

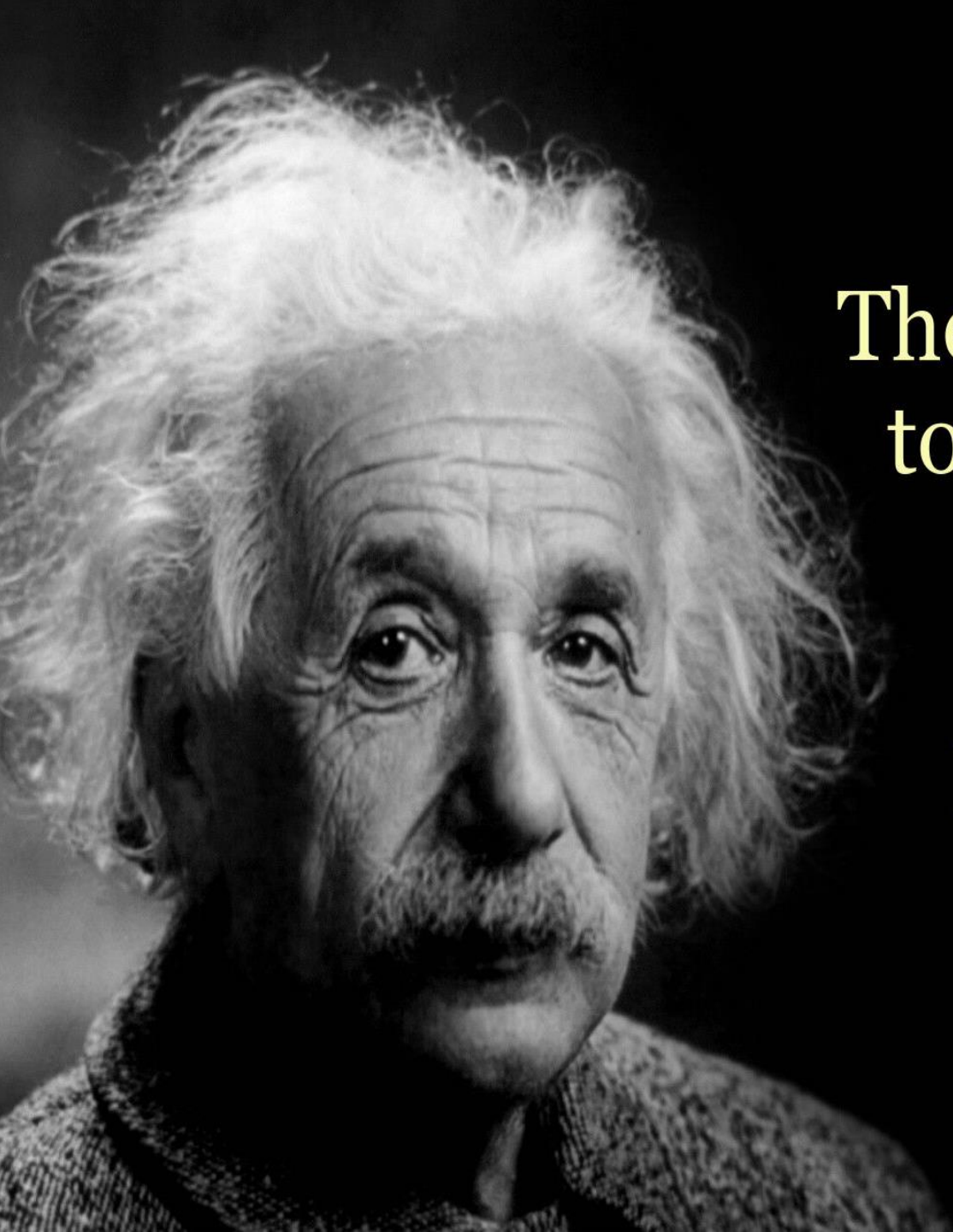


Finance Bill, 2020

Key Highlights

UNION
BUDGET
2020

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Past President of ICAI



The HARDEST thing
to UNDERSTAND
in the world
is the
INCOME TAX.

Albert Einstein



Themes of Budget 2020



Prominent
Themes

Aspirational
India

Economic
Development

A Caring
Society

Tax Rate AY 2021-22

- Individual and HUF – Section 115BAC

Total Income (Rs. In Lakhs)	Rate
Upto 2.5	-
2.5 to 5	5%
5 to 7.5	10%
7.5 to 10	15%
10 to 12.5	20%
12.5 to 15	25%
Above 15	30%

- **Optional Scheme**
- Subject to conditions:
 1. **No deduction / exemption** under
 - a. Chap VI-A except 80CCD, 80JJAA
 - b. Section 10 such as LTA, HRA, income of minor
 - c. Standard deduction, professional tax etc.
 2. **For Businesses**, once the option is invalid - shall be invalid for all subsequent years.

