

The rates of personal income tax for Assessment year 2020-2021 are as follows:

Income Slab	Tax rate
Upto Rs. 2,50,000	Nil.
Rs. 2,50,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs 10,00,000	30%

Surcharge @ 10% on Income tax (if taxable income is between 50 Lakhs to 1 Crore)#

Surcharge @ 15% on Income tax (if taxable income is between 1 Crore to 2 Crores)#

Surcharge @ 25% on Income tax (if taxable income excluding income u/s 111A and 112A is between 2 Crores to 5 Crores)#

Surcharge @ 37% on Income tax (if taxable income excluding income u/s 111A and 112A is more than 5 Crores)#

Surcharge @ 15% on Income tax (if taxable income including income u/s 111A and 112A is more than 2 Crores)#, if it not covered in above points.

"Health and education cess on income tax" @ 4%

#Subject to marginal relief

Insertion of New section 115BAC – New Personal Tax Regime:

 w.e.f AY 2021-22, An Individual or HUF have an option to pay tax in respect of the total income at following rates:

Income Slab	Tax rate
Upto Rs. 2,50,000	Nil.
Rs. 2,50,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 7,50,000	10%
From 7,50,001 to 10,00,000	15%
From 10,00,001 to 12,50,000	20%
From 12,50,001 to 15,00,000	25%
Above 15,00,000	30%

- No Business Income Option shall be exercised for every previous year
- Other Cases Option once exercised for a previous year shall be valid for that previous year and all subsequent years. Once exercised, option may withdrawn ONLY ONCE.

Conditions for opting new regime in Sec115BAC are as follows:

- No exemptions or deductions under the provisions of section 10(5), 10(13A), 10(14), 10(17), 10(32), 10AA, 16, 24(b), 32(1)(iia), 32AD, 33AB, 33ABA, 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(2AA), 35AD, 35CCC, 57(iia) or under any provisions of Chapter VI-A other than 80CCD(2), 80JJAA.
- No Setoff of any losses such as carried forward or depreciation from any earlier Assessment years which is relating to deductions covered in earlier point
- No setoff of losses from House property against any other head.
- No exemptions or deductions are available for allowances or perquisites provided under any other law for the time being in force
- It is also proposed to amend section 115JC of the Act so as to provide that the provisions relating to AMT shall not apply to such individual or HUF having business income.

Tax rates for domestic company

Income Slab	Tax rate
Total Income upto 1 Crore	Tax rate as applicable^+ Nil Surcharge
Rs 1,00,00,001/- upto Rs 10,00,00,000/-	Tax rate as applicable^+ 7% surcharge *
Above Rs 10,00,00,000/-	Tax rate as applicable^+ 12% surcharge **

Domestic companies also have an option to opt for taxation under section 115BAA or section 115BAB of the Act on fulfilment of conditions contained therein. The tax rate is 15 % in section 115BAB and 22 % in section 115BAA with Surcharge @ 10 % in both the cases.

[^] Proposed Tax Rate for Companies with turnover/ gross receipts of FY 2018-19 is less than or equal to <u>Rs.400 Crores</u> is 25%. For other Companies the tax rate is 30%.

^{*} For companies other than domestic companies it is 2%.

^{**} For companies other than domestic companies it is 5%.

Insertion of New section 115BAA by the Taxation Laws (Amendment) Act, 2019

- A domestic company shall at its option, pay tax at a lower rate of 22 per cent for any previous year relevant to the Assessment Year beginning on or after 1st April 2020, subject to certain conditions
- the option is required to be exercised by the company before the due date of furnishing return of income: and
- the option once exercised cannot be subsequently withdrawn and shall apply to all subsequent assessment years.
- Under this optional scheme, the total income of the company shall be computed as follows:
 - i. No exemptions or deductions under the provisions of section 10AA,32(1)(iia),32AD, 33AB, 33ABA, 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(2AA), 35(2AB), 35AD, 35CCC, 35CCD or under any provisions of Chapter VI-A under the heading "C.—Deductions in respect of certain incomes" other than the provisions of section 80JJAA;
 - ii. No set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions covered in earlier point
 - iii. No set off of any loss or allowance for unabsorbed depreciation u/s. 72A, if such loss or depreciation is attributable to any of the deductions covered in earlier point and
 - iv. Can claim depreciation u/s. 32, except u/s. 32(1)(iia).
- Such companies will not be required to pay minimum alternate tax (MAT) under section 115JB of the act.

W.E.F AY 2021-22 and subsequent AY's

Insertion of New section 115BAB by the Taxation Laws (Amendment) Act, 2019

- A domestic company shall at its option, pay tax at a lower rate of 15 % on or after 1st April 2020, subject to certain conditions.
- the option is required to be exercised by the company before the due date of furnishing return of income: and
- the option once exercised cannot be subsequently withdrawn and shall apply to all subsequent assessment years.
- Under this optional scheme, the following conditions shall apply:

Insertion of New section 115BAB by the Taxation Laws (Amendment) Act, 2019

- (a) the company has been set-up and registered on or after the 1st day of October, 2019, and has commenced manufacturing or production of an article or thing on or before the 31st day of March, 2023
- (b) the company is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it.
- (c) the total income of the company shall be computed similar to section 115BAA:

W.E.F AY 2021-22 and subsequent AY's

Incentives to resident co-operative societies.(Insertion of new section 115BAD)

- It is proposed to insert a new section 115BAD. As per the said Section, a co-operative society which is resident in India shall have the option to pay tax at 22 percent with a surcharge of 10% w.e.f AY 2021-22
- Conditions for concessional rate shall be that the total income of the co-operative society is computed
 - Without any exemptions or deductions under the provisions of 10AA, 32(1)(iia), 32AD, 33AB, 33ABA, 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(2AA), 35AD, 35CCC, under any provisions of Chapter VI-A
 - With no setoff of any loss carried forward or depreciation relating to income covered in above point
 - Only Depreciation u/s 32 except 32(1)(iia) is allowed
- Alternate Minimum Tax (AMT) and set off AMT credit shall not apply to such co-operative society.
- The option so exercised once cannot be withdrawn later;

W.E.F AY 2021-22 and subsequent AY's

Modification of concessional tax schemes for domestic companies under section 115BAA and 115BAB

Existing:

 domestic companies may opt to pay tax u/s 115BAA or u/s 115BAB, provided that they do not avail specified deductions and incentives. Some of the deductions prohibited are deductions under any provisions of Chapter VI-A under the heading "C. Deduction in respect of certain incomes" other than the provisions of section 80JJAA.

Proposed:

 It is now proposed to amend the provisions of section 115BAA and section 115BAB to not allow deduction under any provisions of Chapter VI-A other than section 80JJAA or section 80M, in case of domestic companies opting for taxation under these sections.

W.E.F AY 2020-21 and subsequent AY's

RATIONALIZATION OF PROVISIONS OF START-UPS. (SECTION 80-IAC)

- CLAUSE 36

Existing

 Deduction of 100% of the profits or gains derived from an eligible business and eligible start up for 3 consecutive AYs out of 7 years, subject to condition that the eligible start-up is incorporated on or after 1st April, 2016 but before 1st April, 2021 and the total turnover of its business does not exceed 25 crore rupees.

