

Clause Wise Discussion On Provisions of Finance Bill 2020 Relating to Income Tax (Domestic)

Government should collect taxes from citizens like a honeybee collects nectar from flowers without harming them.

- Chanakya

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
2	Specification of IT & TDS Rates	No change except a few, which are covered in next slides.
3	Section 2	Definition of REIT/INVEIT - Modified Now unlisted trust also will be eligible if they are otherwise registered with SEBI.
4	Section 6	Applicable to Non Residents
5	Section 9	Applicable to Non Residents
6	Section 9A	Applicable to Non Residents

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
7	(A) Section 10(23C)	Procedure for approval of non profit educational institutions , hospitals etc. modified on lines of amendments made in provisions relating to charitable institutions registered u/s 12A.
	(B) Section 10(23D)	Consequential amendments relating to income of mutual funds as tax on distributed income shifted from mutual funds to unit holder.
	(C) Section 10(23FC)	Relates to income of REIT/INVIET.
	(D) Section 10(23FD)	Dividend income received from REIT/INVIET will no more be exempt in the hands of unit holders.
	(E) Section 10(34)	Exemption of dividend income removed in hands of share holders.
	(F) Section 10(35)	Exemption of income from units of mutual fund removed in hands of unit holders.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
8	Section 10A (Undertakings in FTZ)	Consequential -(Audit report submission one month before due date).
9	Section 11	Consequential.
10	Section 12A	(A) Existing charitable institution to apply for renewal of registration under new section 12AB within 3 months from 01-06-2020.
		(B) New trust will be provisionally registered, without making enquiries, but will have to apply for regular registration at least 6 months prior to expiry of period of provisional registration or within 6 months from commencement of activities, whichever is earlier.
		(C) In future the new trust which have obtained regular registration to apply for renewal at least 3 months prior to expiry of registration.
		(D) The audit report to be filed one month before the due date.
11	Section 12AA	Consequential in view of new section 12AB. 4

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
12	New section-12AB	(A) New procedure prescribed as discussed in earlier paragraph, now the CIT will grant registration first time provisionally without enquiry. But subsequent registration will be done after due verification for 5 years. All pending application will be granted provisional registration.

The wisdom of man never contrived a system of taxation that would operate with perfect equality.

- US President Andrew Jackson⁵

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
12	New section-12AB	(B) The CIT has to pass order within the following Time Limits: i) In case of provisional registration within one month from the end of the month in which application is received. ii) In case of registration to existing 12A registered entities, within 3 months. iii) In other cases, within 6 months.

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Clause No.	Relevant <i>Section</i>	Substance of Amendment
13	Section 17	(A) Contribution to PF, Superannuation, and NPS in excess of Rs.7.50 Lakhs to be taxable
		(B) Accrual of Interest relevant to taxable contribution will also be taxable.
14	Section 32AB	Consequential (relating to filing of Tax Audit Report, one month before Return Filing Date)

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
15	Section 33AB	Consequential (relating to filing of Tax Audit Report, one month before Return Filing Date)
16	Section 33ABA	Consequential (relating to filing of Tax Audit Report, one month before Return Filing Date)
17	Section 35	Amendments made on lines of 12A in respect of scientific research association , universities etc..
18	Section 35AD	In the amended section assessee will have option of availing deduction in respect of capital expenditure.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
19	Section 35D	Consequential (Audit Report filing)
20	Section 35E	Consequential (relating to filing of Tax Audit Report, one month before Return Filing Date)
21	Section 43	“Recognized Association” replaced with “Recognized Stock Exchange” in matter of trading in derivatives of commodities & CTT.
22	Section 43CA	Difference in Stamp Duty Value allowed up to 10% as against 5% earlier.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
23	Section 44AB	(A) Turnover limit increased from 1 Cr to 5 Cr, if Cash Payments/Cash Receipts below 5% of Total Payments/ Receipts of the year
		(B) Specified date for Submission of Audit Report to be one month earlier to Return Filing Due Date.
24	Section 44DA	Applicable to Non Residents.
25	Section 49	SEBI now allows segregation of portfolios held with mutual funds into liquid & non liquid portions. The amendment provides that the cost of acquisition will be segregated in proportion of net asset value just before the segregation.(Amendment to apply from AY 2020-2021)
26	Section 50B	Consequential (Audit Report to be submitted earlier.) 10

