

# BUDGET 2020



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Hon'ble Finance Minister **Ms. Nirmala Sitharaman** presented the Union Budget 2020 of the Narendra Modi Government in the Lok Sabha on February 1st, 2020.

The Budget from income tax perspective was about launch of a new personal income tax regime, removal of deductions, reduce litigation, faceless appeals, concessional tax rate for Electricity Generation Companies, tax concession for Foreign Investments, startups to claim the deduction of 100% on its profits for 10 consecutive years having turn over up to 100 crores, reduction in corporate tax rates resulting in the lowest corporate tax rates in the world, Incomes of Charity Institutions is fully exempt from taxation, Introduction of " Vivad se Vishwas "(no dispute only trust) Scheme, Instant PAN through Aadhaar and also scrapped dividend distribution tax (DDT). Also, indirect tax included a simplified GST return, Introduction of Dynamic QR-code for consumer invoices, on the customs side, India has taken a quantum leap in the "Trading Across Border" with the ease of doing business with World bank by improving the ranks from 146 to 68.

The budget 2020 has been structured on the overall theme of **"Ease of Living "focused on 3 major themes – Aspirational India, Economic Development for all & A Caring Society**. It is focused on reviving the Indian Economy in this fiscal year through changes in Income tax slabs, taxation reforms, policy changes for Real estate sector, the resurgence of Automobile sector, encourage privatization in CPSEs, boost for MSMEs, Bank reforms, nutrition related programs and senior citizen welfare.

The Hon'ble Finance Minister begun the Part B of the Budget Speech as follows:

"Our Government has spearheaded radical fiscal measures to ensure that India's economy continues to tread the path of high growth. These are times when countries are competing with each other like never before to become the most attractive destination for doing business. Therefore, to make sure that India stays globally competitive and a favored destination for investment, we took a bold historic decision of reducing the corporate tax rate for new companies in the manufacturing sector to an unprecedented level of 15%. Similarly, for the existing companies, the rate has also been brought down to just 22%. As a result, our corporate tax rates are now amongst the lowest in the world. This will enable companies to expand their businesses and make fresh investments in the coming future. Though we will have loss of substantial revenue due to these measures in the short-run, I am certain that our economy will reap huge returns on this score in due course.

**"Surya, the Sun, collects vapour from little drops of water. So does the King. They give back copiously. They collect only for people's wellbeing." By Kalidasa "**

**“The Economic Survey 2019-20 builds on India’s aspiration of # Economy@5trillion with its theme of #Wealth Creation. Those who create wealth are India’s wealth. The Survey identifies two key pillars for furthering wealth creation in the economy – the invisible hand of markets supported by the hand of trust and makes specific suggestions for job creation and wealth generation in the economy.”**

**- Nirmala Sitharaman**

### Highlights from the Economic Survey 2019

- ❖ India's economic growth is expected to "strongly rebound" to 6-6.5 per cent in 2020-21 from 5 per cent estimated in the current fiscal.
- ❖ The Economic Survey 2019-20 has proposed India can create well-paid four crore jobs by 2025 and eight crore by 2030 by integrating “assemble in India for the world” into government’s Make in India initiative and exporting network products that can give substantial push to India’s target of becoming a \$5 trillion economy.
- ❖ In India, affordability of vegetarian 'thalis' improved more compared to non-vegetarian 'thalis' in last 13 years.
- ❖ 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.
- ❖ According to the Survey, foreign tourist arrivals to India on e-visas, which are available for 169 countries, have increased from 4.45 lakh in 2015 to 23.69 lakh in 2018 and stood at 21.75 lakh in January-October 2019, recording nearly 21 per cent year-on-year growth in the tourism sector.
- ❖ India's mineral output has witnessed a notable turnaround on account of reform measures initiated by the government.
- ❖ The Survey suggested providing ESOPs to public sector bank employees to enable them to become owners in the banks. Employee stock ownership plans (ESOPs) will incentivise the bank employees to embrace risk-taking and innovation continually.

## DIRECT TAXES

### Slab Rates for Income Tax

From the Assessment Year 2021-22 (Financial Year 2020-21), Individual and HUF tax payers have an option to opt for taxation under the new regime inserted in section 115BAC of the Act and the resident co-operative society has an option to opt for taxation under the newly inserted section 115BAD of the Act.