Proposed

- The deduction is available to an eligible start-up for a period of 3 consecutive AYs out of 10 years beginning from the year in which it is incorporated.
- The deduction is available to an eligible start-up, if the total turnover of its business does not
 exceed 100 Crore rupees in any of the previous years beginning from the year in which it is
 incorporated.

• w.e.f 1st April, 2021 will accordingly apply in relation to the AY 2021-22 and subsequent AYs.

EXTENDING TIME LIMIT FOR APPROVAL OF AFFORDABLE HOUSING PROJECT - SECTION 80-IBA OF THE ACT.

- CLAUSE 38

Existing

- Currently section 80-IBA provides that where the Gross Total Income of an assessee includes any profits and
 gains derived from the business of developing and building affordable housing projects, there shall, subject to
 certain conditions specified therein be allowed a deduction of an amount equal to 100% of profits or gains
 derived from such business.
- The conditions prescribes that the project is to be approved by the competent authority during the period from 1st June, 2016 to 31st March, 2020.

Proposed

The period of approval of the project by the competent authority is proposed to be extended till 31st
 March, 2021

w.e.f 1st April, 2021 will accordingly apply in relation to the AY 2021-22 and subsequent assessment years.

EXTENDING TIME LIMIT FOR SANCTIONING OF LOAN FOR AFFORDABLE HOUSING - SECTION 80EEA OF THE ACT.

- CLAUSE 32

Existing

- The existing provisions of the Act provides for deduction in respect of interest of loan taken from any financial institution for acquisition of an affordable residential house property. The deduction allowed is up to Rs.1.5 Lakhs and is subject to certain conditions.
- One of the conditions is that loan has been sanctioned by the financial institution during the period from 1st April, 2019 to 31st March, 2020.

Proposed

- The period of sanctioning of loan by the financial institution is proposed to be extended upto
 31st March, 2021.
- w.e.f 1st April, 2021 will accordingly apply in relation to the AY 2021-22 and subsequent assessment years.

MODIFICATION IN CONDITIONS FOR OFFSHORE FUNDS' EXEMPTION FROM "BUSINESS CONNECTION". (SECTION 9A) - CLAUSE 6

Existing

- Section 9A of the Act provides for a special regime in respect of offshore funds by providing them exemption from creating a "business connection" in India on fulfilment of certain conditions.
- One of the conditions provided requires that the aggregate participation or investment in the fund, directly or indirectly, by persons resident in India does not exceed five per cent of the corpus of the fund.
- One other condition provided under clause (j) of said sub-section (3) requires that the monthly average of the corpus of the fund shall not be less than one hundred crore rupees except where the fund has been established or incorporated in the previous year in which case, the corpus of fund shall not be less than one hundred crore rupees at the end of a period of six months from the last day of the month of its establishment or incorporation, or at the end of such previous year, whichever is later. This condition does not apply in a case where the fund has been wound up.

MODIFICATION IN CONDITIONS FOR OFFSHORE FUNDS' EXEMPTION FROM "BUSINESS CONNECTION". (SECTION 9A) - CLAUSE 6

Proposed

- It proposed that for the purpose of calculation of the aggregate participation or investment in the fund, directly or indirectly, by Indian resident, contribution of the eligible fund manager during first three years up to twenty-five crore rupees shall not be accounted for and
- If the fund has been established or incorporated in the previous year, the condition of monthly average of the corpus of the fund to be at one hundred crore rupees shall be fulfilled within twelve months from the last day of the month of its establishment or incorporation.

w.e.f 1st April, 2020 and will, accordingly, apply in relation to the AY 2020-21 and subsequent assessment years.

AMENDMENT OF SECTION 115BAB OF THE ACT - GENERATION OF ELECTRICITY AS MANUFACTURING. - CLAUSE 52

Existing

- It provided that new manufacturing domestic companies set up on or after 1st October, 2019, which commence manufacturing or production by 31st March, 2023 and not availing any specified incentives or deductions may opt to pay tax at a a rate of 15%.
- It further provides that for the purpose of business engaged in development of computer software, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of cinematography film or any other business as maybe notified by the CG will not be considered as manufacturing or production.

Proposed

 The benefit of concessional rate under this section of the Act may to be extended to business of generation of electricity.

w.e.f 1st April, 2020 and will accordingly apply in relation to the AY 2020-21 and subsequent years.

AMENDMENT OF SECTION 194LC - TO EXTEND THE PERIOD OF CONCESSIONAL RATE OF WITHHOLDING TAX. - CLAUSE 82

Existing

- It provides that TDS of 5% by a specified company or a business trust on interest paid to non-residents on the specific borrowings made in foreign currency from sources outside India.
- The rate of 5% is also applicable in respect of monies borrowed by a specific company or business trust form a source outside India by way of issue of Rupee denominated Bond("RDB") before 1st July, 2020.

Proposed

- It proposed to extend the period of said concessional rate of TDS from 1st July, 2020 to 1st July, 2023.
- It also proposed to reduce the rate of TDS from (5%) to (4%) on the interest payable to a non-resident in respect of monies borrowed in foreign currency from a source outside India by way of issue of any long term bond or RDB on or after 1st April, 2020 but before 1st July, 2023 and which is listed only on a recognized stock exchange located in any IFSC.

AMENDMENT OF SECTION 194LD - TO EXTEND THE PERIOD OF CONCESSIONAL RATE OF WITHHOLDING TAX - CLAUSE 83

Existing

- It provides that 5% of TDS should be deducted in case of interest payments to FII and QFIs on their investment in Government securities and RDB of an Indian company.
- It further provides that the interest should be payable at any time on or after 1st June, 2013 but before 1st July, 2020.

Proposed

- It is proposed to extend the period from existing 1st July, 2020 to 1st July, 2023.
- It further provided that the concessional rate of TDS of 5% shall also apply on the interest payable to a FII or QFI in respect of the investment made in municipal debt security.

w.e.f 1st April, 2020

EXCLUDING INTEREST PAID OR PAYABLE TO PERMANENT ESTABLISHMENT OF A NON-RESIDENT BANK - SECTION 94B. [CLAUSE 46]

Existing:

• Under Sec. 94B, where an Indian company, or a permanent establishment of a foreign company in India, being the borrower, incurs any expenditure by way of interest or of similar nature exceeding Rs. 1Crore which is deductible in computing income chargeable under the head "PGBP" in respect of any debt issued by a non-resident, being an associated enterprise of such borrower, the interest shall not be deductible in computation of income under the said head to the extent that it arises from excess interest,

Proposed:

• It is now proposed to amend section 94B of the Act so as to provide that 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.

INCREASE IN SAFE HARBOUR LIWIT OF 5 PERCENT UNDER SECTION 43CA, 50C AND 56 OF THE ACT TO 10 PERCENT. [CLAUSE 22, 27, 29]

Existing:

- •For the purpose of sections 43CA, 50C and 56, where the consideration declared to be received or accruing as a result of the transfer of land or building or both, is less than the value adopted or assessed or assessable by any authority of a State Government (i.e. "stamp valuation authority") for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable shall for the purpose of computing profits and gains from transfer of such assets, be deemed to be the full value of consideration.
- •Current provisions also provides that in cases where the variation between sale consideration and stamp duty value is **less than or equal to 5%** the actual sale consideration can be deemed to be the full value of the consideration.

