reduce the corporate tax rate for new companies incorporated on or after October 1st, 2019 in the manufacturing sector to an





unprecedented level of 15% (which will start manufacturing by 31st March, 2023).

Similarly, for the existing companies, the rate was brought down to just 22%. To attract investment in power sector, the budget has proposed the concessional corporate tax rate of 15% to new domestic companies engaged in the generation/ distribution of electricity. The Companies availing benefit of being taxed at these lower rates will not be entitled to claim benefit of any exemption or deduction except u/s. 80JJAA for enhanced employment. These companies cannot claim deduction for carried forward losses or unabsorbed depreciation, etc. Set off MAT credit will also not be available. The company has a choice to be taxed as per present regime.

#### Co-operative societies

The budget proposed an option to cooperative societies to be taxed at 22% plus 10% surcharge and 4% cess with no exemption/deductions. Cooperative societies are currently taxed at a rate of 30% with surcharge and cess. Further, it is also proposed to exempt these cooperative societies from Alternative Minimum Tax (AMT).

#### Efficient tax administration

The FM stressed the need for efficiency of tax administration and proposed the incorporation of a "Taxpayer's Charter" in the statute with the objective of ending tax payer harassment. The contents of the charter would be notified soon.

A system to allot Permanent Account Number (PAN) based on Aadhaar would be introduced by which PAN would be instantly allotted online without requirement to fill up detailed application form.

It has been proposed to bring a scheme "Vivad se Vishwas" for reducing litigations. Under the scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided the taxes are paid by 31st March 2020. Those who

avail the scheme after 31st March, 2020 will have to pay some additional amount. The scheme will remain open till 30th June, 2020. Now the scheme is notified, which is summarized below.

# The Direct Tax Vivad Se Vishwas Bill, 2020

#### Introduction

The pendency of appeals filed by taxpayers as well as Government has increased due to the fact that the number of appeals that are filed is much higher than the number of appeals that are disposed. As a result, a huge amount of disputed tax arrears is locked-up in these appeals. As on the 30th November, 2019, the amount of disputed direct tax arrears is Rs. 9.32 lakh crores. Considering that the actual direct tax collection in the financial year 2018-19 was Rs. 11.37 lakh crores, the disputed tax arrears constitute nearly one year direct tax collection.



Tax disputes consume copious amount of time, energy and resources both on the part of the Government as well as taxpayers. Moreover, they also deprive the Government of the timely collection of revenue. Therefore, there is an urgent need to provide for resolution of pending tax disputes. This will not only benefit the Government by generating timely revenue but also the taxpayers who will be able to deploy the time, energy and resources saved by opting for such dispute resolution towards their business activities.

With the object of reducing pending appeals, government has introduced The Direct Tax Vivad se Vishwas Bill, 2020 for dispute resolution related to direct taxes.



## **Terms And Applicability**

The Bill provides for the following:-

(a) The provisions of the Bill shall be applicable to appeals filed by taxpayers or the Government, which are pending with the Commissioner (Appeals), Income tax Appellate Tribunal, High Court or Supreme Court as on the 31st day of January, 2020 irrespective of whether demand in such cases is pending or has been paid;



- (b) The pending appeal may be against disputed tax, interest or penalty in relation to an assessment or reassessment order or against disputed interest, disputed fees where there is no disputed tax. Further, the appeal may also be against the tax determined on defaults in respect of tax deducted at source or tax collected at source;
- (c) In appeals related to disputed tax, the declarant shall only pay the whole of the disputed tax if the payment is made before the 31st day of March, 2020 and for the payments made after the 31st day of March, 2020 but on or before the date notified by Central Government, the amount payable shall be increased by 10 per cent of disputed Tax; however if the ten percent exceeds the aggregate amount of interest and penalty chargeable/leviable on the disputed demand the same shall be ignored.
- (d) In appeals related to disputed penalty, disputed interest or disputed fee, the amount payable by the declarant shall be 25 per cent of the disputed penalty, disputed interest or disputed

fee, as the case may be, if the payment is made on or before the 31st day of March, 2020. If payment is made after the 31st day of March, 2020 but on or before the date notified by to 30 per cent of the disputed penalty, disputed interest or disputed fee, as the case may be.

## The Scheme will not apply to:-

- (a) in respect of tax arrears,
  - (i) relating to an assessment year in respect of which an assessment has been made under section 153A or section 153C of the Income-tax Act, if it relates to any tax arrears;
  - (ii) relating to an assessment year in respect of which prosecution has been instituted on or before the date of filing of declaration;
  - (iii) relating to any undisclosed income from a source located outside India or undisclosed assetlocated outside India;
  - (iv) relating to an assessment or reassessment made on the basis of information received under an agreement referred to in section 90 or section 90A of the Income-tax Act, if it relates to any tax arrears;
  - (v) relating to an appeal before the Commissioner (Appeals) in respect of which notice of enhancement under section 251 of the Income-tax Act has been issued on or before the specified date;
- (b) to any person in respect of whom an order of detention has been made under the provisions of the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 on or before the filing of declaration.
- (c) to any person in respect of whom prosecution for any offence punishable under the provisions of the Indian Penal Code, the Unlawful Activities (Prevention) Act, 1967, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Prevention of Corruption Act, 1988, the



Prevention of Money Laundering Act, 2002, the Prohibition of Benami Property Transactions Act, 1988 or for the purpose of enforcement of any civil liability has been instituted on or before the filing of the declaration or such person has been convicted of any such offence punishable under any of those Acts.

(d) to any person notified under section 3 of the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992 on or before the filing of declaration.

#### Conclusion

It will depend on the facts of the matter in dispute and the disputed tax amount which would decidewhether the said Bill will be of use to an assessee. The necessary Rules & Forms are not yet prescribed. However it is a good option to clear long pending disputed direct tax liability.

#### Tax Deducted At Source

In order to widen and deepen tax base, certain amendments with regard to TDS provision are proposed:-

# TDS on interest other than "interest on securities"

In order to extend the scope of section, interest paid by large co-operative society, shall be liable to deduct income-tax in accordance with the provisions of sub-section (1) of section 194A, if:-

- (a) the total sales, gross receipts or turnover of the co-operative society exceeds Rs. 50 crore during the financial year immediately preceding the financial year in which the interest is credited or paid; and
- (b) the amount of interest, or the aggregate amount of such interest credited or paid, or is likely to be credited or paid, during the financial year is more than Rs. 50,000/- in case of payee being a senior citizen and Rs. 40,000/- in any othercase.

This amendment will take effect from 1st April, 2020.

#### TDS on E-commerce transactions

A new section 194-O has been inserted in the Act so as to provide for a new levy of TDS @1% key points are:-

 The TDS is to be paid by e-commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility orplatform.



- 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.
- The tax at one per cent is required to be deducted on the gross amount of such sales or service orboth.
- Any payment made by a purchaser of goods or recipient of services directly to an ecommerce participant shall be deemed to be amount credited or paid by the ecommerce operator to the e-commerce participant and shall be included in the gross amount of such sales or services for the purpose of deduction of income-tax.
- The sum credited or paid to an e-commerce participant (being an individual or HUF) by the e-commerce operator shall not be subjected to TDS, if the gross amount of





sales or services or both of such individual or HUF, through e-commerce operator, during the previous year does not exceed five lakh rupees and such e-commerce participant has furnished his Permanent Account Number (PAN) or Aadhaar number to the e-commerce operator.



A transaction in respect of which tax has been deducted by the e-commerce operator under this section or which is not liable to deduction, there shall not be further liability on that transaction for TDS under any other provision of Chapter XVII-B of the Act. However, it has been clarified that this exemption will not apply to any amount received or receivable by an ecommerce operator for hosting advertisements or providing any other services which are not in connection with the sale of goods or services referred to in sub-section (1) of the proposed section.

This amendment will take effect from 1st April, 2020.

