



Indian

# Union Budget

Synopsis

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2020-21



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**Ashok Maheshwary & Associates LLP**

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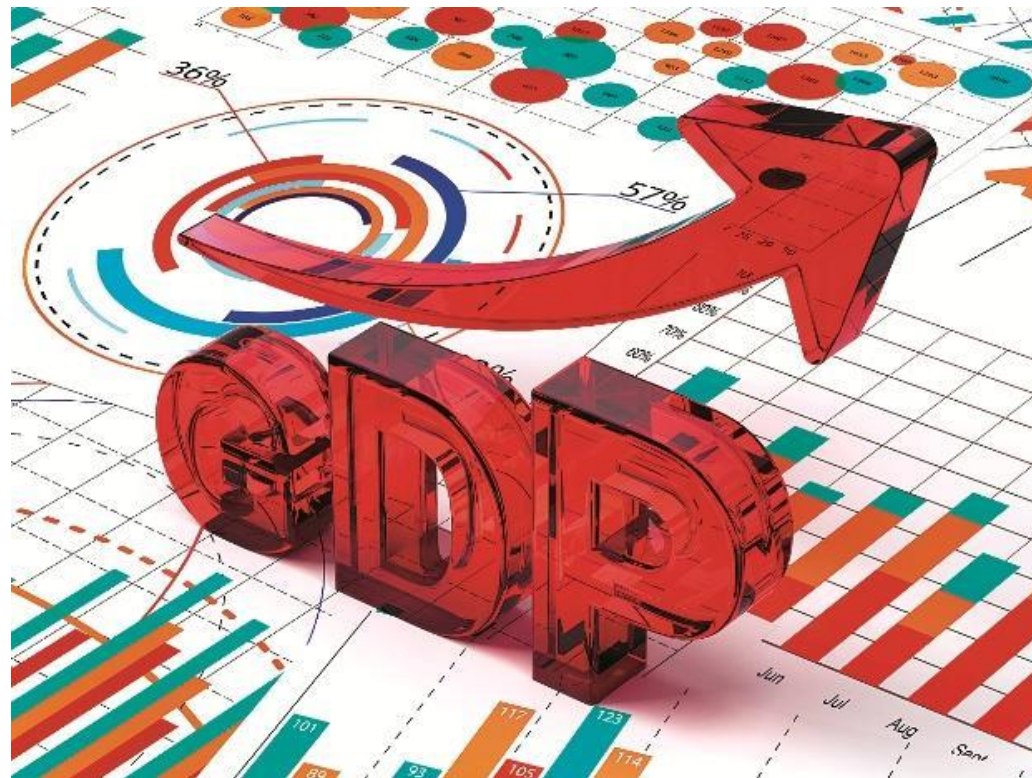
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# Economic Survey 2019-20

# GDP Growth 2020-21

- GDP is expected to grow around 6-6.5% in 2020-21
- The Economic Survey 2020 has revealed the sign of bottoming out of the decline in global trade and manufacturing sector that may have a positive impact.
- Government schemes on affordable housing, reduction in tax rates and improvements in ease of doing business helped in improving growth.



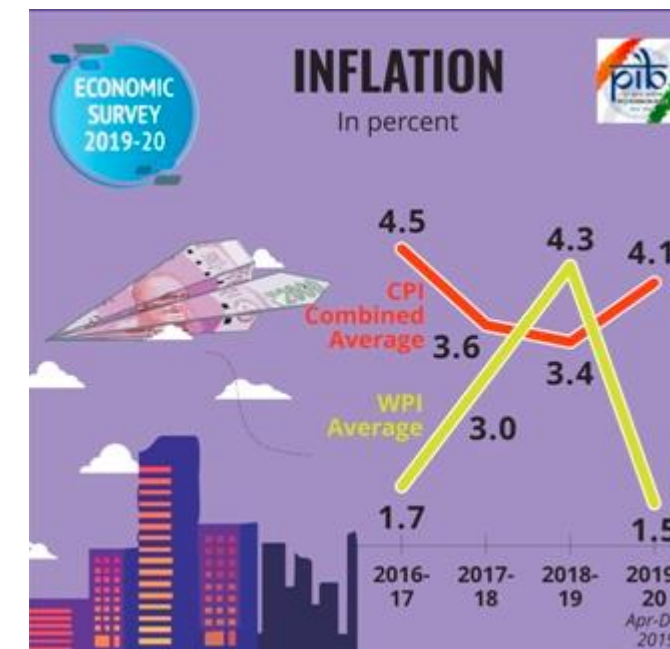
# GDP Growth in 2019-20

India's growth of real GDP in FY 2019-20 has slowed down to 5% , lowest in the last 7 years onwards.

The steep fall in GDP growth is due to:

- Fall in manufacturing and construction
- Stagnant Private Investment
- Agriculture Crisis
- Poor condition of banking sector

## Inflation Snapshot



## World's Economy

- The world output growth declined from 3.6% in 2018 to 2.9% in 2019
- The slowdown in the world economy and decline of world output and trade is due to:
  - Trade tensions between US and china
  - Decline in manufacturing activity and trade

## Current Account Deficit

Current Account Deficit (CAD) decreased from 2.1% of GDP in 2018-19 to 1.5% in April-December 2019 on account of contraction in import more than export due to reduction in international crude oil prices (Indian basket)



# Forex Reserves

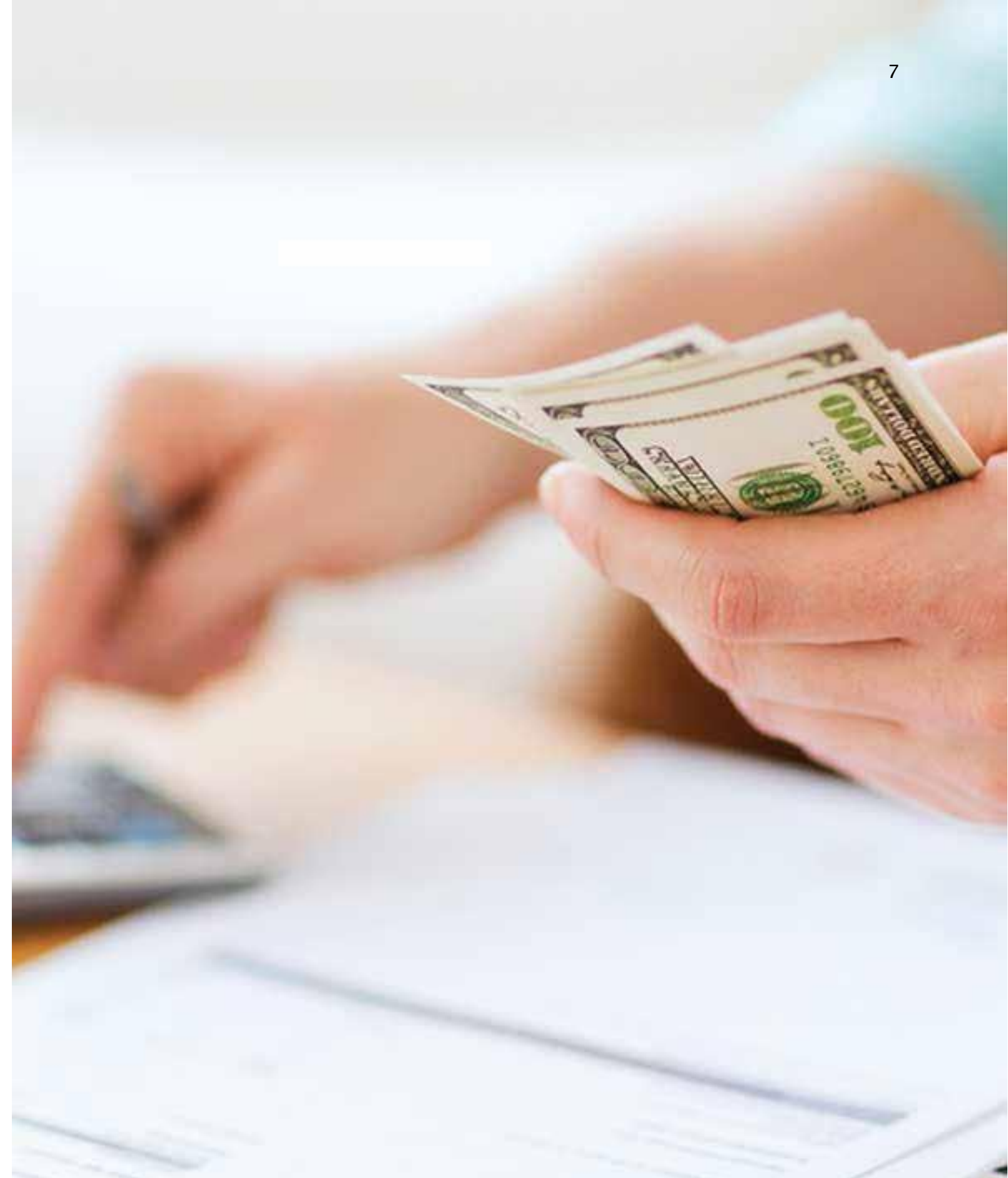
- Survey shows improvement in India's balance of payments position to USD 433.7 billion by September 2019 from USD 412.9 billion of forex reserves in March 2019
- The external debt level remained low at 20.1 % of GDP by the end of September 2019

## India's Forex Reserves



# Foreign Direct Investment

- Net Foreign Direct Investment (FDI) in half year of 2019-20 is 21.3 US\$ billion as compared to 30.7 US\$ billion in 2018-19 for the full year.
- Rise in foreign investment in India is due to continuous liberalization of FDI guidelines.
- Increase in FDI provides stable source of funding the current account deficit and provide stability to improvement in BOP position as compared to other capital inflows.