Proposed:

Now it is proposed to increase the above said acceptable variance percentage from 5% to 10%.

w.e.f. 1st April, 2021

PROVIDING AN OPTION TO THE ASSESSEE FOR NOT AVAILING DEDUCTION UNDER SECTION 35AD. [CLAUSE 18]

Existing:

- Section 35AD of the Act, relating to deduction in respect of expenditure on specified business, provides for 100 per cent. deduction on capital expenditure incurred by the assessee on certain specified businesses.
- Under the current Sec 35AD as per subsection (1) it is mandatory to avail the benefit of the section if the business of the Assessee is an eligible business as specified under this section.
- Further as per subsection (4), the expenditure relating to sub-section (1) shall not be allowed under any other section in any previous year.

Proposed:

Now it is proposed to amend subsection (1) to make the deduction optional and further proposed to amend subsection (4) to keep it in line with subsection (1) so that the Assessee will be restricted to claim expenditure as specified in subsec (1) only if the Assessee opt to claim deduction under the section 35AD of the Act.

w.e.f. 1st April, 2021

EXEMPTING NON-RESIDENT FROM FILING OF INCOME-TAX RETURN IN CERTAIN CONDITIONS. [CLAUSE 47]

• Existing:

Section 115A of the Act provides for the determination of tax for a non-resident whose total income consists of:

- (a) certain dividend or interest income;
- (b) royalty or fees for technical services (FTS) received from the Government or Indian concern.

Further as per Sec.115A(5) Non resident need not to file its income tax return in India if its total income consists of only dividend or interest income provided TDS on such income has been deducted appropriately.

Proposed:

- Now it is proposed to extend the benefit of "Non filing of Income Tax Return" as specified in Sec.115A(5) to Non-resident whose total income consists of only royalty or FTS provided TDS on such income has been deducted appropriately.
- Therefore it is now proposed that in cases where non residents having total income consists of income specified in either (a) or (b) of section 115A and TDS on such income has been deducted then no income tax return need to be filed in India.

DEFERRING TDS OR TAX PAYMENT IN RESPECT OF INCOME PERTAINING TO EMPLOYEE STOCK OPTION PLAN (ESOP) OF START- UPS. [CLAUSE 68, 71, 72 & 73]

• Existing:

Currently ESOPs are taxed as perquisites under section 17(2) of the Act read with Rule 3(8)(iii) of the Income Tax Rules. The taxation of ESOPs is split into two components:

- i. Tax on perquisite as income from salary at the time of exercising the options.
 - usually employer deduct tax in the year of exercising the options.
- ii. Tax on income from capital gain at the time of sale.
 - employee after exercising the options may sell those shares and thereby earns capital gains and pays tax while filing the Income Tax return.

• Proposed:

An employer, being an eligible start-up referred to in section 80-IAC, which is responsible for issuing ESOPS to their employees (being perquisite in nature) shall deduct or pay, as the case may be, tax on such income within **fourteen days**—

- (i) after the expiry of 48 months from the end of the relevant assessment year; or
- (ii) from the date of the sale of such specified security or sweat equity share by the assessee; or
- (iii) from the date of which the assessee ceases to be the employee of the person;

whichever is the earliest on the basis of rates in force of the financial year in which the specified shares are allotted to the employee

ALLOWING CARRY FORWARD OF LOSSES OR DEPRECIATION IN CERTAIN AWALGAMATIONS. [CLAUSE 31]

• Existing:

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.

Proposed:

Extend the benefit of this section to amalgamation of-

- i. one or more corresponding new bank or banks with any other corresponding new bank under a specified scheme, or
- ii. One or more Government company or companies with any other Government company under a specified scheme.

w.e.f. 1st April, 2021

MODIFICATION OF THE DEFINITION OF "BUSINESS TRUST" [CLAUSE 62]

• Existing:

Section 115UA of the Act provides for a taxation regime applicable to business trusts. The income by way of interest and rent, received by the business trust from a Special Purpose Vehicle (SPV) is not taxed in the hands of the trust.

Proposed:

It is proposed to amend clause (13A) of section 2 of the Act to modify the definition of "business trust" so as to do away with the requirement of the units of business trust to be listed on a recognised stock exchange.

w.e.f. 1st April, 2021

AMENDMENT FOR PROVIDING ATTRIBUTION OF PROFIT TO PERMANENT ESTABLISHMENT IN SAFE HARBOUR RULES UNDER SECTION 92CB AND IN ADVANCE PRICING AGREEMENT UNDER SECTION 92CC [CLAUSE 43 & 44]

Existing:

- •Section 92CB empowers the Central Board of Direct Taxes (Board) for making safe harbour rules (SHR) to which the determination of the arm's length price (ALP) under section 92C or section 92CA of the Act shall be subject to.
- •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 to be entered into by that person.

Proposed:

Now it is proposed to amend above sections 92CB and 92CC to cover determination of attribution to PE.

w.e.f. 1st April, 2021

ALLOWING DEDUCTION FOR AMOUNT DISALLOWED UNDER SECTION 43B, TO INSURANCE COMPANIES ON PAYMENT BASIS. [CLAUSE 104]

• Existing:

There is no specific provision, in the case of other insurance companies, to allow deduction for any payment of certain expenses specified in section 43B if they are paid in subsequent previous year.

Therefore in the current scenerio there is a possibility that such sum may not be allowed as deduction in the previous year in which the payment is made.

Proposed:

Now it is proposed to insert a proviso after clause (c) of the said rule 5 to provide that any sum payable by the assessee which is added back under section 43B in accordance with clause (a) of the said rule shall be allowed as deduction in computing the income under the rule in the previous year in which such sum is actually paid.

w.e.f. 1st April, 2020 and apply from AY 2020-21

REDUCING THE RATE OF TDS ON FEES FOR TECHNICAL SERVICES (OTHER THAN PROFESSIONAL SERVICES). [CLAUSE 79]

• Existing:

Section 194J of the Act provides that any person, not being an individual or a HUF, who is responsible for paying to a resident any sum by way of fees for professional services, or fees for technical services, or any remuneration or fees or commission by whatever name called (other than those on which tax is deductible under section 192 of the Act, to a director), or royalty or any sum referred to in clause (va) of section 28, shall, at the time of payment or credit of such sum to the account of the payee, deduct an amount equal to ten per cent as income-tax.

Proposed:

Now it is proposed to reduce rate for TDS in section 194J in case of fees for technical services (other than professional services) to two per cent from existing ten per cent. The TDS rate in other cases under section 194J would remain same at ten per cent.

w.e.f. 1st April, 2020

TAX DEDUCTION ON INTEREST INCOME UNDER SECTION 194A OF THE INCOME TAX ACT, 1961 [CLAUSE 75]

Existing

- Section 194A of the Act governs interest other than interest on securities. Any income by way of interest other than income by way of interest of securities, shall deduct income-tax at the rates in force.
- Any person not being individual or HUF who is responsible for paying to a resident any income by way of
 interest other than income by way of interest on securities, is not liable to deduct income-tax

• Proposed:

A Co-operative society referred in clause (v) or (viia) of sub-section (3) of section 194A shall also be liable to deduct tax if:

- (a) the total sales, gross receipts or turnover of the co-operative society exceeds fifty crore rupees during the financial year immediately preceding the financial year in which the interest referred to in sub-section (1) is credited or paid; and
- (b) the amount of interest, or the aggregate of the amount of such interest, credited or paid, or is likely to be credited or paid, during the financial year is more than fifty thousand rupees in case of payee being a senior citizen and forty thousand rupees, in any other case.