#### A. Individuals Resident (< 60Years), HUF, AOP, BOI & Artificial Juridical Person – under the old regime

Income	Rate of Tax
Up to ₹ 2,50,000	NIL
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 10,00,000	20% + ₹ 12,500/-
Above ₹ 10,00,000	30% + ₹ 1,12,500/-

#### B. Individuals Resident (Senior and Super Senior Citizens) – under the old regime

Income	Above 60 and below 80 years	Above 80 years
Up to ₹ 3,00,000	Nil	Nil
₹ 3,00,001 to ₹ 5,00,000	5%	Nil
₹ 5,00,001 to ₹ 10,00,000	20% + ₹ 10,000/-	20%
Above ₹ 10,00,000	30% + ₹ 1,10,000/-	30% + ₹ 1,00,000/-

#### C. Individuals Resident & HUF – under the new regime

Income	Rate of Tax
Up to ₹ 2,50,000	NIL
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 7,50,000	10% + ₹ 12,500/-
₹ 7,50,001 to ₹ 10,00,000	15% + ₹ 37,500/-
₹ 10,00,001 to ₹ 12,50,000	20% + ₹ 75,000/-
₹ 12,50,001 to ₹ 15,00,000	25% + ₹ 1,25,000/-
Above ₹ 15,00,000	30% + ₹ 1,87,500/-

#### D. Partnership firms, LLP and local authorities

Income	Rate of Tax
Tax on Total Income	30%

#### E. Companies

Turnover/Income	Type of Company	Rate of Tax
Turnover up to ₹ 400 Crores in PY 2018-19	Domestic Company	25%
Turn over Exceeding ₹ 400 Crores in PY 2018-19	Domestic Company	30%
Tax on Total Income	Foreign Company	40%

- ❖ Domestic companies also have an option to opt for taxation under section 115BAA or section 115BAB of the Act on fulfilment of conditions. The tax rate is 22% under section 115BAA and 15% in section 115BAB.

#### F. CESS

Health and Education Cess continues to be @ 4% on the Tax Liability



## G. Surcharge Residents

Assessee Status	Total Income	Rate
Individual/HUF/AOP/BOI (including Income u/s 111A and 112A)	Not exceeding ₹ 50 lakhs	Nil
	₹ 50 lakhs to ₹ 1 Crore	10%
	₹ 1 Crore to ₹ 2 Crore	15%
	Above ₹ 2 Crore	15%
Individual/HUF/AOP/BOI (excluding Income u/s 111A & 112A)	₹ 2 Crore to ₹ 5 Crore	25%
	₹ 5 Crore and Above	37%
Firm / LLP	Above ₹ 1 Crore	12%
Co-operative Society	Above ₹ 1 Crore	12%
Domestic Company	₹ 1 Crore to ₹ 10 Crore	7%
	Above ₹ 10 Crore	12%
Foreign Company	₹ 1 Crore to ₹ 10 Crore	2%
	Above ₹ 10 Crore	5%

## Surcharge Non Residents

Assessee Status	Total Income	Rate
Individual/HUF/AOP/BOI	Not exceeding ₹ 50 lakhs	Nil
	₹ 50 lakhs to ₹ 1 Crore	10%
	₹ 1 Crore to ₹ 2 Crore	15%
	₹ 2 Crore to ₹ 5 Crore	25%
	₹ 5 Crore and Above	37%
Firm / Co-operative Society	Above ₹ 1 Crore	12%
Foreign Company	₹ 1 Crore to ₹ 10 Crore	2%
	Above ₹ 10 Crore	5%

❖ Domestic Company whose income is chargeable u/s 115BAA or 115BAB Surcharge rate is 10%.

## Modification of concessional tax schemes u/s 115BAA and 115BAB

Taxation Law Amendment Act, 2019 (TLAA) inserted sections 115BAA and 115BAB in the Act to provide domestic companies an option to be taxed at concessional tax rates provided 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.

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.