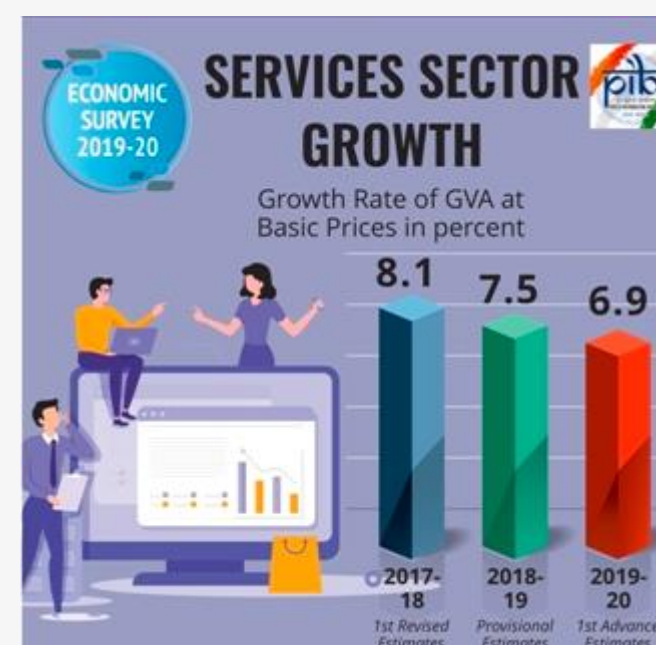


## Investment scenario

- For achieving USD 5 trillion economy by 2024-2025, India needs to spend about USD 1.4 trillion ( ₹100 lakh crore) in infrastructure to remove constraint in growth and strengthen the invisible hand of markets with hand of trust that can support markets by promoting pro-business policies.
- It would be a challenge for the government to fund USD 1.4 trillion (Rs. 102 Lakh crore) in National infrastructure pipeline recently unveiled by the Indian government.
- Companies have gathered nearly USD 11 billion (Rs. 74,000 crore) through public issuance of equity and debt during April-December around 66% more than the amount raised in the preceding financial year, with rights issue emerging as the most preferred route for financing business need

## Growth in Service Sector

- Survey emphasized that foreign tourist arrivals on e-visas in India have increased from 445,000 in 2015 to 2,369,000 in 2018 and stood at 2,175,000 in January-October 2019, representing growth of around 21 % in a year in the tourism sector
- India ranks 3, in number of creation of new firms as per the World's bank data as number of new firms has been grown from 70,000 in 2014 by 80% to 1,24,000 in 2018. New firm creation seems to be higher in-service sectors as compared to other sectors
- Banking system must be focused on scaling up efficiently through cleaning up of banking system and with necessary legal framework such as Insolvency and Bankruptcy code



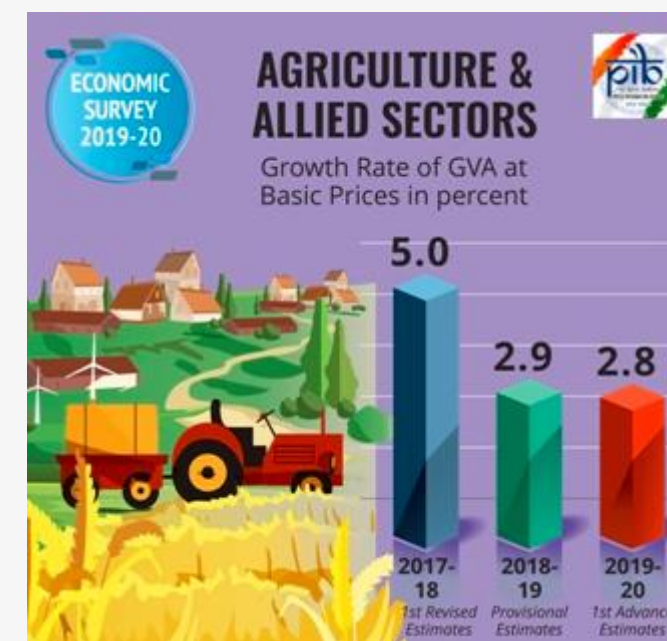
## Growth in Manufacturing Sector

- India can raise its export share to 3.5% by 2025 and 6% by 2030 by integrated “Assemble in India for the world” into “Make in India”, that create 4 crores job by 2025 and 8 crores by 2030
- By focusing on products that are manufactured across global value chains, India can capture significant value through exports and job creation



## Agricultural & Allied Sectors

- Share of agriculture and allied sectors in the Gross Value Added has been decreased from 18.2 % in 2014-15 to 16.5 % in 2019-20.
- Decline in share is due to higher growth performance of non-agricultural sectors.



# Growth in other sectors

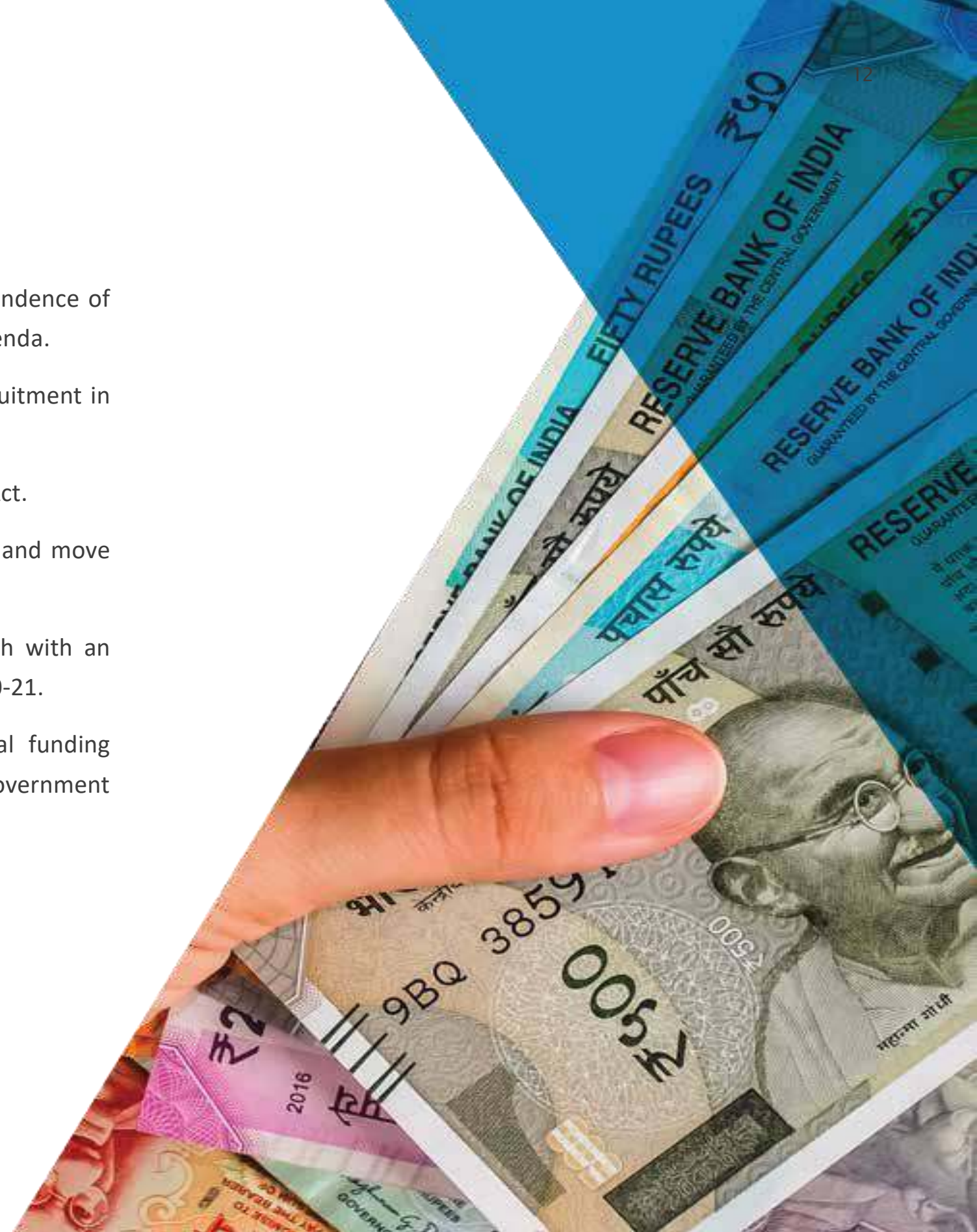
- The Survey raises concerns in the area of schooling due to high drop out rates and lack of affordability in higher education.
- The Survey emphasised that Samagra Shiksha 2018-19, was launched to envisage school education as a continuation from pre-school to senior secondary level to provide access to education to all.
- Government reforms led a notable turnaround in India’s mineral output
- To encourage entrepreneurship, district and state administration should focus on literacy, education and physical infrastructure



# Non-Tax Proposals

# Governance

- India will host G 20 presidency in the year 2022 which is the year of 75th anniversary of independence of Indian Nation. India would be able to drive considerably the global economic and development agenda.
- Setting up a National Recruitment Agency (NRA) to simplify and remove hardships faced for recruitment in Non-Gazette posts through a Common Eligibility Test conducted in an online mode.
- A stronger, strengthened and sound framework to be brought in effect in relation to the Contract Act.
- A new unconventional approach with the help of AI shall be adopted to monitor the economy and move towards a more modernized data collection, integration and timely dissemination of information.
- An all round effort for the development of newly formed Union Territories of J&K and Ladakh with an amount of Rs. 30,757 (~USD 4.4 billion) and Rs. 5,958 (~USD 851 million) crore respectively in 2020-21.
- Government is ensuring smooth access to financial assistance from multilateral and bilateral funding agencies to help introduce innovative and global best practices to the northeast region. Central Government has effectively used an online portal to reduce gestation period of online.