TDS ON E-COMMERCE TRANSACTIONS [CLAUSE 84]

Proposed:

A new section 194-O, TDS at the rate of 1% is to be deducted on the gross amount, considering the following points:

- TDS is to be paid by e-commerce operator for sale of goods or provision of service or both to the account of e-commerce participant
- E-commerce operator should deduct the 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 participant
- If the e-commerce participant is an Individual or HUF and if the gross 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 PAN or Aadhaar number to the operator then the sum credited or paid to the e-commerce participant shall not be subjected to this provision.
- With effect from 1st April, 2020

TCS PROVISIONS [CLAUSE 93]

Existing:

Tax is collected at source on of trading in alcohol, liquor, forest produce, scrap etc..

Proposed:

Foreign remittances and tour packages:

In addition to the existing provision, it is proposed to levy TCS on overseas remittance and for sale of overseas tour package, as under:

- Aggregate amount received is Rs. 7,00,000 or more in a FY for remittance out of India under the LRS of RBI, TCS at the rate of 5% and 10 % for non PAN/Aadhaar cases.
- Seller of an overseas tour program package shall be liable to collect TCS at the rate of 5 % and 10 % for non PAN/Aadhaar cases.

TCS on Sale of Goods above specified limit:

- Seller of goods is liable to collect TCS at the rate of 0.1 per cent, if the consideration is more than fifty lakh rupees and
- The total sales/ Gross Receipts/ Turnover from the business carried on by the seller exceeds ten crore rupees during the FY immediately preceding the FY.
- With effect from 1st April, 2020

TAX TREATMENT OF EMPLOYER'S CONTRIBUTION TO PF, NPS [CLAUSE 13]

Existing Provisions

- Under the existing provisions of the Act, the contribution by the employer to the account of an employee in a recognized provident fund exceeding twelve per cent. of salary is taxable.
- Further, the amount of any contribution to an approved superannuation fund by the employer exceeding one lakh fifty thousand rupees is treated as perquisite in the hands of the employee.
- Similarly, the assessee is allowed a deduction under National Pension Scheme (NPS) for the fourteen per cent of the salary contributed by the Central Government and ten per cent. of the salary contributed by any other employer
- However, there is no combined upper limit for the purpose of deduction on the amount of contribution made by the employer.

TAX TREATMENT OF EMPLOYER'S CONTRIBUTION TO PF, NPS [CLAUSE 13]

Proposed Amendment

- It is proposed to provide a combined upper limit of seven lakh and fifty thousand rupee in respect of employer's contribution in a year to NPS, superannuation fund and recognized provident fund and any excess contribution is proposed to be taxable.
- Consequently, it is also proposed that any annual accretion by way of interest, dividend or any other
 amount of similar nature during the previous year to the balance at the credit of the fund or scheme
 may be treated as perquisite to the extent it relates to the employer's contribution which is included in
 total income.
- With effect from 1st April, 2021

COMMODITY TRANSACTION TAX (CTT) [CLAUSE 147]

• Proposed:

- Sale of a commodity derivative based on prices or indices of prices of commodity derivatives at the rate
 of 0.01 percent payable by the seller, which is the same rate at which CTT is currently charged on a
 transaction of sale of a commodity derivative;
- Sale of an option in goods, where option is exercised resulting in actual delivery of goods at the rate of
 0.0001 percent payable by purchaser;
- 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 per cent payable by purchaser, which is also the rate at which securities transaction tax is levied on a transaction of sale of an option in securities, where the option is exercised.
- With effect from 1st April, 2020

MODIFICATION OF E ASSESSMENT SCHEME [CLAUSE 69]

Existing

• E-assessment Scheme, 2019 was notified under sub-section (3A) of Section 143 of the Act.

Proposed

- To amend sub-section (3A) of section 143 of the Act to,-
- (i) expand the scope so as to include the reference of section 144 of the Act relating to Best Judgment assessment in the said sub-section;
- (ii) provide that Central Government may issue any direction under sub-section (3B) of the said section upto31st March, 2022.
- w.e.f. 1st April, 2020

AMENDMENT IN DISPUTE RESOLUTION PANEL (DRP). [CLAUSE 70]

Existing

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 section 92CA (3)of the Act, AO is required to forward a draft assessment order to the eligible assessee, if he proposes to make any variation in the <u>income or loss returned</u> which is prejudicial to the interest of such assessee. Such eligible assessee with respect to such variation may file his objection to the DRP.

Proposed

- To amend section 144C of the act
- (A) include cases, where the AO proposes to make any variation which is prejudicial to the interest of the assesse Words "income or loss returned" omitted.
- (B) expand the scope of the said section by defining eligible assessee as a non-resident not being a company, or a foreign company.
- w.e.f. 1st April, 2020

PROVISION FOR E APPEAL [CLAUSE 95]

Proposed

- To insert sub-section (6A) in section 250 of the Act to provide for introducing an appellate system with dynamic jurisdiction in which appeal shall be disposed of by one or more Commissioner (Appeals).
- Directions are to be issued on or before 31st March 2022.

• w.e.f. 1st April, 2020

PROVIDING CHECK ON SURVEY OPERATIONS UNDER SECTION 133A OF THE ACT [CLAUSE 65]

Existing

• Section 133(6) of the act 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 may be.

Proposed

- To amend section 133A(6) to provide that,-
- (A) in a case where the information has been received from the prescribed authority, no incometax 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.

w.e.f. 1st April, 2020

CLARITY ON STAY BY THE INCOME TAX APPELLATE TRIBUNAL (ITAT) [CLAUSE 97]

Existing

- First proviso to section 254(2A) of the Act, *inter-alia*, *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 CIT (Appeal).
- Second proviso to section 254(2A) of the Act, 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 originally allowed and the period so extended shall not, in any case, exceed 365 days.
- Third proviso to section 254(2A) of the Act, provides that if such appeal is not so disposed of within the period allowed under the first proviso or the period or periods extended or allowed under the second proviso, which shall not, in any case, exceed 365 days, the order of stay shall stand vacated after the expiry of such period or periods, even if the delay in disposing of the appeal is not attributable to the assessee.

CLARITY ON STAY BY THE INCOME TAX APPELLATE TRIBUNAL (ITAT) [CLAUSE 97]

Proposed amendment

- To amend first proviso of section 254(2A) of the Act, provides that ITAT may grant stay subject to the condition that the assessee deposits not less than twenty per cent of the amount of tax or furnish security of equal amount in respect thereof.
- To amend second proviso of section 254(2A) of the Act, to provide that no extension of stay shall be granted by ITAT, where such appeal is not so disposed of within the said period of stay as specified in the order of stay. However, on an application made by the assessee, a further stay can be granted, if the delay in not disposing of the appeal is not attributable to the assessee and the assessee has deposited not less than twenty per cent of the amount of tax or furnish security of equal amount in respect thereof.
- The total stay granted by ITAT cannot exceed 365 days.
- w.e.f. 1st April, 2020

PROVISION FOR E PENALTY [CLAUSE 100]

Existing

Section 274 of the Act provides for the procedure for imposing penalty under Chapter XXI of the Act.