 Reducing the rate of TDS on fees for technical services (FTS)

In order to reduce litigation, it is proposed to reduce the rate of TDS u/s. 194J in case of fees for technical services (FTS) (other than professional services) to 2% from existing 10%. The TDS rate on professional services u/s. 194J would remain same at 10%.

This amendment will take effect from 1st April, 2020.

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

ESOPs have been a significant component of the compensation for the employees of start-ups, as it allows the founders and start-ups to employ highly talented employees at a relatively low salary amount with balance being made up viaESOPs.

Currently ESOPs are taxed as perquisites u/s. 17(2) of the Act and the tax on perquisite is required to be paid at the time of exercising of option which result in cash flow outgoing as this benefit of ESOP is in kind.



In order to ease the burden of payment of taxes by the employees of the eligible start-ups or TDS by the start-up employer, it is proposed to amend section 192 of the Act, in order to enable deduct or pay as the case may be, tax on such income within 14daysafter the expiry of:-

- (a) 48 months from the end of the relevant assessment year in which the option is exercised, or
- (b) sale of such specified security or sweat equity share by employee, or
- (c) from the date which the employee ceases to be the employee of the eligible start-up

whichever is earliest on the basis of rates in force of the financial year in which the said specified security or sweat equity share is allotted or transferred.

This amendment will take effect from 1st April, 2020.



#### Definition of "Work"

It is proposed to amend the definition of "Work" u/s. 194C to provide that in a contract manufacturing the raw material provided by the assessee or its associate shall fall within the purview of the "work' u/s. 194C. Associate is defined as a person falling under provision of Clause 40 A (2)(b) of the Act.

This amendment will take effect from 1st April, 2020.

## Tax Collection At Source (TCS)

On overseas remittances and on sale of overseas tour package it is proposed to amend section 206C to levy TCS as per below conditions:-

(a) An authorized dealer receiving an amount or an aggregate of amounts of seven lakh rupees or more in a financial year for remittance out of India under the LRS of RBI, shall be liable to collect TCS, if he receives sum in excess of said amount from a buyer being a person remitting such amount out of India, at the rate of five per cent. In non- PAN/Aadhaar cases the rate shall be ten per cent.



- (b) A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package, shall be liable to collect TCS at the rate of five per cent. In non-PAN/ Aadhaar cases the rate shall be ten per cent.
- (c) On sale of goods, a seller of goods is liable to collect TCS at the rate of 0.1 per cent on

consideration received from a buyer in a previous year in excess of fifty lakh rupees. In non-PAN/ Aadhaar cases the rate shall be **one per cent.** 

 Only those seller whose total sales, gross receipts or turnover from the business carried on by it exceed ten crore rupees during the financial year immediately preceding the financial year, shall be liable to collect such TCS.



- No TCS is to be collected from the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority as defined in Explanation to clause (20) of section 10 or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to conditions as prescribed in such notification.
- No such TCS is to be collected, if the seller is liable to collect TCS under other provision of section 206C or the buyer is liable to deduct TDS under any provision of the Act and has deducted such amount.

These amendments will take effect from 1st April, 2020.





#### Non-Resident

 Exemption in respect of certain income of wholly owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Fund



In order to promote investment of sovereign wealth fund, including the wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA), it is proposed to insert a new clause u/s. 10 of the Act to provide exemption to any income of such fund in the nature of dividend, interest or long-term capital gains arising from an investment made by it in India, whether in the form of debt or equity, in a company or enterprise carrying on the business of developing, or operating and maintaining, or developing, operating or maintaining any infrastructure facility as defined u/s. 80IA of sub-section (4) in Explanation to clause (i) or such other business as may be notified by the Central Government in this behalf. In order to be eligible for exemption, the investment is required to be made on or before 31st March, 2024 and is required to be held for at least three years.

This amendment will take effect from 1st April, 2021.

# Concessional rate of withholding tax u/s. 194LC

Existing provisions of section 194LC of the Act provides with regard to concessional rate of TDS @ 5% on interest paid to non-residents on borrowings made by specific companies or

business trust in foreign currency from sources outside India. In order to attract fresh investment, create jobs and stimulate the economy, it is proposed to: -

- (a) extend the period of concessional rate of TDS of 5% to 1st July, 2023 from 1st July, 2020;
- (b) provided that the rate of TDS shall be 4% (currently 5%) on interest payable to a nonresident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or Rupee Denominated Bondon or after 1st April, 2020 but before 1st July, 2023 and the said bonds are listed on a recognized stock exchange located in any IFSC.

This amendment will take effect from 1st April, 2020.

# Concessional withholding tax u/s. 194LD

Existing provisions of section 194LD of the Act provides for lower TDS of 5% in case of interest payments to Foreign Institutional Investors (FII) and Qualified Foreign Investors (QFIs) on their investment in Government securities and Rupee Denominated Bond of an Indian company subject to the condition that the rate of interest does not exceed the rate notified by the Central Government. The period has been further extended to 1st July, 2023 and shall also apply on interest payable on or after 1st April, 2020 but before 1st July, 2023,in respect of investment made in municipal debt security.

This amendment will take effect from 1st April, 2020.



#### Limitation on Interest deduction relaxed

Section 94B of the Act provides that deductible interest or similar expenses exceeding Rs. 1 crore of an Indian company, or a PE of a foreign company, paid to the associate enterprises shall be restricted to 30% of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to AE, whichever is less. The said section is proposed to be amended to provide that the provisions of interest limitation would not apply to interest paid in respect of a debt issued by a lender which is a PE of a non-resident, being a person engaged in the business of banking, in India.

This amendment will take effect from 1st April, 2021.



# Exempting Non-resident from filing of Income-tax return

The current provisions of section 115A of the Act provide relief to non-residents from filing of return of income where the non-resident is not liable to pay tax other than the TDS which has been deducted on the dividend or interest income, the same relief has not been extended to income by way of royalty or FTS.

This amendment will take effect from 1st April, 2020

 Amendment for providing attribution of profit to Permanent Establishment in Safe Harbour Rules and in Advance Pricing Agreement Section 92CB of the Act empowers the Central Board of Direct Taxes (Board) for making safe harbourrules (SHR) to determine the arm's length price (ALP).

Further, section 92CC of the Act empowers the Board to enter into an advance pricing agreement (APA) with any person, determining the ALP or specifying the manner in which the ALP is to be determined, in relation to an international transaction

In order to provide certainty, it is proposed to amend section 92CB and section 92CC of the Act to cover determination of profits attributable to PE of non-resident and APA within the scope of SHR.

With respect to section 92CB, the amendment will take effect from 1st April, 2020.

With respect to section 92CC, the amendment will apply to an APA entered into on or after 1st April, 2020.



# Amendment in Dispute Resolution Panel (DRP)

Section 144C of the Act provides that in case of certain eligible assessees, viz., foreign companies and any person in whose case transfer pricing adjustments have been made under sub-section (3) of section 92CA of the Act, the Assessing Officer (AO) is required to forward a draft assessment order to the eligible assessee, if he proposes to make any variation



in the income or loss returned which is prejudicial to the interest of such assessee. Such eligible assessee with respect to such variation may file his objection to the DRP, a collegium of three Principal Commissioners or Commissioners of Income-tax. DRP has nine months to pass directions which are binding on the AO.

It is proposed that the provisions of section 144C of the Act may be suitably amended to:-

- (a) include cases, where the AO proposes to make any variation which is prejudicial to the interest of the assessee, within the ambit of section 144C;
- (b) expand the scope of the said section by defining eligible assessee as a non-resident not being a company, or a foreign company.

This amendment will take effect from 1st April, 2020.

# Modification of residency provisions

Sub-section (1) of section 6 of the Act provide for situations in which an individual shall be resident in India in a previous year. Clause (c) provides that the individual shall be Indian resident in a year, if he

- (a) has been in India for an overall period of 365 days or more within four years preceding that year, and
- (b) is in India for an overall period of 60 days or more in that year.