In case of the domestic company opting to pay tax at the rate of 22 % under said section, it was provided that -

- failure to satisfy specified conditions would disqualify it for the concessional rate and normal provisions of the Act shall apply.
- deemed loss or depreciation arising out of amalgamation attributable to any incentive, deduction or exemption, shall not be allowed in computation of income.
- for FY 2020-21, where there is unabsorbed depreciation allowance in respect of a block of asset which has not been given full effect to in earlier FYs, corresponding adjustment shall be made to the written down value of such block of assets as on 1st April, 2020
- it shall be entitled to deduction under section 80LA of the Act, subject to fulfilment of conditions contained therein, in respect of a Unit in the International Financial Services Centre, if any.

It was also provided that such company shall not be subjected to Minimum Alternate Tax (MAT) under section 115JB of the Act and that, the carry forward and set off of MAT credit, if any, under section 115JAA of the Act would not be allowed.



**Incentives to Individuals and HUF**

Option to Individuals and HUF to opt for New Regime under section 115BAC

On satisfaction of certain conditions, an individual or HUF shall, from assessment year 2021-22 onwards, have the option to pay tax in respect of the total income at following rates :

INCOME	RATE OF TAX
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 7,50,000	10%
₹ 7,50,001 to ₹ 10,00,000	15%
₹ 10,00,001 to ₹ 12,50,000	20%
₹ 12,50,001 to ₹ 15,00,000	25%
Above ₹ 15,00,000	30%

The option shall be exercised for every previous year where the individual or the HUF has no business income, and in other cases the option once exercised for a previous year shall be valid for that previous year and all subsequent years.

Some of the Exemptions/ Deductions that the Individual or HUF opting for the newly inserted section 115BAC of the Act, will not be entitled to are as follows:

1. House rent allowance
2. Standard deduction of Rs. 50,000
3. Allowance for income of minor
4. Transport Allowance
5. Conveyance Allowance
6. Interest under section 24 in respect of self-occupied or vacant property referred to in sub-section (2) of section 23
7. Any deduction under chapter VIA like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc). However, deduction under sub-section (2) of section 80CCD section 80JJAA.
8. Set off of any loss

## Comparison between Old Regime & New Regime of Taxation

Particulars	New Regime of Taxation	Old Regime of Taxation (With HRA)	Old Regime of Taxation (Without HRA)
Gross Salary	14,00,000	14,00,000	14,00,000
Less: HRA	-	1,50,000	-
Less: Standard Deduction	-	50,000	50,000
	<b>14,00,000</b>	<b>12,00,000</b>	<b>13,50,000</b>
Fixed Deposit Interest Income	1,50,000	1,50,000	1,50,000
Total Income	<b>15,50,000</b>	<b>13,50,000</b>	<b>15,00,000</b>
<b>Less: 80 C Deductions:</b>			
LIC	-	1,00,000	1,00,000
PPF	-	50,000	50,000
<b>Taxable Income</b>	<b>15,50,000</b>	<b>12,00,000</b>	<b>13,50,000</b>
<b>Tax on above income</b>	<b>2,02,500</b>	<b>1,72,500</b>	<b>2,17,500</b>
Add: Education Cess @ 4%	8,100	6,900	8,700
<b>Total Tax Liability</b>	<b>2,10,600</b>	<b>1,79,400</b>	<b>2,26,200</b>

### Rationalization of tax treatment of employer's contribution to recognized provident funds, superannuation funds and national pension scheme

It is proposed to provide a combined upper limit of Rs. 7,50,000/- in respect of employer's contribution in a year to NPS, superannuation fund and recognised 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.

### Modification of Residency Provisions

It is proposed that-

- The exception provided in clause (b) of Explanation 1 of section 6(1) for visiting India in that year be decreased to 120 days from existing 182 days.
- 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 7 out of 10 previous years preceding that year. This new condition to replace the existing conditions in clauses (a) and (b) of section 6(6).

- An Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.

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

It is proposed to carry out amendments so that 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.



## BUSINESS RELATED AMENDMENTS

### Modification in conditions for Offshore Funds' exemption from Business Connection

It is proposed to amend section 9A of the Act to relax these two conditions so as to provide 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

### Section 115BAB of the Act to include Generation of Electricity as manufacturing.

The TLAA, inter-alia, inserted section 115BAB in the Act. The newly inserted section provides that new manufacturing domestic companies set up on or after 1st October, 2019, which commence manufacturing or production by 31st March, 2023 and do not avail of any specified incentives or deductions, may opt to pay tax at a concessional rate of 15 %.