Proposed

 To insert new sub-section (2A) in the section 274 so as to provide that the Central Government may notify an e-scheme for the purposes of imposing penalty

w.e.f. 1st April, 2020

TAXPAYER'S CHARTER [CLAUSE 64]

Proposed

• It is proposed to insert a new section 119A in the Act to empower the Board to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of Charter.

• w.e.f. 1st April, 2020

MODIFICATION OF RESIDENCY PROVISIONS [CLAUSE 4]

Existing

- As per clause (b) of Explanation 1 of sub-section (1) to section 6 of the Act, an Indian citizen or a person of Indian origin shall be Indian resident only if he is in India for 182 days instead of 60 days in that year.
- As per section 6(6) of the Act, a person being an Individual or HUF is said to be "not ordinarily resident" if individual /the manager of such HUF is a non-resident in 9 out of the 10 previous years preceding that year or stays in India for a period of 729 days or less in 7 previous years preceding that previous year.
- Stateless Individuals Not taxable in any country

MODIFICATION OF RESIDENCY PROVISIONS [CLAUSE 4]

Proposed

- (i) the exception provided in clause (b) of Explanation 1 of sub-section (1) to section 6 for visiting India in that year be decreased to 120 days from existing 182 days Person of Indian Citizen to become Resident upon stay in India for 120 days or more.
- (ii) an individual or an HUF shall be said to be "not ordinarily resident" in India in a previous year, if the individual or the manager of the HUF has been a non-resident in India in seven out of ten previous years preceding that year. This new condition to replace the existing conditions in clauses (a) and (b) of sub-section (6) of section 6.
- (iii) an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.

w.e.f. 1st April, 2021

AMENDING DEFINITION OF "WORK" IN SECTION 194C OF THE ACT [CLAUSE 76]

Existing

The definition of "work" u/s. 194C of the Act only included manufacturing/supplying of a product as per customer's specification by using material purchased from such customer.

Proposed

To amend the definition of "work" u/s. 194C to include in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of "work".

The word "associate" seeks to include any person related to the customer as per clause (b) of subsection (2) of section 40A.

w.e.f. 1st April, 2020

PENALTY FOR FAKE INVOICE [CLAUSE 98]

Proposed

- New section 271AAD of 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.

w.e.f. 1st April, 2020

DOUBLE TAXATION AVOIDANCE AGREEMENTS (DTAA) WITH MULTILATERAL INSTRUMENT (MLI) [CLAUSE 41 & 42]

• Existing:

- Section 90 of the Act empowers the Central Government to enter into agreement with foreign countries or specified territories (commonly known as DTAAs) for,-
- (a) granting relief in respect of
 - (i) income on which tax has been paid both, in India and that foreign country or territory, or
 - (ii) income-tax chargeable under the laws of both, India and that foreign country or territory, to promote mutual economic relations, trade and investment.
- (b) avoidance of double taxation of income under the laws of both, India and that foreign country of territory,
- (c) exchange of information for prevention of evasion or avoidance of income-tax chargeable under the laws of both India and that foreign country or territory, or investigation of cases of such evasion or avoidance, or
- (d) recovery of income-tax under the laws of both India and that foreign country or territory.
- Article 6 of MLI provides for modification of the Covered Tax Agreement to include the following preamble text:

"Intending to eliminate double taxation with respect to the taxes covered by this agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of third jurisdictions),"

DOUBLE TAXATION AVOIDANCE AGREEMENTS (DTAA) WITH MULTILATERAL INSTRUMENT (MLI) [CLAUSE 41 & 42]

• Proposed:

- To amend Section 90(1)(b) to provide that the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India for, inter alia, the avoidance of double taxation of income under the Act and under the corresponding law in force in that country or specified territory, as the case may be, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of any other country or territory).
- It is also proposed to make similar amendment in clause (b) of sub-section (1) of section 90A of the Act

DEFERRING SIGNIFICANT ECONOMIC PRESENCE (SEP) PROPOSAL, EXTENDING SOURCE RULE, ALIGNING EXEMPTION FROM TAXABILITY OF FOREIGN PORTFOLIO INVESTORS (FPIS), ON ACCOUNT OF INDIRECT TRANSFER OF ASSETS, WITH AMENDED SCHEME OF SEBI, AND RATIONALISING THE DEFINITION OF ROYALTY [CLAUSE 5 & 103]

• Existing:

- Explanation 2A to Section 9(1)(i) of the Act clarify 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 non-resident 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.

Proposed:

 G20-OECD report is expected by the end of December 2020. It is proposed to defer the applicability of SEP to starting from assessment year 2022-23.

DEFERRING SIGNIFICANT ECONOMIC PRESENCE (SEP) PROPOSAL, EXTENDING SOURCE RULE, ALIGNING EXEMPTION FROM TAXABILITY OF FOREIGN PORTFOLIO INVESTORS (FPIS), ON ACCOUNT OF INDIRECT TRANSFER OF ASSETS, WITH AMENDED SCHEME OF SEBI, AND RATIONALISING THE DEFINITION OF ROYALTY [CLAUSE 5 & 103]

• Existing:

• Further, as per the discussion going on in international forum, countries generally agree that income from advertisement that targets Indian customers or income from sale of data collected from India or income from sale of goods and services using such data collected from India, needs to be accounted for in Indian revenue. Hence, it is proposed to amend the source rule to clarify this position.

• Proposed:

• 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. However, for attribution of income related to SEP transaction or activities the amendment will take effect from 1st April, 2022 and will, accordingly, apply in relation to the assessment year 2022-23 and subsequent assessment years.

DEFERRING SIGNIFICANT ECONOMIC PRESENCE (SEP) PROPOSAL, EXTENDING SOURCE RULE, ALIGNING EXEMPTION FROM TAXABILITY OF FOREIGN PORTFOLIO INVESTORS (FPIS), ON ACCOUNT OF INDIRECT TRANSFER OF ASSETS, WITH AMENDED SCHEME OF SEBI, AND RATIONALISING THE DEFINITION OF ROYALTY [CLAUSE 5 & 103]

• Existing:

• Explanation 2 of said clause defines the term "royalty" to, inter alia, mean the transfer of all or any rights (including the granting of a license) 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 films.

Proposed:

- to amend the definition of royalty so as not to exclude consideration for the sale, distribution or exhibition of cinematographic films.
- To amend section 295 of the Act so as to empower the Board for making rules to provide for the manner in which and the procedure by which the income shall be arrived at in the case of,-
- (i) operations carried out in India by a non-resident; and
- (ii) transaction or activities of a non-resident.
- With effect from 1st April, 2021

DIVIDEND DISTRIBUTION TAX (DDT) AND MOVING TO CLASSICAL SYSTEM OF TAXING DIVIDEND IN THE HANDS OF SHAREHOLDERS/UNIT HOLDERS [CLAUSE 7,30,40,47,48,49,50,54,55,59,60,62,74,80,81,85,86,87 & 88]

• Existing:

Section 115-O provides that, in addition to the income-tax chargeable in respect of the total income of a
domestic company, any amount declared, distributed or paid by way of dividends shall be charged to
additional income-tax at the rate of 15 per cent. The tax so paid by the company (called DDT) is treated
as the final payment of tax in respect of the amount declared, distributed or paid by way of dividend.