Clause (b) of Explanation 1 of said sub-section provides that an Indian citizen or a person of Indian origin shall be Indian resident if he is in India for 182 days instead of 60 days in that year. This provision provides relaxation to an Indian citizen or a person of Indian origin allowing them to visit India for longer duration without becoming resident of India.

#### It is proposed that:-

- the exception provided in the section be decreased to 120 days from existing 182 days.
- (ii) an individual or an HUF shall be said to be "not ordinary resident" in India in a previous year, if the individual or the manager of HUF has been a non-resident in India in 7 out of 10 previous years preceding that year.
- (iii) an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.

It is clarified that in case of an Indian citizen who becomes deemed resident of India, income earned outside India shall not be taxed in India unless it is derived from an Indian business or profession (CBDT Press Release dated 2ndFebruary, 2020).

This amendment will take effect from 1st April, 2021.



# Modification of offshore funds of business trusts

Section 9A of the Act provides that if an eligible investment fund carries out the fund management activity through an eligible Indian fund manager, the same will not constitute 'business connection in India' and such fund will



not be a resident of India subject to compliance of the conditions as prescribed. One of the conditions prescribed for eligibility is that the aggregate investment in such eligible fund directly or indirectly, by persons resident in India should not exceed 5% of the corpus fund and further conditions prescribed is that the monthly average of the corpus fund shall not be less than Rs. 100 crore under the fund as incorporated in the previous year itself. The limit of Rs. 100 crore will be achieved at the end of 6 months from the month of incorporation. Now it is proposed to amend such conditions that investment by Indian resident in first 3 years can be upto Rs. 25 crore and conditions of monthly average of Rs. 100 crore can be fulfilled within 12 months from end of the month of incorporation.

This amended will take effect from 1st April, 2020.



# Double Taxation Avoidance Agreements (DTAA) aligned with Multilateral Instrument (MLI)

India has signed Multilateral Convention to prevent Base Erosion and Profit Shifting as framed by OECD, the provisions of said MLI be applicable to India's DTAAs from 1st October, 2019. It provides anti provision for profit shifting to low or no-tax locations where there is little or no economic activity. India's DTAAs will stand modified through MLI to curb revenue loss through treaty abuse by way of treaty-shopping.

# Deferring the provisions of Significant Economic Presence

At present, explanation 2A of sub-section (1) to section 9 of the Act states that the significant economic presence (SEP) of a non-resident in India shall constitute "business connection" in India and SEP for this purpose shall mean:-



- (a) Transaction in respect of any goods, services or property carried out by a nonresident in India including provision of download of data or software in India, if the aggregate of payments arising from such transaction or transactions during the previous year exceeds such amount as may be prescribed; or
- (b) Systematic and continuous soliciting of business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means.

Said Explanation further provided that the transactions or activities shall constitute significant economic presence in India, whether or not, the agreement for such transactions or activities is entered in India or the non-resident has a residence or place of business in India or the non-resident renders services in India. It was also provided that only so much of income as is attributable to the transactions or activities mentioned at para 2(a) and (b) shall be deemed to accrue or arise in India.



It is proposed that the new provisions will take effect from 1st April, 2022 and will, accordingly, apply in relation to the assessment year 2022-23 and subsequent assessment years.

#### Indirect transfer of units

The Finance Act, 2012 inserted Explanation 5 to tax indirect transfer of capital assets being investment in companies incorporated in India subject to certain conditions prescribed in the said explanation.

The Finance Act,2017 provided that such indirect transfer provisions will not apply to non-residents making investment in category I or category II of Foreign Portfolio Investment (FPI) as registered with Securities and Exchange Board of India (SEBI).

SEBI amended rules in respect of FPI in 2019. Now FPI eligible are only for category I, hence FPI category I will be exempt from indirect transfer.

The provisions will be effective from 1st April, 2020.

#### Enlarging the scope of Source Rule

A new explanation 3A has been inserted to provide that the income attributable to the operations carried out in India, as referred to in Explanation 1 to Section 9, shall include income from:—

- such advertisement which targets a customer who resides in India or a customer who accesses the advertisement through internet protocol address located in India;
- (ii) sale of data collected from a person who resides in India or from a person who uses internet protocol address located in India;
- (iii) sale of goods or services using data collected from a person who resides in

India or from a person who uses internet protocol address located in India

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

#### Enlarging the scope of Royalty

Section 9(1)(vi) deems certain income by way of royalty to accrue or arise in India. Explanation 2 of said clause defines the term "royalty" to, interalia, mean the transfer of all or any rights (including the granting of a licence) in respect of any copyright, literary, artistic or scientific work including films or video tapes for use in connection with television or tapes for use in connection with radio broadcasting, but not including consideration for the sale, distribution or exhibition of cinematographic



It is proposed to amend the definition of royalty so as not to exclude consideration for the sale, distribution or exhibition of cinematographic films from its meaning.

Further, CBDT has been empowered u/s 295 to make rules to provide for the manner in which and the procedure by which the income shall be arrived at in the case of:-

- operations carried out in India by a nonresident; and
- (ii) transaction or activities of a nonresident



## Rationalization of tax provisions of start-ups

In order to further rationalize the provisions relating to start-ups, it is proposed to amend section 80-IAC of the Act so as to provide that deduction under the said section shall be available to an eligible start-up for a period of 3 consecutive assessment years out of 10 years beginning from the year in which it is incorporated. The deduction under the said section shall be available to an eligible start-up, if the total turnover of its business does not exceed Rs. 100 crore in any of the previous years beginning from the year in which it is incorporated. Previously, the total turnover limit was of Rs. 25 crore.

This amendment will take effect from 1st April, 2021.



# Extending time limit for approval of affordable housing project

In order to incentivize building and real estate project, affordable housing to boost the supply of such houses, an additional deduction of Rs. 1.5 Lacs was made available in the Finance Act 2019 in relation to interest on loan taken for acquisition of house property for which the stamp duty value does not exceed Rs. 45 Lacs. Such deduction was available subject to satisfaction of specified conditions including that the loan is required to be sanctioned between 1st April, 2019 to 31st March, 2020. The present budget proposes to extend the timeline for sanction of such loan to 31st March 2021.

This amendment will take effect from 1st April, 2021.

# Modification of the definition of "business trust"

Clause(13A) of the section 2 of the Act defines "business trust" to mean a trust registered as an Infrastructure Investment Trust under the Securities Exchange Board of India (Infrastructure Investment Trusts) Regulation, 2014 or a Real Estate Investment Trust under the Securities Exchange Board of India (Real Estate Investment Trusts) Regulation, 2014 made under the Securities and Exchange Board of India Act, 1992, whose units are required to be listed on a recognised stock exchange in accordance with the aforesaid regulations.

In order to provide uniform tax treatment for unlisted InvITs and REITs, it is proposed to amend the said clause so as to omit the requirement of listing of the business trust on recognised stock exchange.

This amendment will take effect from 1st April, 2021.

#### Increase in safe harbour limit of 5% to 10%

The present provision of Sections 43CA, 50C and 56 of the Act provides for safe harbour of 5% i.e. if stamp duty value is higher by 5% of declared value, no tax be charged in case of sale/ purchase of property. Now it is proposed to increase the limit to 10%.

This amendment will take effect from 1st April, 2021.

#### Compute cost of acquisition

It is proposed to rationalise the provision for computation of capital gains. It is proposed that in case of a capital asset, being land or building or both, the fair market value of such an asset on 1st April, 2001 shall not exceed the stamp duty value of such asset as on 1st April, 2001 where such stamp duty value is available.

This amendment will take effect from 1st April, 2021.





# Providing an option for not availing deduction u/s. 35AD

It is proposed to amend sub-section (1) of section 35AD to make the deduction thereunder optional. It is further proposed to amend sub-section (4) of section 35AD to provide that no deduction will be allowed in respect of expenditure incurred under sub-section (1) in any other section in any previous year or under this section in any other previous year, if the deduction has been claimed and allowed under this section.

This amendment will take effect from 1st April, 2020.