# Aspirational India

## Education and Skills

- By 2030, India is set to have the largest working-age population in the world.
- The New Education policy will be announced soon and for the purpose of increasing inflow of finance for higher quality in education system ; External Commercial Borrowing and FDI would be enabled.
- It is proposed to start, degree level full-fledged online education programme which is to be provided by the institution who are ranked within top 100 of National Institutional Ranking framework to the students of deprived section or unable to obtain higher education.
- For the purpose of apprenticeship embedded degree/diploma courses about to 150 higher educational institute will start by March 2021.
- It is proposed to start programme for providing internship opportunities in urban local bodies to the fresh engineers for a period of up to one year.
- Under “Study in India “ programme, Ind-SAT is proposed to be held in Asian and African countries.
- A National Police University and a National Forensic Science University are being proposed.
- Due to the shortage of qualified medical doctor, it is proposed to attached medical college to an existing district hospital in PPP mode . The government also encourage large hospital to offer resident doctors DNB/FNB.
- Special bridge courses to improve skill sets of those seeking employment abroad.
- Government Is proposed to provide about to Rs.99,300 crore (~USD 14.2 billion) for educational sector and Rs.3,000 crore (~428.5 million) for skill development.



# Aspirational India

## Wellness, Water and Sanitation

- Keeping in focus the vision of healthcare that translate wellness of the citizen various programs like for safe water (jal Jeevan Mission),and comprehensive sanitation program (Swachh Bharat Mission) launched to support and reduce disease burden on the poor.
- Mission Indradhanush has been expended to cover 12 such disease, including five new vaccine.
- Fit India Movement launched to fight against Non Communicable diseases (NCD)
- Proposed to expand Jan Aushadhi kendra Scheme (which is offering 2000 medicines and 300 surgical) to all the districts by 2024
- Allocation of about to Rs.69,000 crore (~USD 10 billion) is made to the health sector inclusive of Rs. 6,400 crore (~USD 914 million) for PM Jan Arogya Yojana
- “TB Harega Desh Jetege” campaign has been launched to eradicate Tuberculosis by 2025
- ODF Plus to sustain ODF behavior and focus on solid waste collection, source segregation and processing , liquid and grey water management
- Total allocation of Rs.12,300 crore (~USD 1.8 billion) is about to be made to Swachh Bharat Mission for 2020-21
- Under Jal Jeevan Mission, it is aimed to provide piped water supply to all households and the government has approved Rs.3.60 lakh crore (~USD 51.4 billion) for this mission , During 2020-21 the scheme is provided budget of 11,500 Crore (~USD 1.6 billion)
- It is proposed to include more than 20,000 empanelled hospitals under PM Jan Arogya Yojana (PMJAY) in Tier-2 and Tier-3 cities for poor people.
- Viability gap funding proposed for setting up hospitals in the PPP mode and in its first phase Aspirational Districts will be covered



# Aspirational India

## Agriculture, Irrigation and Rural Development

- The government will cover 20 lakh (2 million) farmers for providing standalone solar pumps and another 15 lakh (1.5 million) farmers for grid connecting solar pumps.
- A resilience to 6.11 Crore farmers has been provided through PM Fasal Bima Yojana alongwith focusing on the cultivation of pulses through Krishi Sinchai Yojana to raise self-reliance.
- Self-Help Groups propose to run a Village Storage Scheme to provide farmers a good holding capacity and reduce logistics cost.
- Comprehensive measures to be taken for the serious concern over water issues all over the country.
- Reduction of use of excessive chemical fertilizers and encouraging the use of traditional and organic fertilizers.
- NABARD will undertake an exercise the mapping and geo-tagging to the estimated capacity of 162 million MT of Agri-warehousing, cold storage facilities, reefer van facilities, etc.
- Kisan Rail to be introduced to ensure a seamless nationwide cold supply chain for perishables inclusive of milk, meat, fish, etc. via PPP arrangements. This shall provide refrigerated coaches in express and freight trains.
- To improve realization, especially in the North-East and tribal districts, Krishi Udaan will be launched by the Ministry of Civil Aviation.
- Negotiable Warehousing Receipts (e-NWR) will be integrated with e-NAM.
- Re-finance scheme by NABARD has set an Agriculture Credit Target for the year 2020-21 at Rs. 15 Lakh Crore (~USD 214.3 billion).
- Also, fish production shall increase to 200 lakh (~20 million) tonnes alongside growth of algae, sea weed and cage culture.
- It is intended to eliminate foot and mouth diseases in cattle and peste des petits ruminants (PPR) in sheep and goat by 2025. Milk production capacity shall be doubled by 2025 from 53.5 million MT to 108 million MT. The effort is to raise fishery exports to Rs. 1 lakh crore (~USD 14.3 billion).



# Economic Development

## Industry, Commerce and Investment

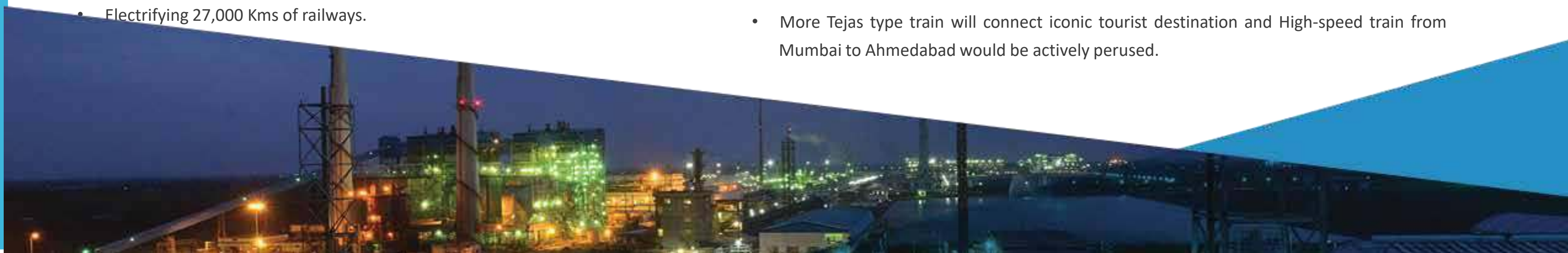
- Proposal of development of 5 new smart cities in by way of PPP and state.
- Boost to electronic manufacturing industries via manufacturing of mobile phones, electronic equipment and semi-conductor packaging which will attract huge investment and generate employment.
- A four year, Rs. 1,480 crore outlay, National Technical Textile Mission is proposed to reduce import of technical textiles.
- An Investment Clearance Cell shall be set up to provide end to end assistance.
- To ensure higher insurance cover, reduce premium for small exporters and simplified claim settlement, NIRVIK scheme will be launched.
- Digital refund shall be issued to exporters in relation to duties and taxes, like electricity duties and VAT on fuel levied on exports.
- Government e-Marketplace (GeM) shall set up a Unified Procurement System for the benefit of MSME for procurement of goods at a single platform.
- Proposal to provide Rs. 27,300 crores (~USD 3.9 billion) for development of Industry and Commerce in 2020-21.



# Economic Development

## Infrastructure

- Committed to an outlay of Rs. 103 Lakh Crores (~USD 1.47 Trillion) for National Infrastructure Pipeline out of which 22,000 Crores (~USD 3.14 Billion) has already been provided.
- Huge emphasis on employment generation through start-ups to employ the emerging youth.
- Development of 2,500 Kms of highways along with 9,000 Kms of economic corridors and 2000 Kms of strategic highways.
- Delhi-Mumbai Expressway and Chennai-Bengaluru Expressways to be completed by 2023.
- Proposal of National Highway Policy and National Logistic Policy.
- 550 Wi-fi facilities in Indian Railways within 100 days.
- Electrifying 27,000 Kms of railways.
- Solar energy generation along side railway tracks.
- Re-development of 4 stations and operationalizing 150 passenger trains via PPP mode.
- Bengaluru Suburban transport project extending to 148 Kms costing Rs. 18,600 crore.
- Dhubri-Sadiya connectivity to be extended by 290 km by 2022 and Corporatizing at least one major sea port.
- Nearly doubling the size of air fleet from 600 to 1200 alongside developing 100 more airports by 2024 under the udaan scheme and a transport infrastructure of Rs. 1.7 lakh crores (~USD 24.3 billion) in 2020-21.
- Outlay of Rs. 22,000 crore (~USD 3.14 billion) for power and renewable energy in 2020-21.
- Expansion of national gas grid to 27,000 km.
- More Tejas type train will connect iconic tourist destination and High-speed train from Mumbai to Ahmedabad would be actively perused.