It is proposed to explain that, for the purposes of this section, manufacturing or production of an article or thing shall include generation of electricity.

### Providing an option to the assessee for not availing deduction under section 35AD

Section 35AD of the Act, relating to deduction in respect of expenditure on specified business, provides for 100 per cent deduction on capital expenditure (other than expenditure on land, goodwill and financial assets) incurred by the assessee on certain specified businesses .

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

### Allowing carry forward of losses or Depreciation in certain Amalgamations

Section 72AA of the Act provides for carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of banking company with any other banking institution

It is proposed to extend the benefit of this section 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 (Nationalisation) Act, 1972

### Amendment for providing attribution of profit to Permanent Establishment in Safe Harbour Rules under section 92CB and in Advance Pricing Agreement under section 92CC

It is proposed to amend section 92CB and section 92CC of the Act to cover determination of attribution to Permanent Establishment within the scope of Safe Harbour Rules and Advance Pricing Agreements



## Rationalisation of provisions relating to Tax Audit in certain cases

It is proposed to increase the threshold limit for a person carrying on business from Rs. 1 crore to Rs. 5 crore in cases where –

- Aggregate of all receipts in cash during the previous year does not exceed 5% of such receipt;
- and
- Aggregate of all payments in cash during the previous year does not exceed 5% of such payments

Pre - Budget	Post - Budget
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 and in case of profession exceed or exceeds fifty lakh rupees in any previous year.	In order to reduce the burden, it is proposed to increase the threshold limit for a person carrying on business from one crore rupees to five crore rupees provided, <i>(i) aggregate of all receipts in cash during the previous year does not exceed five per cent of such receipt; and</i> <i>(ii) aggregate of all payments in cash during the previous year does not exceed five per cent of such payment.</i> In case of profession, it falls under the old regime only.

## CAPITAL GAIN

### Increase in safe harbour limit of 5 % under section 43CA, 50C and 56 of the Act to 10 %

Section 50C of the Act provides that 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 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 be deemed to be the full value of the consideration and capital gains shall be computed on the basis of such consideration under section 48 of the Act.

The said section also provides that where the value adopted or assessed or assessable by the stamp valuation authority does not exceed one hundred and five per cent of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of section 48, be deemed to be the full value of the consideration.

Representations have been received in this regard requesting that the said safe harbour of five per cent may be increased.

**It is, therefore, proposed to increase the limit to 10 %.**

### Rationalization of Provisions of Section 55 of the Act to compute cost of acquisition

It is proposed to rationalise the provision and 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.

It is also proposed to insert "stamp duty value" to 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.



### Rationalisation of provisions relating to Trust, Institution and Funds

#### **Amendment of section 11(7) to allow entities holding registration under section 12A/12AA to apply for notification under section 10(46)**

Section 11 of the Act provides for grant of exemption in respect of income derived from property held under trust for charitable or religious purposes to the extent to which such income is applied or accumulated during the previous year for such purposes.

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 shall not be allowed.

However, as the provisions relating to charitable entities constitute a complete code and that once any trust or institution has voluntarily opted for it by obtaining the requisite registration, it flows that the conditions in relation thereto should be complied with and the option of switching at convenience should not be available.

Accordingly, while request for exclusion of section 10(46) may be acceded to for exemption thereunder even in those cases where registration under section 12AA or 12A remains in force, there should be only one mode of exemption available and also, that the switching may be allowed only once so that such switching is not done routinely and also it remains efficient to be administered.

#### **Rationalising the process of registration of Trusts, Institutions, Funds, University, Hospital etc and approval in the case of Association, University, College, Institution or Company, etc**

In order to avoid non adversarial regime and conduct of roving enquiries in the affairs of the exempt entities, it is proposed to grant approval or registration or notification for exemption for a limited period, **say for a period not exceeding five years at one time**, which would act as check to ensure that the conditions of approval or registration or notification are adhered to for want of continuance of exemption.

This new process needs to be provided for both existing and new exempt entities.