# Allowing carry forward of losses or depreciation in certain amalgamations

Section 72AA of the Act provides for carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of banking company with any other banking institution under a scheme sanctioned and brought into force by the Central Government under subsection (7) of section 45 of the Banking Regulation Act, 1949. This section operates notwithstanding anything contained in sub-clause (i) to (iii) of clause (1B) of section 2 or section 72A of the Act.



In order to address the issue faced by the amalgamated public sector banks and public sector General Insurance Companies, it is proposed to extend the benefit of this section to amalgamation of:-

- (a) one or more corresponding new bank or banks with any other corresponding new bank under a scheme brought into force by the Central Government, or
- (b) one or more Government Company or Companies with any other Government company under a scheme sanctioned and brought into force by the Central Government. This amendment will take effect from 1st April, 2020.

#### Modification of E-assessment scheme

It is further proposed to expand the scope of Eassessment by including reference of section 144 of the Act relating to best judgement assessment.

This amendment will take effect from 1st April, 2020.

## Provision for e-appeal

The filing of appeals before Commissioner (Appeals) is already in an electronic mode. A taxpayer can file appeal through his registered account on the e-filing portal. However, the process that follows after filing of appeal is neither electronic nor faceless. In order to ensure the reforms initiated to eliminate human interface from the system, it is proposed to introduce an e-appeal scheme on the lines of e-assessment scheme. Central Government will notify an e-appeal scheme for disposal of appeal.

This amendment will take effect from 1st April, 2020.

#### Provision for e-penalty

Section 274 of the Act provides for the procedure for imposing penalty under Chapter XXI of the Act. In response to a show cause notice issued by the Assessing Officer (AO), assessee or his authorised representative is still required to visit the office of the Assessing Officer. With the advent of the E-Assessment Scheme-2019 to eliminate human interface, it is proposed to insert a new sub-section



(2A) in the said section so as to provide an e-scheme for the purposes of imposing penalty. The necessary scheme shall be notified.

This amendment will take effect from 1st April, 2020.

# Stay of demand by the Income Tax Appellate Tribunal (ITAT)

The existing provisions of the first proviso to subsection (2A) of section 254 of the Act, provides that the ITAT may, after considering the merits of the application made by the assessee pass an order of stay for a maximum period of 180 days in any proceedings against the order of the Commissioner of Income-tax (Appeal). Second proviso to the said sub-section prescribes that where the appeal is not so disposed of, the ITAT on being satisfied that the delay is not attributable to the assessee, extend the stay for a further period subject to the restriction that the aggregate of the periods will not exceed 365 days. The third proviso of the said sub-section also provides that if such appeal is not so disposed of within the period extended or 365 days, the order of stay shall stand vacated after the expiry of such period, even if the delay in disposing of the appeal is not attributable to the assessee.

It is proposed to provide that ITAT may grant stay under the first proviso subject to the condition that the assessee deposits not less than twenty per cent of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of this Act, or furnish security of equal amount in respect thereof and the total stay granted by ITAT cannot exceed 365 days.

This amendment will take effect from 1st April, 2020.

#### Penalty for fake invoice

In the recent past after the launch of Goods & Services Tax (GST), several cases of fraudulent input tax credit (ITC) claim have been caught 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. These invoices are found to be issued by racketeers who do not actually carry on any business or profession. They only issue invoices without actually supplying any goods or services. The GST shown to have been charged on such invoices is neither paid nor is intended to be paid.

It is proposed to introduce a new provision in the Act to provide for a levy of penalty on a person, if it is found during any proceeding under the Act that in the books of accounts maintained by him there is a (i) false entry or (ii) any entry relevant for computation of total income of such person has been omitted to evade tax liability. The penalty payable by such person shall be equal to the aggregate amount of false entries or omitted entry. It is also propose to provide that any other person, who causes in any manner a person to make or cause to make a false entry or omits or causes to omit any entry, shall also pay by way of penalty a sum which is equal to the aggregate amounts of such false entries or omitted entry. The false entries are proposed to include use or intention to use :-



- (a) forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or
- (b) 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
- (c) invoice in respect of supply or receipt of goods





or services or both to or from a person who do not exist.

This amendment will take effect from 1st April, 2020.

### Removing Dividend Distribution Tax (DDT)

It is proposed that dividend or income from units will be taxable in the hands of shareholders or unit holders at the applicable rate. The domestic company or specified company or mutual funds are not required to pay any DDT.

Under the current regime, dividend distributed by companies is taxed at 15% and dividend distributed by equity oriented mutual fund is taxed at 10%. This DDT is to be enhanced by surcharge and cess. The proposed move to abolish DDT will have significant impact for individual tax payers which shall now be taxed as high as 42.74% for individuals in highest tax bracket.



It is also proposed to provide that no deduction for expense u/s. 57 of the Act except interest to the extent of maximum 20% per cent of the dividend or income from units. Hence necessary provisions in the Act would be amended to that extent.

Further, a new section 80M has been inserted to remove the cascading affect, a set off will be allowed of dividend distributed by the recipient company within one month prior to the due date of filing of return, in place of due date of filing return earlier, to the extent of dividend received from another company.

Section 194 is also amended to include dividend for tax deduction at the rate of 10% with the threshold

limit of Rs. 5,000 instead of Rs. 2,500 for dividend paid other than cash.

Beneficial 5% tax regime for non-residents on dividends distributed by Infrastructure debt funds done away with –now taxable at 20%

Foreign companies can avail treaty rates (5% to 15%) depending on eligibility.

## Check on survey operations

An income-tax authority is empowered to conduct survey at the business premises of the assessee under his jurisdiction. To prevent the possible misuse of such powers, vide Finance Act 2003, a proviso to sub-section (6) in the said section was inserted to provide that no income-tax authority below the rank of Joint Director or Joint Commissioner, shall conduct any survey under the said section without prior approval of the Joint Director or the Joint Commissioner, as the case maybe.

It is proposed to substitute the proviso to subsection (6) of section 133A to provide that:-

(a) in a case where the information has been received from the prescribed authority, no income-tax authority below the rank of Joint Director or Joint Commissioner, shall conduct any survey under the said section without prior approval of the Joint Director or the Joint Commissioner, as the case may be; and



(b) in any other case, no income-tax authority below the rank of Commissioner or Director, shall conduct any survey under the said section



without prior approval of the Commissioner or the Director, as the case may be.

This amendment will take effect from 1st April, 2020.

# Rationalization of provision relating to Trust/Institutions and Funds

#### Registration process

Procedure for registration of charitable trusts, institution, etc. is amended. New registration be granted for five years. Thereafter, on application, the same will be renewed on satisfaction of conditions. New trusts, institutions, etc. be granted provisional registration for three years. Powers of cancelation of registration are enlarged.

## Statement of donations by the Trust



At present there is no reporting obligation by the exempt entity receiving donation. Now the entities receiving donation has to furnish statement in respect of donations and to issue a certificate to the donor for claiming deduction.

In order to ensure proper filing of the statement, levy of a fee and penalty has been provided in case where there is a failure to furnish the statement.

This amendment will take effect from 1st June 2020.

#### Provision relating to Tax Audit

Under section 44AB of the Act every person carrying on business is required to get its accounts audited, if the **total turnover** or gross receipt in business **exceed Rs. 1 crore** in any previous year. In order to

reduce compliance burden on small and medium enterprises it is proposed to increase threshold limit for a person carrying on business to Rs. 5 crore in cases where aggregate of all receipt in cash during the previous year does not exceed 5% of such receipt and aggregate of all payment in cash during the previous year does not exceed 5% of such payment. It is required that the Tax Audit Report may be furnished by the said assessee at least one month prior to the due date of filing of return of income. Similar provision for filing audit reports one month prior to due date for filing return u/s. 139(1) is provided for audit reports under provisions of sections 10, 10A, 12A, 32AB, 33AB, 33ABA, 35D, 35E, 44AB, 44DA, 50B, 80IA, 80IB, 80JJAA, 92F, 115JB, 115JC and 115YW, are proposed to be amended accordingly.