• Proposed:

- Dividend or income from units are taxable in the hands of shareholders or unit holders at the
 applicable rate and the domestic company or specified company or mutual funds are not required to
 pay any DDT. It is also proposed to provide that the deduction for expense under section 57 of the Act
 shall be maximum 20 per cent of the dividend or income from units.
- TDS to be deducted on the dividend paid at the rate of 10 percent.
- Appropriate amendments made in the relevant sections.
- With effective from 01st April 2021

SECTION 55 OF THE ACT TO COMPUTE COST OF ACQUISITION [CLAUSE 28]

• Existing:

• Section 55 of the act provides that for computing capital gains in respect of an asset acquired before 1st April, 2001, the assessee has been allowed an option of either to take the fair market value of the asset as on 1st April, 2001 or the actual cost of the asset as cost of acquisition

• Proposed:

- To insert a proviso below sub-clause (ii) of clause (b) of Explanation under clause (ac) of sub-section (2) of the said section to provide 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.
- To insert an Explanation so as to provide that for the purposes of sub-clause (i) and (ii), "stamp duty value" shall mean the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property

AMENDMENT OF SUB-SECTION (7) OF SECTION 11 TO ALLOW ENTITIES HOLDING REGISTRATION UNDER SECTION 12A/12AA TO APPLY FOR NOTIFICATION UNDER CLAUSE (46) OF SECTION 10

• Existing:

 section 11(7) of the Act provides that where a trust or an institution has obtained registration under section 12AA or under section 12A and said registration is in force for any previous year, then, exemption under section 10 [except under clauses (1) and (23C)] shall not be allowed.

Proposed:

- It is now proposed to amend-
- (i) similar to exemptions under clauses (1) and (23C), exemption under clause (46) of section 10 shall be allowed to an entity even if it is registered under section 12AA subject to the condition that the registration shall become inoperative. If the entity wishes to make it operative in the future, it will have to file an application and then it would not be entitled for deduction under clause (46) from the date on which the registration becomes operative.
- (ii) the registration under section 12AA would also become inoperative in case of an entity exempt under clause (23C) of section 10 as well, to have uniformity. The condition about making it operative again would also be similar to what is proposed for clause (46) of section 10

RATIONALIZING THE PROCESS OF REGISTRATION OF TRUSTS, INSTITUTIONS, FUNDS, UNIVERSITY, HOSPITAL ETC. AND APPROVAL IN THE CASE OF ASSOCIATION, UNIVERSITY, COLLEGE, INSTITUTION OR COMPANY ETC.

• Existing:

• The present process of registration of trusts, institutions, funds, university, hospital etc. under section 12AA or under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, and approval of association, university, college, institution or company does not include period of exemption.

Proposed:

- It is now proposed to amend-
- (i) an entity approved, registered or notified under clause (23C) of section 10, section 12AA or section 35 of the Act, as the case may be, shall be required to apply for approval or registration or intimate regarding it being approved, as the case may be, and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding five previous years at one time calculated from 1st April, 2020.
- (ii) an entity already approved under section 80G shall also be required to apply for approval and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding five years at one time.

FILING OF STATEMENT OF DONATION BY DONEE TO CROSS-CHECK CLAIM OF DONATION BY DONOR

• Existing:

An exempt entity may accept donations or certain sum for utilisation towards their objects or activities
in respect of which the payer, being the donor, gets deduction in computation of his income. At present,
there is no reporting obligation by the exempt entity receiving donation/ any sum in respect of such
donation/ sum..

• Proposed:

- It is now proposed to amend-
- (i) deduction under section 80G/ 80GGA to a donor shall be allowed only if a statement is furnished by the donee who shall be required to furnish a statement in respect of donations received and in the event of failure to do so, fee and penalty shall be levied.
- (ii) similar to section 80G of the Act, deduction of cash donation under section 80GGA shall be restricted to Rs 2,000/- only.

RATIONALIZATION OF PROVISIONS RELATING TO TAX AUDIT IN CERTAIN CASES [CLAUSE 7,8,10,14,15,16,19,20,23,24,26,35,37,39,45,56,57,63,66,75,76,77,78,79 & 93]

• Existing:

Section 44AB of the act, provides that, every person carrying on business is required to get his accounts audited, if his total sales, turnover or gross receipts, in business exceed or exceeds one crore rupees in any previous year. In case of a person carrying on profession he is required to get his accounts audited, if his gross receipt in profession exceeds, fifty lakh rupees in any previous year.

Proposed:

- To amend Section 44AB of the act, provides that, it is proposed to increase the threshold limit for a
 person carrying on business from one crore rupees to five crore rupees in cases where,-
- (i) aggregate of all receipts in cash during the previous year does not exceed five per cent of such receipt; and
- (ii) aggregate of all payments in cash during the previous year does not exceed five per cent of such payment.
- To amend due date of filing of tax audit report tax audit report may be furnished by the said assesses
 at least one month prior to the due date of filing of return of income.

RATIONALIZATION OF PROVISIONS RELATING TO TAX AUDIT IN CERTAIN CASES [CLAUSE 7,8,10,14,15,16,19,20,23,24,26,35,37,39,45,56,57,63,66,75,76,77,78,79 & 93]

• Proposed:

- To amend due date for filing return of income under sub-section (1) of section 139 :-
- (A) providing 31st October of the assessment year (as against 30th September) as the due date for an assessee referred to in clause (a) of Explanation 2 of sub-section (1) of Section 139 of the Act;
- Due Dates

■ For TP cases : Income tax return – 30th November

Form 3CEB – 31st October

Tax audit report – 31st October

■ For Non-TP cases : Income tax return form — 31st October

Form 3CEB – Not applicable

Tax audit report – 30th September

RATIONALIZATION OF PROVISIONS RELATING TO TAX AUDIT IN CERTAIN CASES [CLAUSE 7,8,10,14,15,16,19,20,23,24,26,35,37,39,45,56,57,63,66,75,76,77,78,79 & 93]

• Existing:

• TDS/TCS provisions contained in sections 194A, 194C, 194H, 194I, 194J and 206C fastens liability of on certain categories of person, if the gross receipt or turnover from the business or profession carried on by them exceed the monetary limit specified in clause (a) or clause (b) of section 44AB.

Proposed:

■ To amend these sections 194A, 194C, 194H, 194I, 194J and 206C so that reference to the monetary limit specified in clause (a) or clause (b) of section 44AB of the Act is substituted with rupees one crore in case of the business or rupees fifty lakh in case of the profession, as the case may be.