#### **Filing of Statement of Donation by Donee to cross-check claim of Donation by Donor**

At present, there is no reporting obligation by the exempt entity receiving donation/ any sum in respect of such donation/ sum. With the advancement in technology, it is now feasible to standardise the process through which one-to-one matching between what is received by the exempt entity and what is claimed as deduction by the assessee. This standardisation may be similar to the provisions relating to the tax collection/ deduction at source, which already exist in the Act.

Therefore, the entities receiving donation/ sum may be made to furnish a statement in respect thereof, and to issue a certificate to the donor/ payer and the claim for deduction to the donor/ payer may be allowed on that basis only. In order 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.

## OTHER AMENDMENTS

### Due date for filing return of income u/s 139(1)

To enable pre-filing of returns in case of persons having income from business or profession, it is required that the tax audit report may be furnished by the said assessee **at least one month prior to the due date of filing of return of income**. This requires amendments in all the sections of the Act which mandates filing of audit report along with the return of income or by the due date of filing of return of income.

Further, the due date for filing return of income under section 139(1) is proposed to be amended by:

- **Providing 31<sup>st</sup> October** of the assessment year (as against 30<sup>th</sup> September) **as the due date** for Companies & Tax Audit Cases
- Removing the distinction between a working and a non-working partner of a firm with respect to the due date

### Exempting Non-Resident from filing of income-tax return in certain conditions

It is proposed to amend section 115A of the Act in order to provide that a non-resident, shall not be required to file return of income under section 139(1) of the Act if, -

- His or its total income consists of only dividend or interest income, or royalty or FTS income and
- The TDS on such income has been deducted under the provisions of Chapter XVII-B of the Act at the rates which are not lower than the prescribed rates under section 115A(1).

### Modification of E-Assessment scheme

It is proposed to amend section 143(3A) of the Act to,-

- Expand the scope so as to include the reference of section 144 of the Act relating to best judgement assessment in the said sub-section;

- Provide that Central Government may issue any direction under sub-section (3B) of the said section up to 31st March, 2022

### Amendment in Dispute Resolution Panel (DRP)

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

- Include cases, where the Assessing Officer proposes to make any variation which is prejudicial to the interest of the assessee, within the ambit of section 144C;
- Expand the scope of the said section by defining eligible assessee as a non-resident not being a company, or a foreign company

### Provision for E-Appeal

It is proposed to insert sub-section (6A) in section 250 of the Act to provide for the following: —

- Empowering Central Government to notify an e-appeal scheme for disposal of appeal so as to impart greater efficiency, transparency and accountability.
- Eliminating the interface between the Commissioner (Appeals) and the appellant in the course of appellate proceedings to the extent technologically feasible.
- Optimizing utilization of the resources through economies of scale and functional specialisation.
- Introducing an appellate system with dynamic jurisdiction in which appeal shall be disposed of by one or more Commissioner (Appeals).

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

It is proposed to provide that ITAT may grant stay under the first proviso subject to the condition that the assessee deposits not less than 20% of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of this Act, or furnish security of equal amount in respect thereof



It is also proposed to substitute second proviso to provide that no extension of stay shall be granted by ITAT, where such appeal is not so disposed of which 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 20% of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of this Act, or furnish security of equal amount in respect thereof. The total stay granted by ITAT cannot exceed 365 days

### **Provision for E-Penalty**

It is proposed to insert a section 274(2A) so as to provide that the Central Government may notify an e-scheme for the purposes of imposing penalty so as to impart greater efficiency, transparency and accountability by:

- Eliminating the interface between the Assessing Officer and the assessee in the course of proceedings to the extent technologically feasible;
- Optimising utilisation of the resources through economies of scale and functional specialisation;
- Introducing a mechanism for imposing of penalty with dynamic jurisdiction in which penalty shall be imposed by one or more income-tax authorities

### **Penalty for fake invoice**

It is also propose to provide that any other person, who causes in any manner a person to make or cause to make a false entry or omits or causes to omit any entry, shall also pay by way of penalty a sum which is equal to the aggregate amounts of such false entries or omitted entry.

The false entries is proposed to include use or intention to use –

- Forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or

- 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
- Invoice in respect of supply or receipt of goods or services or both to or from a person who do not exist.

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

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.