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
27	Section 50C	Acceptance of difference in Stamp Duty Value increased from 5% to 10%
28	Section 55	FMV in case of Land/ Building as on 01.04.2001 to be now not in excess of Stamp Duty Value.
29	Section 56	Acceptable difference in Stamp Duty Value increased from 5% to 10%
30	Section 57	Deduction of interest incurred in relation to earning dividends, will be restricted to 20% of dividend income. No other expenses will be allowed as deduction.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
31	Section 72AA	Applicable to Amalgamation of Banks
32	Section 80EEA	Presently interest on loan taken for affordable house is allowed up to 1.5 lakhs if loan is sanctioned up to 31.03.2020. Now this period extended to 31.03.2021.
33	Section 80G	(A) Charitable Institution to file statement of donations received and issue certificate to the donor.
		(B) Procedure for application for approval amended, on the line of 12AB.
		(C) Existing entities to apply for renewal within 3 months from the date on which the new provision comes in force.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
34	Section 80 GGA	Donations in respect of scientific research and rural development were allowed under this section even if paid in cash up to Rs.10,000/- now this limit is reduced to 2000/-.
35	Section 80IA	Consequential (Audit Report)
36	Section 80IAC	(A) Presently 100% deduction is allowed to eligible start ups for 3 consecutive years out of 7 years. Limit of 7 years now extended to 10 years.
		(B) The present turnover limit of 25 crores is being increased to 100 crores.(The startup should be incorporated before 01.04.2021)
37	Section 80IB	Consequential (Audit Report)

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
38	Section 80IBA	Deduction for Affordable Housing Project is allowed if such project is approved by Competent Authorities before 31.03.2020. Now this date extended up to 31.03.2021.
39	Section 80JJAA	Consequential (Audit report)
40	Section 80M	In case a company receives dividend from another company and it also distributes dividend, then it will get deduction from the dividend income to the extent of dividend distributed, subject to maximum amount of dividend received.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
41	Section 90	Applicable to Non residents.
42	Section 90A	Applicable to Non residents.
43	Section 92CB	Applicable to Non residents.
44	Section 92CC	Applicable to Non residents.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
45	Section 92F	Applicable to Non residents.
46	Section 94B	Applicable to Non residents.
47	Section 115A	Applicable to foreign companies.
48	Section 115AC	Applicable to Non residents.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
49	Section 115ACA	Applicable to Non residents.
50	Section 115AD	Applicable to FIIs.
51	Section 115BAA	Optional scheme of lower corporate tax without exemptions & deductions , earlier allowed deduction u/s 80JJAA only. Now deduction u/s 80M will also be allowed.
52	Section 115BAB	New manufacturing company will now include Power Generation Company also.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
53	Section 115BAC & 115BAD (New)	(A) New optional Scheme of taxation at reduced rate without exemption for individuals & HUFs.
		(B) Following deductions will not be allowed :- 1. Leave Travel allowance 2. House Rent Allowance 3. Prescribed items in section 10(14) 4. Deductions for minor child 5. Special Economic Zone 6. Standard deduction 7. Interest paid for self occupied house 8. Loss under head house property 9. Additional depreciation 10. Deduction u/s 32AD,33AB,33ABA,35,35AD,35CCC 11. Chapter VIA deduction except 80CCD(2) & 80JJAA

The Government is never so Efficient as when it wants your money.