RATIONALIZATION OF PROVISION RELATING TO FORM 26AS [CLAUSE 90]

• Existing:

 Section 203AA of the Act, requires the prescribed income-tax authority to prepare and deliver a statement in Form 26AS

• Proposed:

- To insert new section 285BB of the act regarding annual financial statement. This section proposes to mandate the prescribed income-tax authority or to upload in the registered account of the assessee a statement in such form and manner and setting forth such information, which is in the possession of an income-tax authority, and within such time, as may be prescribed.
- Consequently, section 203AA is proposed to be deleted.
- With effect from 1st June, 2020

AMENDMENT IN THE PROVISIONS OF ACT RELATING TO VERIFICATION OF THE RETURN OF INCOME AND APPEARANCE OF AUTHORIZE REPRESENTATIVE [CLAUSE 67 & 102]

• Existing:

- Section 140 of the Act provides that in case of company the return is required to be verified by the managing director (MD) thereof. Where the MD is not able to verify for any unavoidable reason or where there is no MD, any director of the company can verify the return.
- In case of a company in whose case application for insolvency resolution process has been admitted by the
 Adjudicating Authority (AA) under the Insolvency and Bankruptcy Code, 2016 (IBC), the return has to be verified by
 the insolvency professional appointed by such AA.
- In case of a limited liability partnership (LLP), the return has to be verified by the designated partner of the LLP or by any partner, in case there is no such designated partner

Proposed:

- To amend clause (c) and (cd) of section 140 of the act so as to enable any other person, as may be prescribed by the Board to verify the return of income in the cases of a company and a limited liability partnership.
- Explicit reference in section 288 of the Act for an Insolvency Professional to act as an authorised representative of the corporate debtor has been raising certain practical difficulties
- With effect from 1st June, 2020

Thank You

Budget for FY 2020-21

Indirect tax



Goods and Services Tax - Broad view

Amendments can be categorized as below:

- I. Rectify the lacuna/unintended mistake in the law
- a. Prospective composition scheme
- b. Retrospective Sch II
- II. Provisions to derive power to make rules
- a. Prospective TDS
- b. Retrospective S. 140

III. Penalty / punishment for certain offences

Other Aspects

Simplified returns - April 2020

Refund simplified - No human interface

E-invoice - Phased implementation for B2B, trial run from this month, Dynamic QR code- B2C

DA and Al Tech - to eliminate fake ITC and refund

Rates to be revisited in the sectors where Inverted Duty Structure prevail

Why not many changes in the budget?

Section	Issue	Remarks
Section 2(114)	UT added	Ladakh a Union Territory with effect from 31.10.2019 Dadra & Nagar Haveli and Daman & Diu as one Union Territory from 26.01.2020.
Section 10(2)	Composition Scheme	Initially the composition scheme u/s 10 of the CGST Act, 2017 available only to certain class of persons supplying goods and food services (covered under entry 6(b) of Schedule II.) Subsequently supply of services to the extent of 10% of turnover or Rs. 10 lakhs, WIH allowed. Now, corresponding amendment in section 10 done to extend restrictions to these
		services supplied. This restriction though would be prospective in nature. The restriction is no interstate supplies, no non GST supplies, supplies through e-com operator.

Section	Issue	Remarks
Section 16(4)	Time-limit for taking credit in case of Debit Notes	The time-limit for availing input tax credit in respect of debit note would now be dependent on the date when such debit note is issued rather than the date of the invoice in respect of which it is issued.
Section 29(1)	Cancellation /Suspension of registration	The persons who have taken voluntary registration can apply for cancellation.
Section 30	Powers to extend the time for Revocation of cancellation of registration	Earlier the taxpayers were allowed a time-limit of 30 days to apply for revocation of the cancellation of registration. Now further extendable to another 60 days on sufficient cause and reasons recoded in writing.

Section	Issue	Remarks
Section 31	Power to Specify category of service or supplies for which tax invoice shall be issued	The existing provision allows to notify: a. any other document can be issued which would be deemed as tax invoice, or b. no tax invoice may be issued. The amendment will enable the Government to notify category of services/ supplies where issuance of a tax invoice can be mandated within such time and manner as may be prescribed.
Section 51	Powers to notify the form of TDS certificate	The late fee of Rs. 200 per day on the deductor for non-furnishing of the TDS certificate to the deductee has been removed.

Section	Issue	Remarks
Section 109	Constitution of Appellate Tribunal in Jammu and Kashmir	Jammu and Kashmir shall be able to constitute its own Bench of Appellate Tribunal.
Section 122, 132	Penalty / punishment for certain offences (refer slide 9)	 The intention behind this amendment is to also penalise/ punish (including the person who has contravened), the persons who have benefited from the specified contravention and at whose instance the specified contravention is undertaken. However, it is to be noted that collusion and benefit from contravention are a necessity to attract these provisions and it cannot be applied to cases where there has been a genuine error or mistake or omission. Further the offence of fraudulent availment of credit without invoice or bill would now be cognizable and non-bailable.

Penalty / punishment for certain offences

- Section 122 Any person who retains the benefit and at whose order or instance, the following transactions are undertaken would also be liable to a penalty of an amount equivalent to the tax evaded or input tax credit availed of or passed on.
 - a. **Supply** of any goods or services or both **without issue of any invoice** or issue of an **incorrect** or **false** invoice;
 - b. **Issuing** any invoice or bill **without supply** of goods or services or both in violation of the provisions of this Act or the rules made thereunder;
 - c. **Taking or utilising ITC without actual receipt** of goods or services or both either fully or partially, in contravention of the provisions of this Act or the rules made thereunder;
 - d. **Taking or distributing input tax credit** in contravention of section 20 (**ISD**), or the rules made thereunder;

Section	Issue	Remarks
Section 140 (w.e.f. 01.07.2017)	Retrospective amendment in provisions relating to TRAN- credit	The provisions relating to transitional credit u/s 140 are amended w.e.f. 1st Jul '17 to enable prescription of the time and manner in which the transition credit eligible under such provision can be taken The above amendments are made to nullify the effect of the judgment given in the case of Siddhartha Enterprises by the Hon'ble Gujrat High court
Section 168	Board Approval not required in a few cases	 This would enable the Commissioner to issue directions for the belowmentioned purposes without having to approach the Board for approval Expense for special audit u/s 66 extension of time limit in the case of inputs and capital goods sent for job work u/s 143
Schedule II (w.e.f. 01.07.2017)	Retrospective change to scope of certain Schedule II entries	The clause 4 of Schedule II which provided that transfer of business asset would be treated as goods or services also included transfers where no consideration was involved . However, the same has now been removed w.e.f. 01-Jul-2017. Now clause 4 of Schedule II only includes transfer of business assets done for a consideration.

Section	Issue	Remarks
Schedule 9(1) r/w Notificati ons	Retrospective provision on rates and exemption	 The Government has provided a retrospective amendment on the supply of fishmeal (covered by heading 2301) during the period 01-July-2017 to 30-Sep-2019 (both days inclusive). Further, reduced rate of 12% has been prescribed retrospectively in respect of supply of pulley, wheels and other parts (falling under 8483) and used as parts of agricultural machinery (falling under 8432, 8433 and 8436), during the period 01-July-2017 to 31- Dec-2018(both days inclusive). However, under both these benefits, refund of tax which has already been collected would not be available. This is a welcome amendment which has provided relief to the ones who has not paid the tax then.
Schedule 54(3)(ii)	Retrospective restriction on claiming refund under inverted duty	 The Government has retrospectively restricted the supplier of tobacco products from claiming refund under inverted duty structure w.e.f. 01-Jul-2017.
Section 172	Extension of time limit for issuing RoDs	The time limit for issuing RoDs has been extended from 30.06.2020 to 30.06.2022.