# Economic Development

## New Economy

The New Economy is based on innovations that disrupt established business models. Artificial intelligence, internet-of-things, analytics are changing the way we deal with our lives, to take advantage of this following proposals are made :-

- Issue a policy to enable private sector to build Data Centre parks throughout the country.
- All the “**public institutions**” at Gram Panchayat level such as Anganwadis, health & wellness centers, Govt. schools, police stations will be provided with digital connectivity. Fiber to the home (FTTH) connectivity through Bharatnet will link 100,000 gram Panchayats this year,
- It is proposed to provide Rs.6,000 crore (~USD 857 million) to Bharatnet programme.
- National Mission on Quantum Technologies and applications with an outlay of Rs.8,000 crore (~USD 1.14 billion) proposed.
- Scaling up of Technology Clusters harboring test beds and small scale manufacturing facilities



# Caring Society

## Women & Child, Social Welfare

- Higher enrollment of girl child in elementary, secondary and senior secondary levels.
- More than 600,000 anganwadi workers equipped with smart phones to update nutrition statuses of women under the scheme of Poshan Abhiyan
- Appointing of task force to monitor and lower the MMR and improvement of nutritional levels and further providing Rs. 35,600 crore (~USD 5 billion) for nutrition related programmes.
- A budget provision for SCs and OBCs for about Rs. 85,000 crores (~USD 12 billion) and Rs. 53,700 (~USD 7.7 billion) for STs.
- An enhanced allocation of funds to senior citizen of about Rs. 9,500 crores (~USD 1.35 billion).

## Environmental & Climate Change

- For a better adaptation to climate change and developing a better disaster resilient infrastructure, Coalition for Disaster Resilient Infrastructure (CDRI) has been launched in view to address Sustainable Development Goals (SDGs).
- Setting up parameters and to ensure cleaner air in states with a population above 1 million with an outlay of Rs. 4,400 crore (~USD 628 million) in 2020-21.



# Caring Society

## Culture & Tourism

- Government is proposing to establish an Indian Institute of Heritage and Conservation under Ministry of Culture
- Five archaeological sites would be developed as iconic sites with on-site Museums. They are: Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shivsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu).
- Government shall support setting up of a Tribal Museum in Ranchi (Jharkhand) and four more museum across the country shall be taken for renovation to offer class of experience to visitors
- A maritime museum would be set up at Lothal- the Harrapan age maritime site near Ahmedabad, by Ministry of Shipping . Ministry of culture shall be provided Rs.3,150 crore (~USD 450 million) for 2020-21
- India has moved up from rank 65 in 2014 to rank 34 in 2019 in the Travel & Tourism Competitive Index (World Economic Forum).
- Foreign exchange earnings grew 7.4% from 1.75 lakh crore (~USD 25 billion) to the 1.88 lakh crore (~USD 27 billion) for the period January to November 2019 .
- For the purpose of Tourism promotion, Rs.2,500 crore (~USD 357 million) for 2020-21 is proposed



## Financial Markets

- Fully opening of certain government securities to non- resident investors.
- Increasing the limit of FPI from 9% to 15% of the outstanding stock of corporate bonds.
- Further issuing Debt-Based Exchange Traded Fund (ETF) primarily consisting of government securities.
- Introduction of a Partial Credit Guarantee Scheme for NBFCs for a view to address the liquidity issues.

## Infrastructure Planning

- Apart from Rs. 103 Lakh crore (~USD 1.47 Trillion) in pipeline infrastructure, another Rs.22,000 crore (~USD 3.14 Billion) has also been provided to help in equity support to Infrastructure Finance Companies.
- GIFT City shall be approved to set up a International Bullion Exchange in GIFT-IFSC for global participants to enhance India's position worldwide and increase employment.
- Various Rupee derivatives will be traded, being approve by the government and RBI altogether.



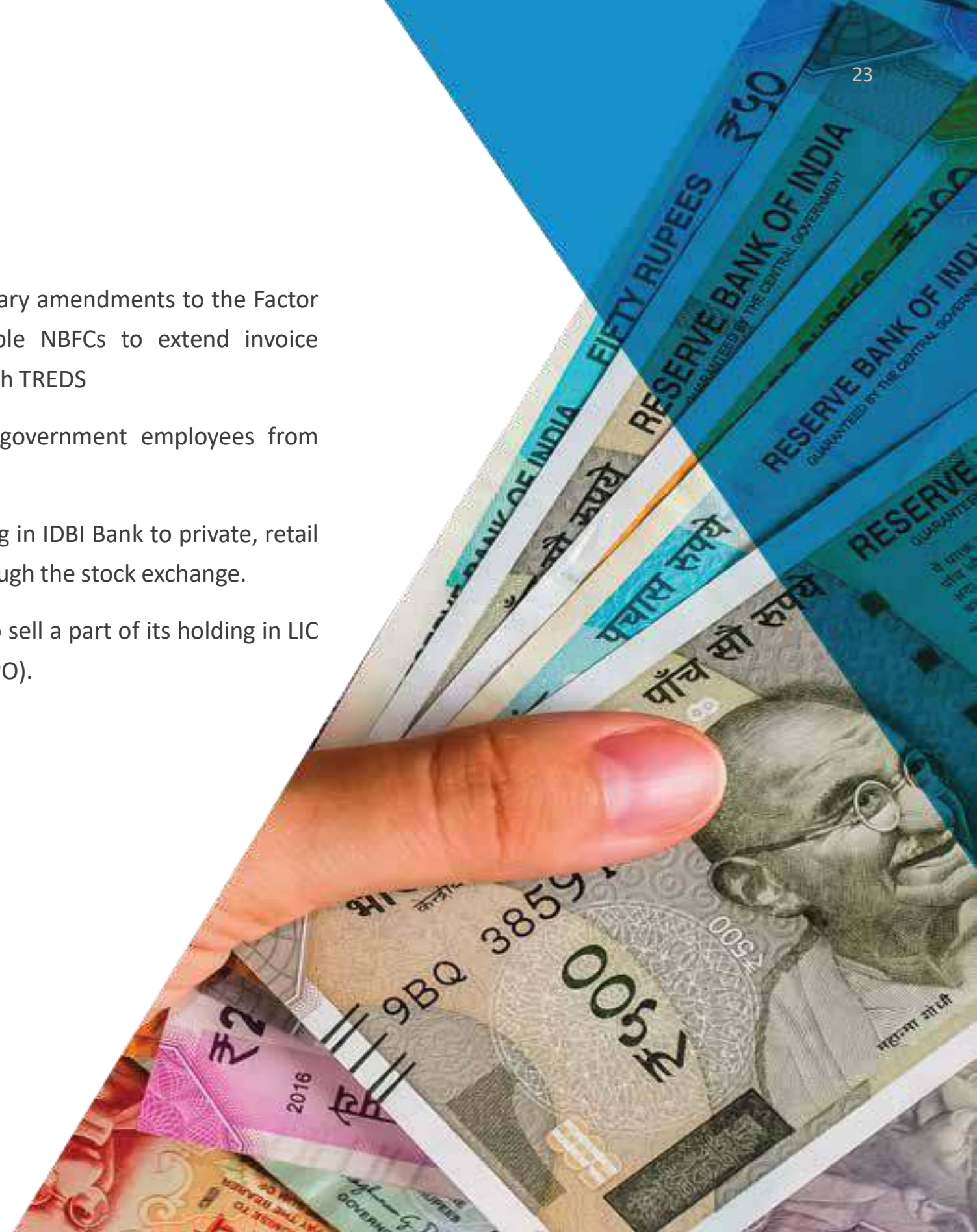
# Fiscal Management

- Revised Estimates of Expenditure for the Financial Year 2019-20 are at a level of 26.99 lakh Crore and the receipts are estimated at 19.32 lakh crore (~USD 276 billion).
- Estimated nominal growth of GDP for year 2020-21, on the basis of trends available, at 10%. Accordingly, receipts for the year 2020-21 are estimated at 22.46 lakh crore (~USD 321 billion) and level of expenditure has been kept at 30.42 lakh crore (~USD 435 billion) considering the commitments of the Government towards various schemes and need for improvement in quality of life.
- Estimate a fiscal deficit of 3.8% in RE 2019-20 and 3.5% for BE 2020-21. This estimation is consistent with Government's abiding commitment to macroeconomic stability. It comprises of,
  - 3.3% for year 2019-20, and 3% for the 2020-21 budget estimate;
  - Section 4 (2) of the FRBM Act provides for a trigger mechanism for a deviation from the estimated fiscal deficit on account of structural reforms in the economy with unanticipated fiscal implications. Therefore, a deviation of 0.5%, consistent with Section 4(3) of FRBM Act, both for RE 2019-20 and BE 2020-21.
- Borrowings for the financial year 2020-21 would go towards Capital expenditure that has been scaled up by more than 21%. Another about 22,000 crore (~ USD 3.14 billion) have been allocated for equity to fund certain specified infrastructure finance companies.