### **Rationalisation of provision relating to form 26AS**

It is proposed to introduce a new section 285BB in the Act regarding annual financial statement. This section proposes to mandate the prescribed income-tax authority or the person authorised by such authority 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.

### **Amendment in the provisions of Act relating to verification of the return of income and appearance of Authorized Representative**

It is 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.

It is proposed to amend section 288(2) to enable any other person, as may be prescribed by the Board, to appear as an authorised representative.



## DEDUCTIONS

### SEC 80 IAC – Start Ups

It is proposed to amend section 80-IAC of the Act so as to provide that-

- The deduction under the said section 80-IAC shall be available to an eligible start-up for a period of **three consecutive assessment years out of ten years** beginning from the year in which it is incorporated
- The deduction under the said section shall be available to an eligible start-up, **if the total turnover** of its business **does not exceed one hundred crore rupees** in any of the previous years beginning from the year in which it is incorporated.

### SEC 80 IBA – Time limit for approval of affordable Housing Project

In order to incentivise building affordable housing to boost the supply of such houses, the period of approval of the project by the competent authority is proposed **to be extended to 31st March, 2021.**

### SEC 80 EEA– Time limit for sanctioning of loan for affordable Housing Project

The existing provisions of section 80EEA of the Act provide for a deduction in respect of interest on 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.

The said deduction is aimed to incentivise first time buyers to invest in residential house property whose stamp duty does not exceed forty-five lakh rupees.

In order to continue promoting purchase of affordable housing, the period of sanctioning of loan by the

financial institution is proposed to be extended to 31st March, 2021.

### Deferring TDS or tax payment in respect of income pertaining to Employee Stock Option plan (ESOP) of Start- Ups

ESOPs have been a significant component of the compensation for the employees of start-ups, as it allows the founders and start-ups to employ highly talented employees at a relatively low salary amount with balance being made up via ESOPs. Currently ESOPs are taxed as perquisites under section 17(2) of the Act. The tax on perquisite is required to be paid at the time of exercising of option which may lead to cash flow problem as this benefit of ESOP is in kind.

In order to ease the burden of payment of taxes by the employees of the eligible start-ups or TDS by the start-up employer, it is proposed to amend section 192 of the Act, and insert sub-section (1C) therein to clarify that for the purpose of deducting or paying tax under sub-sections (1) or (1A) thereof, as the case may be, a person, being an eligible start-up referred to in section 80-IAC, responsible for paying any income to the assessee being perquisite of the nature specified in section 17(2)(vi) of the Act, in any previous year relevant to the assessment year 2021-22 or subsequent assessment year, deduct or pay, as the case may be, tax on such income within fourteen days-

- After the expiry of forty-eight months from the end of the relevant assessment year; or
- From the date of the sale of such specified security or sweat equity share by the assessee; or
- 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 said specified security or sweat equity share is allotted or transferred.



## WITHHOLDING TAXES

Section	Nature of Payment	Threshold Limit	Rate
192	Salary	As per the Slab rates applicable to Individual & Senior Citizens	
192A	Premature withdrawal of Provident Fund	₹ 50,000/-	10%
194	Dividend	₹ 5,000/-	10%
194A	Interest Other than Securities	₹ 40,000/- for Banks and ₹ 5,000/- for Others	10%
194B	Winning from Lottery & Puzzles	₹ 10,000/- p.a.	30%
194C	Contractors, Sub-Contractors and Advertising	₹ 30,000/- per contract or ₹ 1,00,000/- p.a.	1% (Individual/HUF) & 2% (Company /Firm)
194D	Insurance Commission	₹ 15,000/- p.a.	5%
194DA	Payment in respect of Life Insurance Pay-out on net basis	₹ 1,00,000/-	5%
194H	Commission & Brokerage	₹ 15,000/- p.a.	5%
194I(a)	Rent - Plant & Machinery	₹ 2,40,000/- p.a.	2%
194I(b)	Rent - Land & Building	₹ 2,40,000/- p.a.	10%
194IA	Transfer of Immovable Property other than Agricultural Land	₹ 50,00,000/-	1%
194IB	Rent paid by Individual/HUF	₹ 50,000/- p.m.	5%
194IC	Payment under specified agreement	₹ 50,00,000/-	1%
194J	Professional Fees	₹ 30,000/- p.a.	10%
<b>194J*</b>	<b>Technical Services</b>	<b>₹ 30,000/- p.a.</b>	<b>2%</b>
194M	Payment by Individual or HUF to Contractors or Professionals	₹ 50,00,000/- p.a.	5%
194N	Cash Withdrawal	₹ 1,00,00,000/- p.a.	2%
194LA	Compensation on Acquisition of Immovable Property	₹ 2,50,000/- p.a.	10%
194O*	E – Commerce	₹ 5,00,000/- p.a.	1% or 5% in case of Non PAN/Aadhar