- Anthony Burges

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
		(C) Set of loss pertaining to ineligible deductions will not be allowed.
		(D) Assessee having business income to opt for the scheme before due date of filing return. Once opted, it will apply to subsequent year , except once, where the Assessee can opt for withdrawal but he again cannot opt for the scheme.
		(E) In other cases the option can be exercised every year before the due date.
		(F) On similar lines, optional scheme of lower tax given to Co-operative societies.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
54	Section 115BBDA	This section provide for taxing dividend income in excess of Rs. 10 Lakhs at 10% in the hands of shareholders. With new amendment this section is no more relevant.
55	Section 115C	Applicable to Non Residents / Foreign income.
56	Section 115JB	Consequential (Audit Report)

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
58	Section 115JD	Credit for AMT not available if Assessee opts for lower rate of tax.
59	Section 115O	No more tax on dividends in hands of companies.
60	Section 115R	No more tax on Income Distribution by mutual funds in their hands.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
61	Section 115TD	Tax on conversion of 12AA registered trust, will now cover 12AB registered trust also. It is a consequential amendment.
62	Section 115UA	Certain income distributed by REIT & INVIT (Business Trusts) will be taxed in the hands of unit holders (like dividends)
63	Section 115VW	Consequential (Audit)
64	Section 119A (New Section)	Issuance of Tax Payer's Charter

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
65	Section 133A	Power of Survey amended. JC will now have power to authorize survey only in case he receives any information from prescribed authority & absolute power of survey will now lie with CIT.
66	Section 139	In case of entities subjected to audit, the due date of Filing Return will now be 31 st October. Earlier due date for working partners of such firms was 30 th September. Now, for all partners, the due date will be 31 st October.
67	Section 140	Board to be empowered to specify any other person to verify the return in case of Company/ LLP. (Brought in the view of Insolvency.)

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
68	Section 140A	Tax on specified ESOPs can now be postponed as per new provisions. If employer fails to deduct TDS on ESOPs on the later dates then the assessee has to pay the same along with his self assessment tax along with interest.
69	Section 143	E-Assessment Scheme to include best judgment assessment u/s 144
70	Section 144C	Applicable to Non Residents.
71	Section 156	(A) Tax demand on Specified ESOPs will be payable, a) After 4 years (from the end of relevant AY) b) or at the time of sale c) or upon ceasing to be employee of the relevant employer Whichever is earlier.
		(B) This means the ESOP will be included in income in the year of allotment. But the tax payment will be postponed.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
72	Section 191	Consequential (Tax on specified ESOPs to be paid on later dates)
73	Section 192	Consequential (TDS on specified ESOPs to be deducted on later dates)
74	Section 194	TDS on dividend at 10% if >5000
75	Section 194A	(A) Earlier the TDS provisions were applicable in case of individual & HUF, if they were covered u/s 44AB. Now the turnover limit of Rs.1 crore specified irrespective of applicability of 44AB.
		(B) TDS provision will now be applicable to Co-operative society if its total sales is > 50 Cr in previous FY . However threshold of 40000 & 50000 (senior citizens) will be there.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
76	Section 194C	(A) Earlier the TDS provision were applicable in case of individual & HUF , if they were covered u/s 44AB. Now the turnover limit of Rs.1 crore specified irrespective of applicability of 44AB.
		(B) Definition of work to include manufacturing & supplying a product as per customer's specifications and using material purchases from such customer or its associates, covered u/s 40A(2b)
77	Section 194H	Earlier the TDS provision were applicable in case of individual & HUF , if they were covered u/s 44AB. Now the turnover limit of Rs.1 crore specified irrespective of applicability of 44AB.
78	Section 194I	Earlier the TDS provision were applicable in case of individual & HUF , if they were covered u/s 44AB. Now the turnover limit of Rs.1 crore specified irrespective of applicability of 44AB. ²⁶