# Financial Sector & Disinvestment

- Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, which is now `1 lakh (~USD 1,428) to `5 lakh (~USD 7,143) per depositor.
- Amendments to the Banking Regulation Act are proposed to strengthen the Cooperative Banks for increasing professionalism, improving governance and oversight for sound banking through RBI.
- The limit for NBFC's to be eligible for debt recovery under the Securitization and Reconstruction of Financial Assets and
- 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 (~USD 714 million) to asset size of 100 crore (~USD 143 million) or loan size from existing 1 crore (~USD 142,857) to 50 lakh (~USD 71,429).
- It is proposed to make necessary amendments to the Factor Regulation Act 2011 to enable NBFCs to extend invoice financing to the MSMEs through TREDIS
- Separation of NPS Trust for government employees from PFRDAI.
- Proposal to sell balance holding in IDBI Bank to private, retail and institutional investors through the stock exchange.
- Proposal by the government to sell a part of its holding in LIC by way of Initial Public Offer (IPO).



# Tax Proposals

# Income Tax

## Direct Tax Rates

### Tax incentive for Resident Co-operative Society:

Section 115BAD is proposed to be inserted to the effect that Resident co-operative society can opt for Concessional tax rate of 22% subject to fulfilment of certain conditions listed below:

- No deduction shall be available on account of additional depreciation (Section 32(1)(iia)), 10AA, 32AD,33AB,33ABA,35(1)(ii),35(1)(iia),35(1)(iii),35(2A A),35AD,35CCC or provisions of chapter VI-A. However, depreciation under section 32 (other than additional depreciation u/s 32(1)(iia)) can be claimed.
- No setoff of any loss being carried forward or depreciation which is attributable due to deductions referred to in (a) above.

Further, where depreciation allowance in respect of block of asset has not been claimed in full before FY 2020-21, the corresponding adjustment shall be made to WDV of block of asset as on 1st April 2020, if the option is exercised. . However, the loss and depreciation

referred in (b) shall be deemed to be claimed full and no further deductions shall be allowed for the same. Few other points:

- For availing such concessional rate, the co-operative society shall have to file the return of income on or before due date in the manner as prescribed in section 139(1) and once such option shall be exercised, it cannot be withdrawn in any subsequent years.
- Surcharge shall be applicable at the rate of 10%.
- However, if the society has a unit in IFSC, then all deduction u/s 80LA shall be available subject to the fulfilment of condition specified in section 80LA.
- Section 115JC has been amended, wherein provisions related to Alternate Minimum Tax (AMT) shall not be applicable to such a co-operative society and Section 115JD is also being amended and the provisions related to carry forward and set off of such AMT credit shall not be applicable to co-operative society. This amendment shall be applicable from the FY 2020-21 onwards.

### Alternate Tax Regime for Individual and HUF

Section 115BAC (New Regime) has been introduced which provides option to individual and HUF taxpayers to opt for new tax slab rates subject to certain conditions. The applicable slabs are-

Total Income	Tax rate
Upto 250,000	Nil
From 2,50,001 to 5,00,000	5%
From 5,00,001 to 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%

- **Individual or HUF having no business income** - Can exercise option to pay tax according to new or old regime every financial year while filling the return U/S 139(1)
- **Individual or HUF having business income** - Can exercise the option to pay tax as per new or old tax regime, once opted it OLD or NEW regime the same has to be followed for all subsequent year,

# Income Tax

## Direct Tax Rates

Although the option opted in previous year can be withdrawn only once and once withdrawn shall not be allowed to opt again in future years except when the business is ceased. Individual or HUF having business can opt any option before the due dates of filing the return U/S 139(1).

- Individual or HUF who wish to pay the tax under new regime U/S 115 BAC, their total income shall be computed :
  - Without claiming any exemption or deduction under clauses (5)/(13A)/(14)/(17)/(32) of section 10 or section 10AA or section 16 or section 24, section 32(1)(iia), section 32AD, section 33AB, section 33ABA, section 35(1)(ii)/(iia)/(iii), section 35(2AA), section 35AD, section 35CCC, section 57(iia), under provision of Chapter VI-A, except 80CCD(2) and section 80JJAA.
  - Without set off of any loss. (carried forward or depreciation from earlier AY if such losses is attributable to any deductions mentioned above.

Or under house property with any other head of income)

Without any deduction or exemption for allowances or perquisite.

Without claiming any depreciation.(All Depreciation shall be deemed to have been given effect)

- Deduction of section 80LA is allowed to individual or HUF, only If they have a unit in International Financial Services Centre subject to certain conditions.
- Section 115JC has been amended so that provisions of AMT are no longer applicable to Individual or HUF having business income.
- Only the following allowances are allowed as deduction in new regime.
  - Transport allowance granted to handicapped employee.
  - Conveyance allowance.
  - Any allowance granted to meet cost of travel and Tour for office purpose.
  - Daily allowance to meet ordinary daily expenses incurred by employee on account of absence from normal duty.

- Rule 3 of income tax rules has been amended to remove exemption of Free food and beverage vouchers provided to employee.

- Conditions Listed Above shall mean that the employee shall not be eligible for below Exemptions/Deductions (Not Exhaustive):

- Leave Travel Allowance.
- House Rent Allowance
- Allowances given to MP/MLA's
- Interest on Housing Loan be it vacant, self-occupied or Let Out.
- Standard Deduction of INR 50000
- Deductions under chapter VI-A like 80C, 80CCC, 80CCD,80D,80DD,80DDB,80G,80GG etc.
- Various Donations and Scientific Research expenditure benefit.
- The Above amendment shall be effective from FY 2020-21 onwards

# Income Tax

## Direct Tax Rates

### **Amendment in Section 115BAA AND 115BAB:**

Section 115BAA and section 115BAB have been amended to provide that the domestic companies shall not be allowed to claim any deduction under Chapter VI-A other than Section 80JJAA and Section 80M. The amendment shall be applicable from FY 2019-20 onwards.

### **Withdrawal of Exemption for certain Public Servants**

Section 10(45) of the IT Act and Section 8 of the Election Commission Election Commission (Conditions of Service of Election Commissioners and Transaction of Business) Act, 1991 to provides removal of exemption of certain allowances and perquisites paid to serving/retired Chairman or Members of UPSC, Supreme Court Judges, Chief Election Commissioner and other Election Commissioners. The amendment shall be applicable from FY 2020-21 onwards.

# Income Tax

## Tax Incentives

### **Exemption in respect of certain income of wholly owned subsidiary of Abu Dhabi investment and sovereign wealth fund**

New clause has been proposed in Section 10 in order to promote investment in India by Sovereign Wealth Fund, including the wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA), to provide exemption to such fund for any income received in the nature of dividend, interest or long term capital gain arising from investment made 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 mentioned in section 80-IA (4). The investment has to be made on or before 31st March 2024 and the investment has to be held for at least 3 years. The amendment shall be effective from FY 2020-21 onwards.

### **Exemption in respect of certain income of Indian Strategic Petroleum Reserves Limited.**

A new clause has been proposed in Section 10 of IT Act 1961, to provide exemption to Indian Strategic Petroleum Reserves Limited, being wholly owned subsidiary of Oil Industry Development board under Ministry of Petroleum and Natural Gas. Income derived from replenishment of crude oil stored in storage facility provided that the crude oil is replenished in the storage facility within three years from the end of Financial year in which the crude oil was removed from the storage facility for the first time. The amendment shall be effective from FY 2019-20 onwards.

### **Rationalization of provisions of start-ups**

Section 80-IAC is proposed to be amended to provide deduction of 100% of income of an eligible start-up for the period of 3 consecutive Assessment Year out of 10 Assessment years instead of 7 Assessment years under the existing provision currently, beginning from the year in which it is incorporated.

The eligibility criteria of startups for the purposes of section 80-IAC has been increased to Rs. 100 crore (~USD 14.3 million) of turnover from the present Rs. 25 crore (~USD 3.6 million). The amendment shall be effective from FY 2020-21 onwards.

# Income Tax

## Tax Incentives

### Extending time limit for approval of affordable housing project for availing deduction under section 80-IBA

Section 80-IBA, provides a deduction of an amount equal to 100% of profits and Gains derived from business of developing and building affordable housing projects provided that the project has been approved by competent authority between 1st June 2016 to 30th March 2020.

It has been proposed to extend the deduction to the projects approved up to 31st March 2021

### Extending time limit for sanctioning of loan for affordable housing for availing deduction under section 80EEA of the Act.

It has been proposed to increase the period of loan sanctioning by financial institutions to 31st March 2021 u/s 80-EEA which provides exemption up to Rs. 1,50,000 (~USD 2,143) in respect of interest on loan taken from any financial institutions for the purpose of acquiring affordable residential house property.

### Modification in conditions for offshore funds' exemption from "business connection"

Section 9A provides that the offshore fund manager in India will not be classified as "Business Connection" in India of the fund in India subject to certain conditions. One of the condition for claiming this benefit is "the aggregate amount invested in the fund by persons who are resident in India shall not exceed 5% of total corpus fund" and monthly average of the corpus of the fund shall not be less than 100 crore (~USD 14.3 million) at the end a period of six months from the last day of the month in which it is established or the end of such previous year, whichever is later.