Old Vs. New Regime

- **Case 1:** Total Income = Rs. 10 lakh

Particulars	Old	New	Diff
Tax on 10 Lakhs	1,12,500	75,000	37,500
After 80C deduction (1,50,000)	82,500	75,000	7,500
After 80D (25,000)	77,500	75,000	2,500
After Std deduction 50,000 (for Salary)	67,500	75,000	-7,500
After Interest on home loan for Self occupied house	27,500	75,000	-47,500

Old Vs. New Regime

- **Case 2:** Total Income = Rs. 12.5 lakh

Particulars	Old	New	Diff
Tax on 12.5 Lakhs	1, 87,500	1,25,000	62,500
After 80C deduction (1,50,000)	1,42,500	1,25,000	17,500
After 80D (25,000)	1,35,000	1,25,000	10,000
After Std deduction 50,000 (for Salary)	1,20,000	1,25,000	-5,000
After Interest on home loan for Self occupied house	77,500	1,25,000	-47,500

Old Vs. New Regime

- **Case 3:** Total Income = Rs. 15 lakh

Particulars	Old	New	Diff
Tax on 15 Lakhs	2,62,500	1,87,500	75,000
After 80C deduction (1,50,000)	2,17,500	1,87,500	30,000
After 80D (25,000)	2,10,000	1,87,500	22,500
After Std deduction 50,000 (for Salary)	1,95,000	1,87,500	7,500
After Interest on home loan for Self occupied house	1,35,000	1,87,500	-52,500

Tax in History

Year: 1945

Total Income (Rs.)	Rate in the Rupee (Rs.)
1. Upto 1,500	Nil
On the next 3,500	8 pies
2. On the next 5,000	1 anna
On the next 5,000	1 anna & six pies
3. Balance exceeding 15,000	3 annas

of total income .. One anna

4. On the next Rs. 5,000

of total income .. One anna six pies

Corporate Taxation

S.No	Particulars	Section 115BA	Section 115BAA	Section 115BAB	Others
1	Applicable from	AY 2017-18	AY 2020-21	AY 2020-21	-
2	Type of company	Domestic company engaged in manufacturing/ production	All domestic companies	Domestic company engaged in manufacturing/ production	Any domestic company
3	Eligibility (start date)	Set-up and registered on or after 1 March 2016	No specific requirement	Set-up and registered on or after 1 October 2019 (manufacturing to commence by 31 March 2023)	-
4	Allowability of prescribed deduction/ loss	No	No	No	Yes
5	Basic tax rate	25%	22%	15%	25% (if Turnover <400 Crore) /30%
6	Surcharge	7%/ 12%	10%	10%	7%/ 12%
7	Cess	4%	4%	4%	4%
8	Applicability of MAT	Yes [15%]	Not applicable	Not applicable	Yes [15%]
9	Specified Domestic Transactions provisions	Not Applicable	Not Applicable	Applicable	Applicable
10	Restriction for entities formed by restructuring/ use of old plant & machinery/ use of building earlier used as hotel or convention centre	No	No	Yes	-

Concessional Tax Rate for Co-operative Societies

- Optional regime of taxation for a resident cooperative society, - Tax rate of **22% (plus Surcharge 10% & Cess)**, subject to certain conditions
- Condition:
 - No Specified deductions and incentives, such as tax holiday under section 10AA, additional depreciation
 - No set off of any loss carried forward or depreciation from any earlier assessment year attributable to the above deductions or incentives

Charitable Trust and Societies

- An entity approved, registered or notified under clause (23C) of section 10, section 12AA or section 35 of the Act, shall be required to apply for approval or registration – and it shall be **valid for** a period not exceeding **five previous years** at one time calculated from 1st April, 2020
- An entity already approved under section 80G - shall also be required to apply for approval - **valid for** a period not exceeding **five previous years**

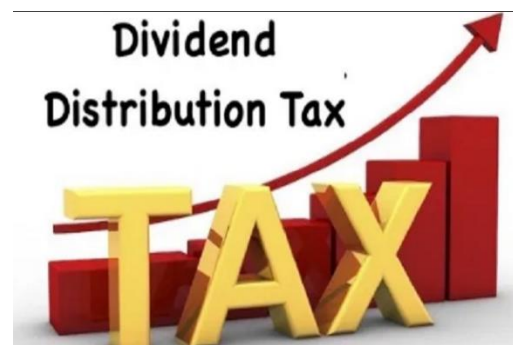
Charitable Trust and Societies

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

Dividend Distribution Tax

- Abolition of DDT

Dividend from the domestic company or income from units of a mutual fund shall be taxable in the hands of shareholders or unit holders at the applicable rate and the domestic company or mutual funds shall not be required to pay any distribution tax.