# Due date for filing of return

Further the due date of filing of return of income under subsection (1) of section 139 is proposed to be changed:—



- (a) providing 31st October of assessment year as the due date for a company, a person (other than a company) whose accounts are required to be audited under this Act or under any other law for time being in force or a working partner of the firm whose accounts are required to be accounted under this Act or any other law from the time being in force.
- (b) It is also proposed for removing the distinction between working and a non-working partner of





a firm with respect to the due date for filing of return of income.

This amendment will take effect from 1st April 2020.

# Provision relating to Form 26AS

The Form 26AS as prescribed in the Rules contain the information about tax collected or deducted at source. However with the advancement of technology and enhancement in the capacity of system, multiple information in respect of a person such as sale/purchase of immoveable property, share transactions, etc. are being proposed to be captured in future. Hence as the mandate of Form 26AS would be required to be extended it is proposed to introduce a new section 285BB in the Act regarding annual financial statement. This section proposes to mandate the prescribed Income Tax Authority or person authorized to upload in the registered account of the assesse a statement in such form and manner which is in the possession of an Income Tax Authority and within such time as may be prescribed.

This amendment will take place from 1st June 2020.

# Widening the scope of Commodity Transaction Tax (CTT)

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, which are normally settled without delivery, at following rates:

- (a) Sale of a commodity derivative based on prices or indices of prices of commodity derivatives at the rate of 0.01% payable by the seller;
- (b) Sale of an option in goods, where option is exercised resulting in actual delivery of goods at the rate of 0.0001% payable by purchaser;
- (c) Sale of an option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods at the rate of 0.125% payable by purchaser.

This amendment will take effect from 1st April, 2020.





# INDIRECT TAX PROPOSALS

#### A. Goods and Services Tax:

The proposed changes in GST laws will come into effect from the date when the same will be notified, as far as possible, concurrently with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature. Some of the amedments are as follows:

#### 1) Reorganisation of Union Territories:

- It is proposed to include Ladakh in the definition of Union territory in consonance with Jammu and Kashmir Reorganisation Act, 2019.
- It is further proposed to consider Dadra and Nagar Haveli and Daman and Diu as a single union territory in consonance with Dadra and Nagar Haveli and Daman and Diu (Merger of Union Territories) Act, 2019.
- Transitional provisions and rules prescribing the procedures to effectuate above referred amendments are awaited.

#### 2) Restriction for Composition Dealer in goods:

- Presently dealer in goods who opts for composition scheme can provide services (whether within or outside the state) not exceeding 10% of turnover in State or Rs. 5 lakhs, whichever is higher.
- It is now proposed that dealer in goods will not be entitled to composition scheme, if he undertakes the following supplies:
  - Services not leviable to GST
  - Inter-state supply of services
  - Supply of services through electronic commerce operator

# Relaxation of time limit for ITC claim in respect of debit note:

 Presently the time limit for taking ITC on debit note is linked to the date of invoice pertaining to such debit note.

- It is now proposed that time limit for claiming
   ITC in respect of debit note will be earlier of:
  - Due date of furnishing return for September month following the end of financial year to which such debit note pertains.
  - · Date of filling the relevant annual return.

# 4) Cancellation of voluntary registration:

- Presently GST legislation does not allow person registered voluntarily to apply for cancellation of registration.
- It is now proposed to allow such person to apply for cancellation of registration.

## 5) Revocation of cancellation of registration:

- Person is entitled to apply for revocation of cancellation of registration within thirty days from date of service of cancellation order.
- Presently there is no provision for condonation of delay in applying for such revocation.
- It is proposed to empower:
  - Additional Commissioner or Joint Commissioner to condone the delay for application for such revocation by 30 days.
  - Commissioner to condone such delay by additional 30 days.

# 6) Tax invoice:

- Presently tax invoice for supply of services is to be raised within 30 days or 45 days from date of supply.
- It is proposed to empower the Government to specify time limit within which the invoice is to be issued in respect of certain category of services or supplies.

### 7) TDS certificate:

- Person (presently only government) deducting tax at source will be required to issue TDS certificate in prescribed form and manner.
- It is now proposed to omit existing penal provision for failure to furnish TDS certificate.





# ...Indirect Tax Proposals

### 8) Appellate Tribunal:

 Government is now empowered to constitute a bench of Appellate Tribunal for State of Jammu and Kashmir along with other states.

# 9) Penalty on beneficiary (counter - party) for certain offences:

- Presently GST legislation provides for levy of penalty on 'taxable person' for following offences:
  - Making supply without invoice or on false invoice
  - Issuing invoice without supply
  - Taking or utilising ITC without actual receipt of supply
  - Taking or distributing ITC in contravention of ISD provisions
- It is now proposed to levy penalty for above offences also on:
  - Beneficiary (i.e. counter-party) of above referred transactions
  - Person at whose instance such transactions are conducted

# 10) Punishment to beneficiary for certain offences:

- Presently section 132 provides for imprisonment of and fine on a person committing specified offences.
- It is proposed to extend above referred punishment to person who causes to commit such offence and retains benefits thereof.
- It is further proposed to make offence of availing ITC without invoice as cognizable and non-bailable offence.

#### 11) Power to issue removal of difficulty order:

- Presently the Government is empowered to issue removal of difficulty order for a period of 3 years starting from 1st July, 2017.
- It is now proposed to empower the

Government to issue removal of difficulty order upto a period of 5 years starting from 1<sup>st</sup>July, 2017.

# 12) Retrospective amendments in transitional provisions:

- Presently the CGST Act does not prescribe the time limit for claiming transitional credit. The judiciary have upheld this position.
- It is proposed to amend the transitional provisions with effect from 1<sup>st</sup>July, 2017 so as to provide for time limit and manner of claiming transitional credit.
- This may nullify the decisions pronounced by judiciary.

#### 13) Retrospective exemption:

- Supply of fishmeal (falling under heading 2301) is exempted retrospectively for the period 1st July, 2017 to 30th September, 2019.
- No refund shall be granted of tax already paid.

#### 14) Retrospective rate change:

- Supply of pulley, wheels and other parts (falling under heading 8483) and used as parts of agricultural machinery (falling under heading 8432, 8433 and 8436) will be taxed at rate of 12% for the period 1<sup>st</sup>July, 2017 to 31<sup>st</sup>December, 2018.
- No refund shall be granted of tax already paid at higher rate.

# 15) Denial of refund of unutilised ITC with retrospective effect:

 Retrospective amendment from 1st July, 2017 made to deny refund of unutilised ITC of compensation cessarising out of inverted rate structure in respect of tobacco and manufactured tobacco substitutes.

#### 16) Other propositions:

 Simplified return system (currently in pilot run) is proposed to be introduced from 1st April, 2020 with following features:





# ...Indirect Tax Proposals

- SMS-based filing of NIL returns
- Pre-filled returns
- Improved input tax credit flow
- Aadhaar based verification of taxpayers for weeding out dummy and non-existent units.
- Implementation of e-invoicing system in phased manner, starting optionally from February, 2020.
- Dynamic QR-code for consumer invoices and capturing of GST parameters while making payment through the QR-code.
- Cash rewards to incentivise customers to seek invoice.
- Usage of deep data analytics and AI tools for cracking down on GST input tax credit, refund and other frauds.

# B Customs Act, 1962

Some Important amedments made are as follows:

 Explanation to Section 28 amended to state that show cause notices issued prior to 29<sup>th</sup> March 2018 wouldcontinue to be governed by the earlier provisions of section 28 as it stood prior to 29<sup>th</sup> March 2018.