In order to ease the above mentioned 2 conditions, it is proposed that

- The Investment made by eligible fund manager (directly or Indirectly) for the first 3 years up to INR 25 crore (~USD 3.6 million) shall not accounted for the purpose of calculation of the aggregate participation or investment in the fund, directly or indirectly, by Indian resident
- If the fund has been established in a financial year, the condition for monthly average of the corpus fund to be at least 100 crores (~USD 14.3 million) shall be fulfilled within 12 months from the last day of the month in which fund is established/incorporated.

The amendment shall be effective from FY 2019-20 onwards

# Income Tax

## Removing Difficulties Faced by Taxpayers

### **Amendment in Section 43CA, 50C & 56 of the Act by increasing safe harbor rule from 5% to 10%**

Under section 43CA and 50C of the IT Act, where the consideration declared to be received or accrued as a result of transfer of land and building is less than value adopted by stamp valuation authority, then the value so adopted shall be deemed to be full value of consideration for the purpose of computing profit and loss u/s 43CA and for computing capital gain u/s 48. However, if the stamp duty value does not exceed 105% of the consideration received, in that case the actual sale proceeds shall be taken as full value of consideration, in the Budget the limit of 105% has been increased to 110% giving a total margin of 10%.

Also, section 56 (2)(x) provides that where any person receives any immovable property for a consideration which is less than the stamp duty value ('SDV') of the property by an amount exceeding Rs. 50,000 (~USD 714), then the SDV of such property, exceeding such consideration shall be charged to tax under the head "income from other sources". It is also provided that if the SDV of property exceeds 5% of the consideration or Rs. 50,000, whichever is higher, then the SDV exceeding such consideration shall be chargeable to tax. It has been proposed in the budget to increase the above limit of 5% to 10%. The amendment shall be effected from FY 2020-21 onwards.

### **Amendment in Section 35AD**

Section 35AD provides that the taxpayer shall be eligible for 100% deduction on capital expenditure (other than expenditure on land, goodwill and financial assets) on certain specified businesses. It has also been provided that no deduction in respect of such expenditure shall be allowed in any other section if the deduction u/s 35AD has been taken.

It has been proposed to amend section 35AD to make above-mentioned deduction optional and also proposed that no deduction will be allowed in respect of above expenditure in any other section in any previous year or under this section in any other previous year, if such deduction has already been claimed in section 35AD. The provisions applied in the amended section shall be effected from FY 2019-20 onwards.

# Income Tax

## Removing Difficulties Faced by Taxpayers

### Amendment in Section 115A

Now it has been proposed to amend Section 115A such that non-resident shall not be required to file income tax return even if the total income consist of royalty or FTS income and TDS has already been deducted. The amendment in said section shall be applicable from FY 2019-20.

### Modification of the definition of “business trust”

Business trust is defined under section 2(13A) of the Act, which provides that the units of trust should be listed on recognized stock exchange in accordance with the relevant regulations. It is proposed to amend clause (13A) of section 2 so as to remove the requirement of mandatory listing of units of business trust on recognized stock exchange, in order to give same status to private unlisted investment trust as public listed investment trust. The amendment shall apply from FY 2020-21 onwards.

### Deferring TDS or tax payment in respect of income pertaining to ESOPs of eligible start- ups

ESOP’s are currently taxed as a perquisite under salary at the time of exercise and capital gain at the time of sale.

It has been proposed to insert subsection (1C) in section 192 wherein an eligible start-up referred to in section 80-IAC shall be responsible to deduct or pay tax on such perquisite at rates in force of the FY in which the said specified security or sweat equity share is allotted or transferred within 14 days -

- i. after the expiry of 48 months from the end of the relevant AY; 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 earlier.

The amendment shall apply from 1st April 2020.

# Income Tax

## Removing Difficulties Faced by Taxpayers

### **Excluding interest paid or payable to Permanent Establishment of a non-resident Bank for the purpose of disallowance of interest under section 94B**

It is 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. These amendments will take effect from FY 2020-21 onwards.

Section 94B of the IT Act provides that deductible interest or similar expenses exceeding Rs. 1 crores (~USD 0.14 million) of an Indian company, or a permanent establishment of a foreign company, paid to the Associated 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.

### **Allowing carry forward of losses or depreciation in certain amalgamations.**

In order to ease the issues faced by Amalgamated public sector banks and public sector general insurance companies, the benefit of section 72AA is extended to amalgamation of;

- one or more corresponding new bank or banks with any other corresponding new bank under a scheme brought into force by the Central Government under section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or under section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, or both, as the case may be, or
- One or more Government company or companies with any other Government company under a scheme sanctioned and brought into force by the Central Government under section 16 of the General Insurance Business (Nationalization) Act, 1972.

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.

This amended shall take effect from FY 2019-20 onwards.

# Income Tax

## Measures to Provide Tax Certainty

### **Allowing deduction for amount disallowed under section 43B, to insurance companies on payment basis- Addition of proviso after clause (c) of Rule 5 of the First Schedule of the Act:**

Rule 5 of the of the First Schedule of the Act provides for the computation of the profits and gains of insurance business other than Life Insurance business. As per clause (a) of Rule 5, any expenditure debited to the profit and loss account which is not admissible under the provisions of sections 30 to 43B shall be added back but there was no specific provision to allow deduction for any payment of certain expenses specified in section 43B if they are paid in subsequent previous year. Therefore, it is proposed insert a proviso after clause (c) of the said rule 5 to allow the deduction of the amount, added back under section 43B, in the previous year in which such sum is actually paid. The amendment shall apply from FY 2019-20 onwards.

### **Reducing the rate of TDS on fees for technical services (other than professional services) to 2%**

It is proposed to reduce the rate for TDS u/s 194J in case of fees for technical services (other than professional services) to 2% from existing 10%. The TDS rate in other cases under section 194J would remain same at 10%. The amendment shall apply from 1st April, 2020.

### **Amendment in Section 92CB and 92CC**

It is proposed to amend section 92CB and section 92CC of the Act to cover determination of attribution to PE of a non-resident as per clause (i) of sub-section (1) of section 9 of the Act in accordance with rule 10 of the Rules within the scope of Safe Harbour Rules and Advanced Pricing Agreement. The Safe Harbour Provisions u/s 92CB will apply from FY 2019-20 onwards and the Advance Pricing Agreement provisions u/s 92CC shall be applicable from 1st April 2020.

# Income Tax

## Widening and Deepening of Tax Base

### Enlarging the scope for tax deduction on interest income:

As per clause (v) of sub-section (3) of Section 194A, co-operative society (other than co-operative bank) is not liable to deduct TDS on income credited or paid to the members or any other co-operative society. Clause (viiia) provides that no TDS shall be deducted on the income paid in respect of deposits with a co-operative society (other than co-operative bank). It is proposed to amend sub-section (3) and insert proviso that income tax shall be deducted if:

- the total sales, gross receipts or turnover of the co-operative society exceeds INR 50 Crore (~USD 7 million) during the FY immediately preceding the FY in which the interest is credited or paid;
- the amount of interest, credited or paid, or is likely to be credited or paid, during the FY is more than INR 50,000 (~USD 714) in case of payee being a senior citizen and INR 40,000 (~USD 571), in any other case.

The amendment shall apply from 1st April, 2020.

### Widening the scope of TDS on E-commerce transactions

It is proposed to insert a new section 194-O to provide that e-commerce operator shall deduct TDS at the rate of 1% on gross amount of sale of goods or provision of service facilitated by it through its digital or electronic facility or platform. Other key points:

- E-commerce operator shall deduct TDS at the time of credit to the account of e-commerce participant (person selling goods or service through electronic platform) or payment to such participant, whichever is earlier.
- The amount paid by the purchaser of goods/services directly to the e-commerce participant shall be included in the gross amount on which TDS has to be deducted by the e-commerce operator.
- TDS shall not be deducted if the gross amount of sales of individual or HUF, through e-commerce operator, does not exceed 5 Lakh rupees during the previous year and PAN/Aadhaar number has been furnished by electronic participant. However, such exemption would not apply on transactions which are not in connection with sale of goods/services.
- No other TDS provisions shall be applicable to transactions on which TDS has been deducted or exempted as per this section.
- Accordingly, amendments are being proposed in section 197 (Certificate for deduction at lower rate), in section 204 (to define person responsible for paying any sum) and in section 206AA (to provide for tax deduction at 5 per cent in non-PAN/ Aadhaar cases).
- The amendment shall apply from 1st April, 2020.

# Income Tax

## Widening and Deepening of Tax Base

### Widening the scope of Section 206C:

It is proposed to amend section 206C to levy TCS on following transactions:

- Overseas Remittance and sale of overseas tour package:
  - An authorized dealer, as defined under FEMA Act, 1999, shall be liable to collect TCS @ 5% if it receives an aggregate amount in excess of 7 Lakh rupees from a buyer in a financial year for remittance out of India under the LRS scheme.
  - Seller of an overseas tour program package receives any amount from any person for such package, shall be liable to collect TCS at the rate of 5%.
  - In non-PAN/ Aadhaar cases the rate shall be 10%.