\* These amendments will take effect from 1<sup>st</sup> April 2020

\* E-commerce operator shall deduct TDS on all payments or credits to e-commerce participants at the rate of 1% in PAN/Aadhaar cases and 5% in non-PAN/Aadhaar cases. In order to provide relief to small businessman, it is proposed to provide exemption to an individual and HUF who receives less than Rs. 5 lakh and furnishes PAN/Aadhaar.



## Amending definition of “work” in section 194C of the Act

It is proposed to amend the definition of “work” under section 194C to provide that in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of the ‘work’ under section 194C.

Associate is proposed to be defined to mean a person who is placed similarly in relation to the customer as is the person placed in relation to the assessee under the provisions contained in 40A (2)(b).

## Widening the scope of section 206C

It is proposed to amend section 206C to levy Tax Collected at Source (TCS) on overseas remittance and for sale of overseas tour package, as under:

- An authorised dealer receiving an amount or an aggregate of amounts of Rs. 7 lakh or more in a financial year for remittance out of India under the Liberalised Remittance Scheme of RBI, shall be liable to collect TCS, if he receives sum in excess of said amount from a buyer being a person remitting such amount out of India, at the rate of 5% & in non- PAN/Aadhaar cases the rate shall be 10%.
- A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package, shall be liable to collect TCS at the rate of 5% & in non-PAN/ Aadhaar cases the rate shall be 10%.

Further, in order to widen and deepen the tax net, it is proposed to amend section 206C to levy TCS on sale of goods above specified limit, as under:

- A seller of goods is liable to collect TCS at the rate of 0.1 % on consideration received from a buyer in a previous year in excess of Rs. 50 lakhs & in non-PAN/ Aadhaar cases the rate shall be 1 %.
- Only those seller whose total sales, gross receipts or turnover from the business carried on by it exceed Rs. 10 Crore during the financial year immediately preceding the financial year, shall be liable to collect such TCS.
- Central Government may notify person, subject to conditions contained in such notification, who shall not be liable to collect such TCS.
- No such TCS is to be collected, if the seller is liable to collect TCS under other provision of section 206C or the buyer is liable to deduct TDS under any provision of the Act and has deducted such amount.



## INDIRECT TAXES

### GOODS AND SERVICES TAX AMENDMENTS

- Several measures have been taken for improving compliance.
- Aadhaar based verification of taxpayers is being introduced.
- Dynamic QR-code is proposed for consumer invoices.
- GST parameters will be captured when payment for purchases is made through the QR-code.
- Deep data analytics and AI tools are being used for crackdown on GST input tax credit, refund, and other frauds and to identify all those who are trying to game the system.
- Invoice and input tax credit matching is being done wherein returns having mismatch more than 10 percent or above a threshold are identified and pursued.

### CUSTOMS

On Customs side, a number of measures have been taken for ease of doing business. India's quantum leap in the Trading Across Border parameter of Ease of Doing Business rankings by the World Bank is a testimony to these efforts.

Exemptions from customs duty have been given in public interest from time to time.

Customs duty is being raised on items like footwear and furniture. Under Make in India initiative, well laid out customs duty rates were pre-announced for items like mobile phones, electric vehicles and their components.

Customs duty rates are being revised on electric vehicles, and parts of mobiles as part of such carefully conceived Phased Manufacturing Plans.

### EXCISE

National Calamity Contingent Duty is levied as a duty of excise on certain manufactured goods specified under the Seventh Schedule of Finance Act, 2001. NCCD is being proposed to be increased on tobacco products (except bidi)



## About Santhappa & Co.,

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