- A new section (section 51B) is being incorporated to provide for creation of an Electronic Duty Credit Ledger in the customs system. This will enable duty credit in lieu of duty remission to be given in respect of exports or other such benefit in electronic form for its usage, transfer etc. In this regard, enabling provisions for issuance of suitable regulations are also being inserted in section 157(2) of the Customs Act, 1962.
- Health Cess of 5% will be levied and collected as duty of customs on import value of medicinal devices.
- Importers will be made responsible to ensure compliance with prescribed Rules of Origin in case of imports at concessional duty rates under Preferential Trade Agreements.
- Anti-Dumping Rules will be made more comprehensive and wider to strengthen the anticircumvention measures.
- The power to prohibit uncontrolled import or export of gold and silver for prevention of injury to the Indian economy, has now been extended to 'any other goods' as well.

# C Changes in Custom Duty for creating a level playing field for MSME and promoting "MAKE IN INDIA"

|      |   | Rate in %    |              |
|------|---|--------------|--------------|
| S.N. | Category & Products   | Present      | Proposed     |
| 1    | <ul> <li>Household goods and appliances</li> <li>Tableware and kitchenware of porcelain or china, ceramic, clay, iron, steel, copper and aluminium, glassware, padlocks, brooms, hand-sieves, combs, vacuum flasks, etc.</li> </ul> | 10.0         | 20.0         |
| 2    | Fans, food grinders/mixers, shavers and hair removing appliances, water heaters, hair/hand drying apparatus, ovens, cookers, toasters, coffee/tea makers, insect repellents, heaters, irons, etc.                                   | 10.0         | 20.0         |
| 3    | Footwear  a. Footwear  b. Parts of footwear   | 25.0<br>35.0 | 15.0<br>20.0 |





# ...Indirect Tax Proposals

|      |   |         | e in %   |
|------|---|---------|----------|
| S.N. | Category & Products   | Present | Proposed |
| 4    | <ul> <li>Furniture goods</li> <li>Seats, articles of bedding including mattresses, lamps, lighting, illuminated signs, and other articles of furniture</li> </ul> | 20.0    | 25.0     |
| 5    | Stationery items     Filing cabinets, paper trays, binders, clips, staples, sign-plates, name plates, numbers and symbols etc. made from base metal               | 10.0    | 20.0     |
| 6    | Toys  • Tricycles, scooters, scale models, dolls, etc   | 20.0    | 60.0     |
| 7    | Machinery   |         |          |
|      | <ul> <li>Specified goods used in high voltage power transmission project</li> </ul>   | 5.0     | 7.5      |
|      | Railway carriage fans   | 7.5     | 10.0     |
|      | <ul> <li>Compressors of refrigerators and air conditioners</li> </ul>   | 10.0    | 12.5     |
|      | Commercial freezers   | 7.5     | 15.0     |
|      | <ul> <li>Welding and plasma cutting machine</li> </ul>  | 7.5     | 10.0     |
|      | Rotary tillers/weeder   | 2.5     | 7.5      |
| 8    | Other miscellaneous items   |         |          |
|      | Glass beads   | 10.0    | 20.0     |
|      | Artificial flowers  | 10.0    | 20.0     |
|      | <ul> <li>Bells, gongs, statuettes, trophies and like, statuettes, ornaments, photograph,<br/>frames, mirrors etc. of base metal</li> </ul>                        | 10.0    | 20.0     |





# **KEY FEATURES OF BUDGET 2020-21**



The Union Budget 2020-21 was looked forward to with great expectations.

It is said that size matters, but the longest speech in budget history did not guarantee Nirmala Sitharaman success. Her second budget had no big fiscal stimulus, several protectionist duties and few convincing steps to revive a slowing economy.

Overall the budget is well- intentioned, even though it does not use the word 'slow down' even once. It outlines, in extenso, the multiple objectives it seeks to achieve. While the expenditure programmes may show how demand will be revived, the revenue projections, along with the fiscal deficit, will indicate whether these expenditure programmes are sustainable.

Below mentioned are all the key highlights from the Finance Minister's speech:

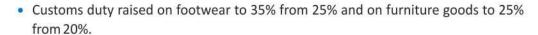
# GST, Excise Duty & Custom Duty:



#### GST:

- Cash reward system envisaged to incentivise customers to seek invoice.
- Simplified return with features like SMS based filing for nil return and improved input tax credit flow to be implemented from 1st April, 2020 as a pilot run.
- Dynamic QR-code capturing GST parameters proposed for consumer invoices.
- Electronic invoice to capture critical information in a centralized system to be implemented in a phased manner.
- Aadhaar based verification of taxpayers being introduced to weed out dummy or non-existent units.
- GST rate structure being deliberated to address inverted duty structure.





- Basic customs duty on imports of news print and light-weight coated paper reduced from 10% to 5%.
- Customs duty rates revised on electric vehicles and parts of mobiles.
- 5% health cess to be imposed on the imports of medical devices, except those exempt from BCD.
- Lower customs duty on certain inputs and raw materials like fuse, chemicals, and plastics.
- Higher customs duty on certain goods like auto-parts, chemicals, etc. which are also being made domestically.











## Trade Policy Measures

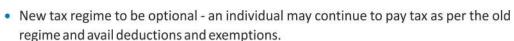
- Customs Act being amended to enable proper checks of imports under FTAs.
- Rules of Origin requirements to be reviewed for certain sensitive items.
- Provisions relating to safeguard duties to be strengthened to enable regulating such surge in imports in a systematic way.
- Provisions for checking dumping of goods and imports of subsidized goods being strengthened.
- Suggestions for reviews of exemptions from customs duty to be crowd-sourced.
- Excise duty proposed to be raised on Cigarettes and other tobacco products, no change made in the duty rates of bidis.
- Anti-dumping duty on PTA abolished to benefit the textile sector.



#### Taxation:

**Direct Tax Proposals** - To stimulate growth, simplify tax structure, bring ease of compliance and reduce litigations.

- Around 70 of the existing exemptions and deductions (more than 100) to be removed in the new simplified regime.
- Remaining exemptions and deductions to be reviewed and rationalized in coming years.



- Measures to pre-fill the income tax return initiated so that an individual who opts for the new regime gets pre-filled income tax returns and would need no assistance from an expert to pay income tax.
- New regime to entail estimated revenue forgone of Rs. 40,000 crore per year.
- It is proposed to replace 120 days instead of 182 days for determining residency of an Indian citizen or Person of Indian Origin (PIO) who being outside India comes on a visit to India (subject to satisfaction of other conditions).



#### Corporate Tax :

- Tax rate of 15% extended to new electricity generation companies.
- Indian corporate tax rates now amongst the lowest in the world.

#### Dividend Distribution Tax (DDT):

DDT removed making India a more attractive investment destination.





- Deduction to be allowed for dividend received by one company from other company to the extent dividend distributed by recipient company.
- Rs. 25,000 crore estimated annual revenue forgone.



#### Start-ups:

- Start-ups with turnover up to Rs. 100 crore to enjoy 100% deduction for 3 consecutive assessment years out of 10 years.
- Tax payment on ESOPs deferred.

# MSMEs to boost less-cash economy:

• Turnover threshold for audit increased to Rs. 5 crore from Rs. 1 crore for businesses carrying out less than 5% business transactions in cash.



#### Cooperatives:

- Parity brought between cooperatives and corporate sector.
- Option to cooperative societies to be taxed at 22% + 10% surcharge and 4% cess with no exemption/deductions.
- Cooperative societies exempted from Alternate Minimum Tax (AMT) just like Companies are exempted from the Minimum Alternate Tax (MAT).

# + Tax concession for foreign investments:

 100% tax exemption to the interest, dividend and capital gains income on investment made in infrastructure and priority sectors before 31st March, 2024 with a minimum lock-in period of 3 years by the Sovereign Wealth Fund of foreign governments.



## Affordable housing:

- Additional deduction up to Rs. 1.5 lakhs for interest paid on loans taken for an affordable house extended till 31st March, 2021.
- Date of approval of affordable housing projects for availing tax holiday on profits earned by developers extended till 31st March, 2021.