- Sale of goods above specified limit:
  - Seller of goods, who receives consideration for sale of any goods (other than already provided in this section) of the value or aggregate of such value exceeding 50 lakh rupees in any previous year, shall be liable to collect TCS @ 0.1% on amount exceeding 50 Lakh rupees.
  - Total sales, gross receipts or turnover from the business carried on by the seller should exceed 10 crore rupees during the immediately preceding financial year.

The above TCS provisions shall not apply if the buyer is:

- Liable to deduct TDS or the seller is liable to collect TCS under any other provisions of the Act and TDS has been deducted.
- the Central Government, a State Government, 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 notified by the Central Government in the Official Gazette for this purpose subject to such conditions as specified in that notification.

The amendment shall apply from 1st April, 2020.

# Income Tax

## Revenue Mobilization Measures

### Capping of Employer contribution

Section 17 is proposed to be amended to provide for a combined limit for the purpose of deduction on the amount of contribution made by employer in Nation Pension Scheme (NPS), Recognized Provident fund and Superannuation Fund. The deduction for these contributions shall not exceed INR 7,50,000 (~USD 10,714). The accretion in the form of interest, dividend, etc. on such contribution shall also be taxable.

### Widening the scope of Commodity Transaction Tax (CTT)

Section 117 of the Finance Act, 2013, Commodity Transaction Tax on several Commodities transactions is proposed to be amended as provided below. The amendment shall be effective from 1st April, 2020.

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

# Income Tax

## Improving Effectiveness of Tax Administration

### Modification of E-assessment scheme

It is proposed that the provision of Section 143(3A) to include Best Judgement Assessment as well within the ambit of E-Assessment Scheme.

Further, the power of Central Government to issue any directions with regard to E-Assessment Scheme has been further extended to 31st March 2022. The amendment shall be effective from 1st April, 2020.

### Amendment in Dispute resolution Panel (DRP)

It is proposed to enlarge the scope of Section 144C to include all cases where any variation prejudicial to the assessee is sought to be made during the assessment.

Further, the definition of eligible assessee is also sought to be amended to include all non-residents along with foreign company. The amendment shall be effective from 1st April, 2020.

### Provision for E-Appeal

It is proposed to insert sub-section (6A) in section 250 which allows the Central Government to introduce a scheme for E-Appeal so as to impart greater efficiency, transparency and accountability and to remove human interface.

The Central Government is empowered to issue any directions in this regard till 31st March, 2022. The amendment shall be effective from 1st April, 2020.

# Income Tax

## Improving Effectiveness of Tax Administration

### Providing check on survey operations under section 133A of the Act

As per provisions of section 133A of the Act, an income-tax authority as defined therein is empowered to conduct survey at the business premises of the assessee under his jurisdiction. To prevent the possible misuse of such powers, It is proposed to substitute the proviso to sub-section (6) of section 133A to provide that in a case where the information has been received from the prescribed authority and in any other case, 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.

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

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

As per section 254 of IT Act 1961, first proviso provides that the ITAT may order stay for a maximum period of 180 days and second proviso prescribes that if appeal is not disposed of, ITAT on satisfaction that delay is not due to assessee may extend the stay for further period of time, however the stay cannot exceed the 365 days.

It has been proposed that ITAT may grant stay of order on the condition that the assessee deposits not less than 20% of amount of tax, interest, fee, penalty or any other sum.

Further, it has been proposed that on application of assessee a further stay can be granted only if the delay in not disposing of the appeal is not due to assessee and the assessee has deposited not less than 20% of the amount of tax, interest, fee, penalty or any other sum.

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

### Provision for E-Penalty

A new section is inserted in Section 274 of the Income Tax Act, So the Central Government may notify an E-Scheme in order to give efficiency, transparency and accountability by:

- Removing the interface between the Assessing officer and the assessee.
- Optimising utilisation of the resources.
- Introducing a mechanism for imposing of penalty with dynamic jurisdiction which penalty shall be imposed by one or more income-tax authorities.

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

# Income Tax

## Improving Effectiveness of Tax Administration

### Insertion of Taxpayer's Charter in the Act

CBDT has been empowered to adopt and declare a Taxpayer's Charter and issue orders, directions to Income-Tax authorities as it may deem fit for the administration of Charter. Therefore now the Taxpayer's Charter has been codified in the Act.

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

# Income Tax

## Preventing Tax Abuse

### Modification of residency provisions

Explanation to Section 6(1) provides that an Indian citizen or a Person of Indian Origin ('PIO') who has left India but visits occasionally shall be considered Indian resident if he is in India for 182 days instead of 60 days in that year as mentioned in clause b. Now, it is proposed that the said time limit of 182 days shall be reduced to 120 days.

Further, for treating residents as not ordinary residents, only one condition has been introduced i.e. the 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 7 out of 10 PYs preceding that year.

To stop Indians from managing their residency to avoid payment of taxes in any country including India, it is proposed that an Indian citizen who is not liable to tax in any other country or territory, owing to residency or domicile or similar criteria, shall be deemed to be resident in India.

These amendments will take effect from FY 2020-21

### Amending definition of "work" in section 194C

Clause (iv) of the Explanation of the section 194C defines "work". Sub-clause (e) of this definition excludes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer.

It is proposed to amend the definition of "work" under section 194C to include raw material provided by the assessee or its associate in a contract manufacturing,

This amendment will take effect from 1st April 2020.

### Penalty for fake invoice

If it is found during any proceeding under the Act that in the books of accounts maintained by the assessee, 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, penalty would be levied which shall be equal to the aggregate amount of false entries or omitted entry. It is also proposed 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 is 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.

# Income Tax

## Rationalization of Provisions of the Act

### Aligning purpose of entering into Double Taxation Avoidance Agreements ('DTAA') with Multilateral Instrument ('MLI')

Provisions of section 90 and section 90A are proposed to be amended to align with the preamble of MLI i.e. tax treaties may be entered into by the Government without creating any opportunities for non-taxation or reduced taxation (including through treaty shopping, tax evasion or avoidance which indirectly benefits residents of any other country).

The amendment shall apply from FY 2020-21 onwards.

### Deferring Significant Economic Presence (SEP) proposal and other proposals.

Discussion is still going on in OECD BEPS project regarding digital economy. It is proposed to defer the current SEP provisions from AY 2022-23 and therefore new provisions related to SEP will take effect from 1<sup>st</sup> April 2021

Also, as per the ongoing discussions 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 include following incomes attributable to business operations in India

- i. 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; and
- 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.;

The amendment will take effect from 1st April 2021 and accordingly the provisions will apply from FY 2021-22.

# Income Tax

## Rationalization of Provisions of the Act

### Aligning exemption from taxability of Foreign Portfolio Investors (FPIs) and other amendments in Section 9

The Indirect transfer provisions excludes Category I and Category II AIFs from its purview. However, after when the SEBI has consolidated 3 categories of AIFs into 2, amendment are being proposed in Section 9 to the effect that only Category I funds shall now be eligible for exemption under Indirect transfer provisions. The erstwhile investment in Category I and Category II shall be grandfathered.

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.

These amendments will take effect from FY 2019-20 onwards.

It is further proposed to amend section 295 to empower the Board for making rules to provide for the rules relating to manner and 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.

The amendment at clause i. will take effect from FY 2020-21 onwards and for clause ii. will take effect from FY 2021-22 onwards.

# Income Tax

## Rationalization of Provisions of the Act

### Rationalization of provision relating to Form 26AS

The scope of Form 26AS is proposed to be widened wherein it may not only contain the information about tax collected or deducted at source, but information about certain other transactions as well which may enable the taxpayers and the Income tax department as well to access the information to file the tax return and reconciliation of disclosed income with the information contained in Form 26AS. Consequently, section 203AA is proposed to be deleted and a new provision Section 285BB shall be inserted in this regard.

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

### Rationalization of the provisions of section 49 and clause (42A) of section 2 of the Act in respect of Segregated Portfolios

In line with the allowance by SEBI to Mutual funds to segregate the portfolio (popularly called side pocketing) for the debt instruments in default, suitable amendments are being made to provide that the period of holding of such side pocketed units will also include the period when the original units were held in main portfolio by the assessee and the cost of segregated units shall be derived proportionately from the NAV of the asset transferred in segregated portfolio to the NAV of the total portfolio just before such segregation. Accordingly, the cost of the original units shall also be suitably reduced.

These amendments will take effect from FY 2019-20 onwards.

# Income Tax

## Rationalization of Provisions of the Act

### Amendment to allow verification of the return of income and appearance of authorized representative

Section 140 is proposed to be amended to allow any other prescribed person apart from director/partner, etc to verify the tax return of a company/LLP.

Similarly, Section 288 is also being amended to specifically designate Insolvency Professional as the authorized representative.

### Removing dividend distribution tax (DDT) and moving to classical system of taxing dividend in the hands of shareholders/unit holders

In the existing regime, the companies are liable to pay DDT @ 20.56% on the distributed dividends. It is now proposed that domestic company or specified company or mutual funds are not required to pay any DDT and the dividend income shall be taxed in the hands of the shareholders /unit holders.