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
79	Section 194J	(A) Earlier the TDS provision were applicable in case of individual & HUF , if they were covered u/s 44AB. Now the turnover limit of Rs.1 crore specified irrespective of applicability of 44AB.
		(B) Fees for technical services to attract TDS @ 2% instead of existing 10%. However professional services , fee & royalty will continue to attract TDS rate of 10%.
		<p>Definition of Fees for Technical Services, Section 9(1)(vii) – Explanation 2.</p> <p>Fees for Technical Services means any consideration for rendering of any managerial, technical or consultancy services (including the provision of Services of technical or other personnel) but does not include consideration for any construction, assembly, mining or like project undertaken by the recipient.</p>

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
80	Section 194K(New section)	Income distributed by mutual fund to attract TDS of 10%, if > 5000.
81	Section 194LBA	Applicable to Business Trust.
82	Section 194LC	Applicable to Non residents.
83	Section 194LD	Applicable to Non residents.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
84	Section 194O (New section)	E-commerce operator to deduct TDS from E-com participants @ 1%. However in case of individuals & HUF TDS will trigger if the relevant sum is > 5 lakhs.
85	Section 195	Applicable to Non-Residents.
86	Section 196A	Applicable to Non-Residents.
87	Section 196C	Applicable to Non-Residents.

Nothing is certain but Death & Taxes – At least Death doe not get worse every year,
- Anonymous

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
88	Section 196D	Applicable to Non-Residents.
89	Section 197	Payments referred u/s 1940 will be eligible for lower TDS u/s 197.
90	203AA	Section being omitted i.e., 26AS Form will no more be there, In view of proposed annual financial statement.
91	204	Applicable to Non residents.
92	206AA	In case of non furnishing of PAN the TDS is deducted at 20%. But in case of E-commerce participants it will be 5%.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
93	206C	(A) TCS @ 5% to be collected by authorized dealers if foreign exchange of more than Rs. 7 lakhs is remitted out of India under LRS of RBI.
		(B) TCS @ 5% to be collected by sellers of overseas tour program package.
		(C) TCS @ 0.1% to be collected by every seller (Having turnover of > 10 cr) from every buyer of more than 50 lakhs.
		(D) TCS to be 10% , 10% & 1% in no PAN given in aforementioned situations.
		(E) In case of individuals & HUF, the section will be applicable if their sale is > 1 crore.

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Section 206C Proviso:

No such TCS is to be collected,
if the seller is liable to collect TCS under other provisions of
Section 206C

or

if the buyer is liable to deduct TDS under any provision of
the Act and has deducted such amount.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
94	234G	Late fee of Rs.200 per day to be paid for belated filing of Statement of Donations.
95	250	Faceless E-appeals scheme to be introduced before 31.3.2022.
96	253	Consequential amendment (word 12AB included.)
97	254	(A) For ordering stay of collection of demand, the ITAT to put condition of deposit of 20% of the demand.
		(B) Further no extension beyond 180 days unless the assessee makes application and again deposits 20%
		(C) Total period of stay not to exceed 365 days.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
98	271AAD	(A) 100% penalty for : a) Making a false entry, b) Omitting an entry to evade tax.
		(B) Person facilitating the above situations also will be levied 100% penalty.
		(C) False entry means false invoice, false documents etc.
99	271K	Penalty of 10,000 and up to 1 lakh for non filing of statements of donations by a charitable institution.

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<i>Clause No.</i>	<i>Relevant Section</i>	<i>Substance of Amendment</i>
100	274	Faceless E-penalty scheme to be introduced before 31.3.2022.
101	285BB	Annual information statement to be uploaded in the registered account of the assessee in place of existing Form 26AS.
102	288	CBDT authorized to specify any other person (Apart from existing list) to act as authorized representative (In view new provisions of Insolvency and Bankruptcy Code).
103	295	Applicable to Non Residents.
104	Rule 5 of first schedule	Applicable to Insurance Business.



Income Tax Act- The most imaginative fiction written today.
–Herman Wonk

THANK YOU

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