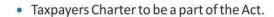
#### **Tax Facilitation Measures**

- Instant PAN to be allotted online through Aadhaar.
- "Vivad Se Vishwas" scheme, with a deadline of 30th June, 2020, to reduce litigations in direct taxes:
  - Waiver of interest and penalty only disputed taxes to be paid for payments till 31st March, 2020.
  - Additional amount to be paid if availed after 31st March, 2020.
  - Benefits to taxpayers in whose cases appeals are pending at any level.











# For charity institutions:

- Pre-filling in return through information of donations furnished by the donee.
- Process of registration to be made completely electronic.
- Unique registration number (URN) to be issued to all new and existing charity institutions.
- Provisional registration to be allowed for new charity institutions for three years.

# Losses of merged banks & Government Companies :

 Amendments proposed to the Income-tax Act to ensure that entities benefit from unabsorbed losses and depreciation of the amalgamating entities.

#### Ease of living:

- The budget overall theme of "Ease Of Living" has been achieved by farmer friendly initiatives such as Agriculture credit target of Rs. 15 lakh crore for 2020-21; schemes of "Kisan Rail" and "Krishi Udaan" for a seamless national cold supply chain for perishables; and expansion of PM-KUSUM to provide 20 lakh farmers for setting up stand-alone solar pumps.
- In the health sector, the Budget proposes more than 20,000 empanelled hospitals under PM Jan Arogya Yojana for poor people; and expansion of Jan Aushadhi Kendra Scheme to all districts offering 2,000 medicines and 300 surgicals by 2024.
- Starting apprenticeship embedded courses through 150 higher educational institutions by March 2021 and a proposal to establish Indian Institute of Heritage and Conservation are some of the other major highlights.

#### Women Child and Social Welfare:

- Rs. 35,600 crore proposed for nutrition-related programmes for the financial year 2020-21.
- Rs. 28,600 crore proposed for programs that are specific to women.
- Rs. 85000 crore would be allocated towards the welfare of Scheduled Castes and Other Backward classes for 2020-21.
- For furthering development and welfare of Scheduled tribes, Rs. 53,700 crore is proposed for 2020-21.
- An enhanced allocation of Rs. 9,500 crore is being provided for 2020-21 for senior citizens and Divyang.











#### Financial Sector:



- Government of India has infused about Rs. 3,50,000 crore by way of capital into Public Sector Banks for regulatory and growth purposes.
- Government has already approved consolidation of 10 banks into four.
- The Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, from Rs. one lakh to Rs. five lakh per depositor.
- The limit for NBFCs to be eligible for debt recovery under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 is proposed to be reduced from Rs. 500 crore to asset size of Rs. 100 crore or loan size from existing Rs. 1 crore to Rs. 50 lakh.
- To meet the need for greater private capital, it is proposed to sell the balance holding
  of Government of India IDBI Bank to private, retail and institutional investors through
  the stock exchange.



#### Disinvestment:

 The government proposes to sell a part of its holding in LIC by way of Initial Public Offer (IPO).

#### Infrastructure:



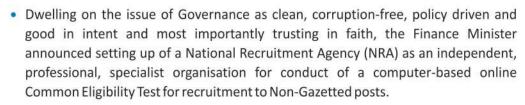
- Rs. 100 lakh crore would be invested over the next 5 years for infrastructure development.
- Accelerated development of highways to be undertaken. This will include development of 2,500 Km access control highways, 9,000 Km of economic corridors, 2000 Km of coastal and land port roads and 2,000 Km of strategic highways. It is proposed to monetise at least 12 lots of highway bundles of over 6,000 Km before 2024.
- Indian Railways aims to achieve electrification of 27,000 km of tracks.
- 550 wi-fi facilities commissioned in as many stations.
- 100 more airports would be developed by 2024 to support Udaan scheme. Air fleet number expected to go up from the present 600 to 1,200 during this time.
- Allocation of Rs. 1.70 lakh crore proposed for transport Infrastructure in 2020-21.
- Allocation of Rs. 22,000 crore proposed for power and renewable energy sector in 2020-21.
- Expansion of the national gas grid from the present 16,200 km to 27,000 km proposed.

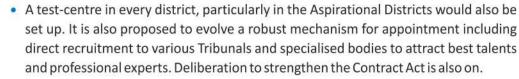






# Governance:





# Wellness, Water and Sanitation:

- Rs. 69,000 crore is being provided for Health care including Rs. 6,400 crores for Prime Minister Jan ArogyaYojana (PMJAY).
- Under PM Jan Arogya Yojana (PMJAY), there are more than 20,000 empanelled hospitals more in Tier-2 and Tier-3 cities for poorer people.
- Setting up hospitals in the PPP mode mainly in Aspirational Districts, using machine learning and AI, in the Ayushman Bharat scheme, "TB Harega Desh Jeetega" campaign to end Tuberculosis by 2025, expansion of Jan Aushadhi Kendra Scheme to all districts offering 2,000 medicines and 300 surgicals by 2024 are some of the other wellness measures in the Budget.
- The total allocation for Swachh Bharat Mission is Rs. 12,300 crore in 2020-21.
- Rs. 3.60 lakh crore approved for Jal Jeevan Mission and Rs. 11,500 crore in 2020-21.

#### New Economy :

- Fibre to the Home (FTTH) connections through Bharatnet will link 1,00,000 gram panchayats this year. It is proposed to provide Rs. 6,000 crore to Bharatnet programme in 2020-21.
- It is proposed to provide an outlay of Rs. 8,000 crore over a period five years for the National Mission on Quantum Technologies and Applications.

## + Education and Skills:

- On Education and Skill front, Rs. 99,300 crore is being allocated in 2020-21 and Rs. 3,000 crores for skill development.
- Degree level full-fledged online education programme to be started. Under its "Study in India" programme, an Ind-SAT is proposed to be held in Asian and African countries.













#### Culture and Tourism:



- 5 archaeological sites to be developed as iconic sites with on-site Museums -Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shivsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu).
- Re-curation of the Indian Museum in Kolkata, announced by Prime Minister in January 2020. Museum on Numismatics and Trade to be located in the historic Old Mint building Kolkata. 4 more museums from across the country to be taken up for renovation and re-curation. Support for setting up of a Tribal Museum in Ranchi (Jharkhand). Maritime museum to be set up at Lothal- the Harrapan age maritime site near Ahmedabad, by Ministry of Shipping.





- On Financial Markets, about deepening of the bond market, certain specified categories of Government securities would be opened fully for non-resident investors, apart from being available to domestic investors as well.
- Government also proposes to expand by floating a new Debt-ETF consisting primarily of government securities.
- To address the liquidity constraints of the NBFCs / HFCs, post the Union budget 2019-20, the government formulated a Partial Credit Guarantee scheme for the NBFCs.

## Industry, Commerce and Investment:



- Rs. 27,300 crore would be allocated for development and promotion of Industry and Commerce.
- It is proposed to develop five new smart cities in collaboration with States in PPP mode.
- A National Technical Textiles Mission would be set up with a four-year implementation period from 2020-21 to 2023-24 at an estimated outlay of Rs. 1,480 crore to position India as a global leader in Technical Textiles.
- To achieve higher export credit disbursement, a new scheme, NIRVIK is being launched to support mainly small exporters.



### Fiscal Management:

 To transfer to the GST Compensation Fund balances due out of collection of the years 2016-17 and 2017-18, in two instalments. Hereinafter, transfers to the fund would be limited only to collection by way of GST compensation cess. The Revised Estimates of Expenditure for the Financial Year 2019-20 are at a level of Rs. 26.99 lakh Crore and the receipts are estimated at Rs. 19.32 lakh crore.







- Receipts for the year 2020-21 are estimated at Rs. 22.46 lakh Cr and, keeping in mind commitment of the Government towards various schemes and need for improvement in quality of life, level of expenditure has been kept at Rs 30.42 lakh cr.
- A good part of the borrowings for the financial year 2020-21 would go towards Capital expenditure of the Government that has been scaled up by more than 21%.