It is also proposed to provide that the deduction for expense under against dividend income shall be allowed up to a maximum of 20 per cent of the dividend income. Several consequent amendments are listed below -

- a) Old Provisions of Section 115-O shall be applicable for the dividends declared till 31st March 2020.
- b) Provisions of clause (34 & 35) of section 10 i.e. exemption of dividend/Income on units in the hands of shareholder/Unit Holder shall not be applicable starting 1st April 2020.
- c) All dividends received or receivable by business trust from a special purpose vehicle is exempt income under clause (23FC) of Section 10
- d) The distributed income of the nature as referred to in clause (23FC) or clause (23FCA) of section 10 shall be deemed to be income of the unit holder and shall be charged to tax.
- e) Reference of section 115-O dividend income removed from various sections like section 57, section 115A, section 115AC, section 115ACA, section 115AD and section 115C.
- f) Mutual fund no longer required to pay additional tax as opening line of clause (23D) of section 10 removed
- g) Section 80M inserted which reduces replaces the cascading effect.
- h) Section 115BBDA is amended to the effect that full dividend declared, distributed or paid by a domestic company shall be taxed in the hands of shareholder.
- i) Section 194 is amended to include dividend for tax deduction and TDS would be liable to be deducted if Dividend is in excess of INR 5,000.
- j) U/s 194LBA tax deduction by business trust on dividend income paid to unit holder, shall be 10% for resident and for non-resident it would be 5% for interest and 10% for dividend.
- k) Insert of new provision Section 194k to provide deduction of TDS on income from Mutual Funds @ 10%.

# Income Tax

## Rationalization of Provisions of the Act

### **Rationalization of provisions of section 55 of the Act to compute cost of acquisition**

It is proposed to rationalise the provision of section 55 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.

These amendments will take effect from FY 2020-21 onwards.

### **Rationalization of provisions relating to trust, institution and funds**

New procedure to make the registration process of charitable trusts simple shall be introduced from 1<sup>st</sup> June, 2020.

Government approved authorities, trusts etc shall now also be eligible to as well take registration under Section 10(23) and 10(46).

# Income Tax

## Rationalization of Provisions of the Act

### Filing of statement of donation by donee to cross-check claim of donation by donor

Entities receiving donation/ sum shall be required to furnish a statement and to issue a certificate to the donors and the claim for deduction to the donor shall be allowed on that basis only.

In order to ensure proper filing of the statement, levy of a fee and penalty may also be provided in cases where there is failure to furnish the statement and relevant amendment has been made in the provisions U/S 10, 12AA, 80G, 80GGA with cash Donations restricted to only INR 2,000 only.

These amendments will take effect from 1<sup>st</sup> June, 2020

### Rationalization of provisions relating to tax audit in certain cases

- The threshold limit for tax audit is being revised from 1 crore (~USD 142,857) rupees to 5 crore rupees (~USD 714,286) for business where the receipts and payment in cash do not exceed 5% of all receipts or payment.
- The due date for filling return under sub section(1) of section 139 is proposed to be amended providing 31<sup>st</sup> October of the assessment year (as against 30<sup>th</sup> September) as the due date for an assessee.
- It is also proposed to remove the distinction between a working and a non-working partner of a firm with respect to the due date as mentioned above..
- It is proposed to amend 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.
- These amendments will take effect from 1st April 2020.

# Benami Property Transactions Act, 1988

- Expanding the eligibility criteria for appointment of member of Adjudicating Authority under the Prohibition of Benami Property Transaction Act, 1988.
- Section 9 of the PBPT Act, proposed to amend so as to provide that a person who is qualified for appointment as District Judge shall also be eligible for the appointment as a Member of the Adjudicating Authority.
- This amendment will take effect from 1st April, 2020

# Goods & Services Tax

- Retrospective exemption has been provided for levy of GST in respect of supply of fishmeal classified under heading 2301 from 1st July 2017 to 30th September 2019.
- GST is leviable @ 12% in respect of supply of pulley, wheels or other parts and used as parts of agricultural machinery for the period 1st July 2017 to 30th September 2019.
- Retrospective effect from 1st July 2017 to notification issued under clause (ii) of proviso to Section 54 (3) of the CGST Act for imposing restriction on refund on tobacco products under inverted duty structure.
- Proviso to Section 172(1) of the CGST Act has been amended to provide that removal of difficulty order can now be issued for the period up to 5 years from the commencement of the CGST Act
- Section 140 of the CGST Act has been amended retrospectively to provide powers to prescribe time limit and the manner for transitional provisions.
- Section 132 of the CGST Act has been amended to provide that whoever commits or causes to commit and retain the benefits arising out of the offences specified therein shall be punishable with imprisonment specified under the said Section.
- Sub-section 1A to Section 122 of the CGST Act has been inserted to provide that any person who retains the benefit of a transaction covered under clauses (i), (ii), (vii) or (ix) of Section 122(1) of the Act and at whose instance such transaction is conducted shall be liable to 100% amount of penalty.
- Section 109 of the CGST Act has been amended to provide that state bench of appellate tribunal can now be set up in Jammu & Kashmir also.
- Section 51 (4) of the CGST Act has been amended to dispense with late fees charged on delay in issuance of TDS certificates.
- Section 51(3) of the CGST Act has been amended to provide that TDS certificate shall be prescribed.

# Goods & Services Tax

- Section 31(2) of the CGST Act has been amended to empower the Government to notify time and manner of issue of invoices for specific category of persons.
- Section 30(1) of the CGST Act has been amended to provide that delay in applying for revocation of registration can be condoned for maximum 30 days by Additional Commissioner or Joint Commissioner and maximum 60 days by Commissioner.
- Section 29 of the CGST Act has been amended to provide that the proper officer can cancel voluntary registration made under Section 25(3) of the CGST Act.
- Section 16(4) of the CGST Act has been amended to provide that registered person shall not be entitled to take credit in respect of debit note after due date of furnishing return under Section 39 or for the month of September following the end of the financial year to which such debit note pertains or furnishing of annual return whichever is earlier.
- Section 10(2) of the CGST Act has been amended to impose restriction to opt for composition scheme on persons engaged in supply of services leviable to tax under GST laws, inter state outward supply of services or supply of services through e-commerce operator on which TDS is deductible.
- Definition of Union Territory under Section 2(114) of the CGST Act has been amended to include Ladakh.

# Customs Act

- Section 11(2) of the Customs Act has been amended to empower the Central Government to prohibit uncontrolled import or export of gold, silver or any other goods to prevent injury to the economy.
- A new chapter VAA (A new section 28D) relating to rules of origin under trade agreement for preferential rate of duty in the Customs Act has been introduced. The new section provides the importer to pay duty on preferential rates as determined in the trade agreement between Government of India and Government of foreign company. The proposed new section also seeks to provide certain obligation on importer and in case the provisions of the new section is not met by the importer then certain time limit is given for verification from exporting country. In case of Pending verification preferential benefit shall be suspended and goods shall be cleared only on furnishing security equal to differential duty. In certain cases, the preferential rate of tax may be denied without further verification.
- A new section 51B is being inserted so as 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. The provision for recovery of duties provided under Section 28AAA of Customs Act, 1962 are also being expanded to include such electronic credit of duties.
- A new clause (q) is inserted in the section 111 to prescribe that if goods imported on a claim of preferential rate of duty contravenes the provision of Chapter VAA or any rule made thereunder shall be confiscated.
- A new clause (i) is inserted in the subsection (2) of the section 156 to empower the Central Government to make rules for time limit, restrictions, conditions, circumstances and such other matters for carrying out provisions of Chapter VAA.
- Section 157(2) is amended to insert a new clause (j) to empower Central Government to make regulations for the manner of maintaining electronic credit ledger, conditions, restrictions and time limit thereto

# Customs Act

- An explanation is being inserted in section 28 to clarify that any notice issued under said section prior to 29th March 2018 shall continue to be governed by the provisions of section 28 notwithstanding order of any Appellate Authority, Appellate Tribunal, Court or any other law to the contrary.
- Section 28AAA has been amended as
  - Subsection 1 for the said section is amended so as to provide the recovery of duty from the person who has obtained the instrument collusion, misstatement or suppression of facts for the purpose of this act, or Foreign Trade (Development And Regulation) Act, or any other law, or any scheme of the Central Government.
- Section 8B of Customs Tariff Act is being substituted with a new section to empower the Central Government to apply safeguard measures such as imposition of a Safeguard Duty or application of a Tariff Rate Quota or any other measure that the Central Government may consider appropriate as safeguard measure, in case any article is imported into India in such increased quantities and under such conditions so as to cause or threatening to cause serious injury to domestic industry.

# Ashok Maheshwary & Associates LLP

C H A R T E R E D   A C C O U N T A N T S



## About Us

Established in 1981 and headquartered in Gurgaon, we are an accounting, tax and business consultancy firm having an international presence. We are a team of over 140 professionals operating PAN India with multiple offices across India. Our resource pool consists of Chartered Accountants, MBA's, Company Secretaries, Lawyers and Financial Management Experts having in-depth experience in providing multi-disciplinary services in a wide range of areas including: Audit & Assurance, Corporate Finance, Tax and Regulatory, Funds Advisory & Compliances, Valuations, Mergers and Acquisitions, Business set up, International tax and Transfer Pricing . We have been consistently ranked by International Tax Review for the last 4 years and our practices have received international recognition. Our partners contribute to Indian and International Media publications.

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