Customs- Broad view

Amendments can be categorized as below:

- I. To boost the make in India initiative
- a. Increase in the rate of imported goods
- b. Prohibition on uncontrolled imports for any goods
- c. Additional safeguard measures tariff rate quota

II. Additional provisions

- a. FTA related stringent measures
- b. Electronic duty credit

Other Aspects

In Budget speech the Hon'ble finance minister has proposed to provide the following additional benefits for exporters:

a. To digitally **refund** to exporters, duties and taxes levied at the Central, State and local levels, such as **electricity duties** and **VAT on fuel** used for transportation, which are not getting exempted or refunded under any other existing mechanism.

b. To achieve higher export credit disbursement, a new scheme, **NIRVIK** is being launched, which provides for higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements

No suitable provisions inserted in Finance Bill 2020. The Government have to notify the Foreign Trade Policy for upcoming five years, it is expected that the aforementioned benefits may form part of the policy

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Section	Issue	Comments
Section 11	Power to prohibit importation and exportation of goods	Prohibition of uncontrolled import or export of goods to prevent injury to the economy of the country now extended to other goods.
Section 28AAA	Recovery of Duties in certain cases	Recovery power was limited only to the instruments which means i.e. Scrips, authorisation or licence or certificate or such other document issued under FT(D&R) Act or customs Act.
		Now "instrument" has been extended to include duty credit issued under the newly inserted section 51B.

Section	Issue	Comments
Section 28DA	FTA related additional safeguard provision	A new chapter VAA (a new section 28DA) is being incorporated to provide enabling provision for a. administering the preferential tariff treatment regime under FTA and b. Providing certain obligations on Importer and c. Time bound verification from exporting country in case of doubt.
Section III	Confiscation of improperly imported goods	Goods imported in contravention of above provision would be liable to confiscation. By virtue of this amendment any contravention made under newly
Section 156	Enabling rule making power	Enables the Government to make rules with regard to preferential duty claim under FTA (chapter VAA).

Section	Issue	Comments
Section 51B	Electronic duty credit	Section 51B has been inserted for enabling issue of duty credit in lieu of remission of duty tax/or levy and to provide any financial benefit subject to conditions and restrictions as may be prescribed. It is a customs automated system in the form of electronic credit ledger which can be used or transferred towards making payment of duties under customs act and customs tariff act
Chapter VIIA Section 157	Electronic duty credit	The payment facility has been extended through electronic duty credit ledger also. Enabling provision for making regulations regarding the manner of maintenance and utilization, conditions for electronic duty credit ledger.
Section 8B	Additional safeguard measures to protect the domestic industry from injury due to significant surge in imports.	Tariff Rate Quota and other safeguard measures as the Central Government may deem necessary

With effect from 02/02/2020 the rate of applicable customs duty for notified goods has been amended as follows:

Increase in Rate: -

Sl.	Category of	Specific items Ra		te of Duty	
No	goods		From	То	
1.	Household goods and appliances	Tableware and kitchenware of porcelain or china, ceramic, clay, iron, steel, copper and aluminium, glassware, padlocks, brooms, hand-sieves, combs, vacuum flasks, etc.	10%/ 15%	20%	
2.	Electrical Appliances	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%	20%	
3.	Footwear	a. Footwear b. Parts of footwear	25% 15%	35% 20%	

4.	Furniture goods	Seats, articles of bedding including mattresses, lamps, lighting,	20%	25%
		illuminated signs, and other articles of furniture		
5.	Stationery	Filing cabinets, paper trays, binders, clips, staples, sign- plates,	10%	20%
	items	name plates, numbers and symbols etc. made from		
		base metal		
6.	Toys	Tricycles, scooters, scale models, dolls, etc.	20%	60%
7.	Machinery	a. Specified goods used in high voltage power transmission	5%	7.5%
		project		
		b. Railway carriage fans	7.5%	10%
		c. Compressors of refrigerators and air conditioners	10%	12.5%
		d. Commercial freezers	7.5%	15%
		e. Welding and plasma cutting machine	7.5%	10%
		f. Rotary tillers/weeder	2.5%	7.5%

8.	Other	a. Glass beads	10%	20%
	miscellaneous	b. Artificial flowers		
	items	c. Bells, gongs, statuettes, trophies and like, statuettes,		
		ornaments, photograph, frames, mirrors etc. of base metal.		
a.	Changes in cust	Rate of Duty		
	Vehicles	From	To	
1.	Completely Built	25%	40%	
2.	Semi Knocked Do	15%	25%	
	01.04.2020)			
3.	Semi Knocked Down (SKD) units of passenger vehicles and three wheelers (with		15%	30%
	effect from 01.04.2020)			
4.	Completely Knoc	ked Down (CKD) units of passenger vehicles, three wheelers, two	10%	15%
	wheelers, bus an	d trucks (with effect from 01.04.2020)		

Increase in Rate:-

Sl.	Category of Goods	Specific Items		Rate of Duty	
No			From	То	
1.	Food processing	Walnuts, shelled	30%	100%	
2.	Chemicals and Plastics	Colloidal precious metals, inorganic or organic compounds of precious metal, amalgams of precious metals	7.5%	10%	
		Butyl Acrylate	5%	7.5%	
		Other prepared binders for foundry moulds or cores; Chemical products and preparations of the chemical or allied industries	10%	17.5%	

3.	Auto	and	auto	Catalytic converter	10%	15%
	parts			Noble metal solutions and noble metal compounds used in	5%	10%
				manufacture of catalytic converter and its parts		
				Completely Built Units (CBUs) of commercial vehicles (other than	30%	40%
				electric vehicles)		
				(with effect from 01.04.2020)		
4	Coin			Coin (other than gold coin), not being legal tender	10%	12.5
						%

Exemption from
Social Welfare
Surcharge (SWS)
on various items
and
withdrawal of
exemption in
certain cases

Social welfare surcharge is being exempted on the following goods:

S No	HS Code	Description
(1)	(2)	(3)
1	0404 10 10	Whey, Concentrated, evaporated or condensed, liquid or semi solid
2	0406 90 00	Cheese, Other
3	0601, 0602	Bulbs or tubers, other live plants
4	0802 12 00	Almonds, Shelled
5	0802 31 00	Walnuts in shell
6	0802 32 00	Walnuts, shelled
7	1001 11 00, 1001 91	Wheat and Meslin
	00, 1001 99 20	
8	1005 90	Maize
9	1704 10 00	Chewing gum, whether or not sugar coated
10	1901 10	Preparations suitable for infant or young children, put up for retail
		sale.

Social welfare surcharge is being exempted on the following goods:

11	2009 11 00	Orange juice, Frozen	
12	2009 12 00	Orange juice, not frozen, or a Brix value not exceeding 20	
13	2009 19 00	Orange Juice, other	
14	2515 12 20	Marble and travertine slabs	
15	6802 10 00	Tiles, cubes and similar articles, whether or not rectangular (including	
		square), the largest surface area of which is capable of being enclosed in a	
		square in the side of which is less than 7cm; artificially coloured granules,	
		chippings and powder, other monumental or building stone and articles	
		thereof, simply cut sawn with a flat even surface	
16	6802 21 10	Marble Blocks/tiles	
17	6802 21 20	Marble monumental stone	
18	6802 21 90	Other tiles, cubes and similar articles	
19	6802 91 00	Marble, travertine and alabaster	
20	9802 92 00	Other calcareous stone	
21	8702 or 8704	All commercial vehicles (including electrical vehicles) if imported as	
		completely built unit (CBU)	

Sl. No. 21 ibid will be exempt from levy of SWS w.e.f. 1st April 2020.

Further, exemption from Social Welfare Surcharge which was available on certain itemsfalling under chapter 84, 85 and 90 has been withdrawn. Refer Notification no. 09/2020 - Cus dated 02ndFebruary 2020. 21

THANK YOU



For any clarification sudhir@hiregange.com