# Agriculture, Irrigation and Rural Development:

- More than Rs. 2.83 lakh crore would be spent on Agriculture, Rural Development, Irrigation and allied activities. Reiterating the commitment of doubling farmers' income by 2022. She said, Government has already provided resilience for Rs. 6.11 crore farmers insured under PM Fasal Bima Yojana. Agriculture credit target for the year 2020-21 has be set at Rs. 15 lakh crore. All eligible beneficiaries of PM-KISAN will be covered under the KCC scheme.
- Proposal to expand PM-KUSUM to provide 20 lakh farmers for setting up stand-alone solar pumps and for another 15 lakh farmers to solarise their grid-connected pump sets, setting up of efficient warehouses at the block/taluk level.
  - Raising of fish production to 200 lakh tonnes is proposed by 2022-23. Youth to be involved in fishery extension through 3,477 Sagar Mitras and 500 Fish Farmer Producer Organisations. Fishery exports hoped to be raised to Rs 1 lakh crore by 2024-25. **Deen Dayal Antyodaya Yojana** for alleviation of poverty, half a crore households are mobilized with 58 lakh SHGs and it will be further expanded



## Environment and Climate Change:

 On Environment, States that are formulating and implementing plans for ensuring cleaner air in cities above one million to be encouraged. Parameters for the incentives to be notified by the Ministry of Environment, Forests and Climate change and the allocation for this purpose is Rs. 4,400 crore for 2020-21.





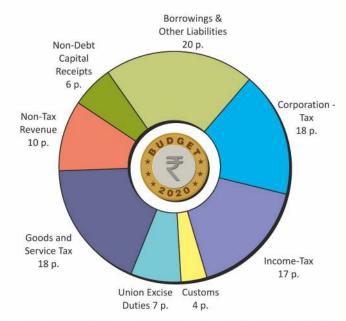


# BUDGET AT A GLANCE 2020-2021

- Budget at a Glance presents broad aggregates of the Budget in a reader-friendly document. This document shows receipts and expenditure as well as the Fiscal Deficit (FD), Revenue Deficit (RD), Effective Revenue Deficit (ERD), and the Primary Deficit (PD). of the Government of India. Besides, it presents a pictorial account of sources of receipts, their application, the details of debt and deficit indicators, sources of deficit financing and trends and composition of important budgetary variables through charts and graphs.
- 2. Fiscal Deficit is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. FD is reflective of the total borrowing requirements of Government. Revenue Deficit refers to the excess of revenue expenditure over revenue receipts. Effective Revenue Deficit is the difference between Revenue Deficit and Grants

- for Creation of Capital Assets. Primary Deficit is measured as Fiscal Deficit less interest payments.
- 3. Budget 2020-21 reflects the Government's firm commitment to substantially boost investment in Agriculture, Social Sector, Education and Health. This is substantiated by increase in expenditure of Rs. 3,43,678 crores over RE (2019-20) while keeping the fiscal deficit at 3.8% of GDP.
- In RE 2019-20, the total expenditure has been kept at Rs. 26,98,552 crore and is more than Provisional Actual (2018-19) by Rs. 3,83,439 crore.
- The total resources going to States including the devolution of State's share in taxes, Grants/Loans, and releases under Centrally Sponsored Schemes in BE (2020-21) is Rs. 13,90,666 crore, with an increase of Rs. 2,02,705 crore over RE (2019-20).
- 6. Actuals for 2018-19 are provisional.

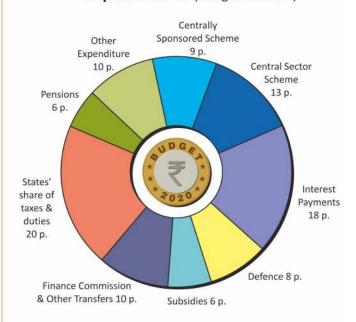
#### Rupee Comes From (Budget 2020-21)



Notes: 1. Total receipts are inclusive of States' share of taxes and duties which have been netted in the table on page 00.

2. Figures have been rounded.

#### Rupee Goes To (Budget 2020-21)



Notes: 1. Total expenditure is inclusive of the States' share of taxes and duties which have been netted against receipts in the table on page 00.

2. Figures have been rounded.



# ...Budget at a Glance 2020-2021

| 1 | In | cro | re | of | RII | ne | Pes) |
|---|----|-----|----|----|-----|----|------|
| ١ |    | CIO |    | 01 | 114 |    | )    |

|     | (In crore of Rupe                             |                      |                                  |                                   |                                  |
|-----|---|----------------------|----------------------------------|-----------------------------------|----------------------------------|
|     | Particulars                                   | 2018-2019<br>Actuals | 2019-2020<br>Budget<br>Estimates | 2019-2020<br>Revised<br>Estimates | 2020-2021<br>Budget<br>Estimates |
| 1.  | Revenue Receipts                              | 1552916              | 1962761                          | 1850101                           | 2020926                          |
| 2.  | Tax Revenue (Net to Centre)                   | 1317211              | 1649582                          | 1504587                           | 1635909                          |
| 3.  | Non Tax Revenue                               | 235705               | 313179                           | 345514                            | 385017                           |
| 4.  | Capital Receipts 1                            | 762197               | 823588                           | 848451                            | 1021304                          |
| 5.  | Recovery of Loans                             | 18052                | 14828                            | 16605                             | 14967                            |
| 6.  | Other Receipts                                | 94727                | 105000                           | 65000                             | 210000                           |
| 7.  | Borrowings and Other Liabilities <sup>1</sup> | 649418               | 703760                           | 766846                            | 796337                           |
| 8.  | Total Receipts (1+4)                          | 2315113              | 2786349                          | 2698552                           | 3042230                          |
| 9.  | Total Expenditure (10+13)                     | 2315113              | 2786349                          | 2698552                           | 3042230                          |
| 10. | On Revenue Account of which                   | 2007399              | 2447780                          | 2349645                           | 2630145                          |
| 11. | Interest Payments                             | 582648               | 660471                           | 625105                            | 708203                           |
| 12. | Grants in Aid for creation of capital assests | 191781               | 207333                           | 191737                            | 206500                           |
| 13. | On Capital Account                            | 307714               | 338569                           | 348907                            | 412085                           |
| 14. | Revenue Deficit (10-1)                        | 454483               | 485019                           | 499544                            | 609219                           |
|     |   | (2.4)                | (2.3)                            | (2.4)                             | (2.7)                            |
| 15. | Effective Revenue Deficit (14-12)             | 262702               | 277686                           | 307807                            | 402719                           |
|     |   | (1.4)                | (1.3)                            | (1.5)                             | (1.8)                            |
| 16. | Fiscal Deficit [9-(1+5+6)]                    | 649418               | 703760                           | 766846                            | 796337                           |
|     |   | (3.4)                | (3.3)                            | (3.8)                             | (3.5)                            |
| 17. | Primary Deficit (16-11)                       | 66770                | 43289                            | 141741                            | 88134                            |
|     |   | (0.4)                | (0.2)                            | (0.7)                             | (0.4)                            |

<sup>1.</sup> Excluding receipts under Market Stabilisation Scheme

Notes: (i) GDP for BE 2020-2021 has been projected at Rs. 22489420 crore assuming 10.0% growth over the estimated GDP of Rs. 20442233 crore for 2019-2020 (RE).

<sup>(</sup>iii) Figures in parenthesis are as a percentage of GDP



<sup>2.</sup> Includes drawdown of cash Balance

<sup>(</sup>ii) Individual items in this document may not sum up to the totals due to rounding off



| NOTE | S |
|------|---|
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |
|      |   |



## Head Office:

12, Engineer Building, 265 Princess Street, Mumbai - 400 002 Tel.: +91-22-2203 6623, 2206 5739

Fax: +91-22-2208 6269 E-mail: info@sljainindia.com Web: sljainindia.com

# Branch Office:

2nd Floor, Boraj Arcade, Opp. Hanuman Mandir, G. S. Road, Ulubari,

Guwahati - 781 007. ASSAM. INDIA

Tel.: +91-361-2460472