RESIDENTIAL STATUS

Citizenship to prevail over Domicile

- ~~182 days~~ to 120 days

Indian citizen/person of Indian origin is considered to be resident in India if:

- An individual stays in India for **120** days (instead of 182) or more in the PY (or)
 - An individual stays in India for 60 days or more in the PY and 365 days or more during the four years immediately preceding PY
- Stateless Indian citizens/PIO deemed to be a Resident for TAX purpose
Provided he is not taxable in any other country



RESIDENTIAL STATUS

- “Not-Ordinarily Resident”

New

- Non-Resident in India in 7 out of the 10 previous years preceding the relevant year

$\frac{7}{10}$

Old

- Non resident in India in 9 out of the 10 previous years (or)
- Stayed in India for 729 days or less in 7 Previous years.

$\frac{9}{10}$

Issue on New Residential Status provision

In case of a non resident who is citizen of India, working in any zero tax based country and as per DTAA - the changeability in contracting state (Say salaried employment in UAE):-

Whether his global income taxable because of this amendment ?

Clarification

The clarification is given that an Indian Citizen who is resident of no country and is out of India for more than 240 days from 1st April, 2021, just to maintain the NRI status, will be considered as Resident of India and the world income will be taxable.

Eg. X lives in Dubai, UAE for more than 240 days and he is a resident of UAE and balance days if he is living in any other country taking the total to more than 240 days outside India then only his Indian income will be taxable and he will be considered as NRI.

If X lives 20 days in Dubai, 30 in USA, 50 in Europe etc, it means he is not a permanent resident of any country so in that case he will be deemed to be resident of India and his global income will be taxed.



Due Date For Filing Return

- Extension of Due date for filing Returns
For companies and who are required to get their accounts audited from September 30 to **October 31**.
- Exemptions of Filing Income tax
To Non residents respect of Income earned from Royalty and FTS by them only after the deductions of tax for such payments

DUE DATE

Business Income

- Increase threshold limit for **Tax Audit**

The turnover limit for getting the accounts audited increased from **Rs.1 crore to Rs.5 crores** provided cash receipt or payment does not exceed 5% of total receipt or payment, as the case may be.

- Pre-filing of ITRs by IT dept for persons with income from business or profession or for charitable trusts

To facilitate this, the due date for filing tax audit report is proposed to be advanced by a month from the due date for filing ITR.

Consequently, for AY 2021-22, the due date for filing tax audit report shall be **30 September 2021.**

Fake and Fraudulent invoices under GST

- Proposed insertion of new section 271AAD

To provide for a levy of penalty equal to the aggregate amount of false entries or omitted entry on a person, if it is found during any proceeding that in the books of accounts maintained by him there is a:

a) false entry (or)

b) any entry relevant for computation of total income of such person has been omitted to evade tax liability.

Capital Gains

- Safe harbour of 5% increased to **10%**
Safe harbour limit of 5% under Section 43CA, 50C and 56 has been extended to 10%.
- FMV of property purchased before 01-4-2001 shall not exceed stamp duty value
If the land or building is purchased before 01-4-2001, the fair market value as on that date can be taken as cost of acquisition of such property as per existing provisions of the Act. It has been proposed that such fair market value can't exceed the stamp duty value of the property as on 01-04-2001

Deductions and Exemptions

- Exemption to a wholly-owned subsidiary of ADIA and Sovereign Wealth Fund

Proposed to provide an exemption to a wholly-owned subsidiary of the Abu Dhabi Investment Authority (ADIA), which is a resident of the United Arab Emirates (UAE) and which makes investment, directly or indirectly, out of the fund owned by the Government of the United Arab Emirates and a sovereign wealth fund.



Deductions and Exemptions

- Withdrawal of exemption for UPSC Chairman and Chief Election Commissioner u/s 10(45)
- Extension under section 80-IBA and 80EEA
Time limit for approval of affordable housing project and loan sanction extended to 31.03.2021
- Rationalization of taxation of start-ups
Section 80-IAC has been proposed to be amended to provide that deduction to an eligible start-up shall be available for a period of 3 consecutive assessment years out of '10 years' instead of 'first 7 years'. Further, the turnover limit has been proposed to raised to 'Rs. 100 crore' which was earlier 'Rs. 25 crore'.

Assessment & Appeals

- Expansion of **e-assessment** scheme
Proposed to include proceedings u/s 144 – Best Judgement Assessment
- **Faceless appeal** is proposed up to **CIT(A)**
The Central Govt. may notify the scheme in this regard by 31-03-2022
- Reference to Dispute Resolution Panel (DRP)
Eligible assessee shall include **NRI** as well.
- New **e-Penalty** scheme is proposed to be notified

Assessment & Appeals

- **Approval of CIT/Director** is required to conduct **Survey**
 - i. Where info obtained from prescribed authority – prior approval of JD/JC required to conduct survey
 - ii. In other cases – prior approval of CIT/Director is required
- No **stay** under the first proviso to section 254(2A) by ITAT unless **20%** of the disputed tax is deposited
- **Insolvency Professionals** can act as “**authorised representative**” before any Income-tax Authority or the Appellate Tribunal

Vivad se Vishwas Scheme (No Dispute but Trust Scheme)

- A taxpayer would be required to pay only the amount of the disputed taxes and will get complete **waiver of interest and penalty** provided he pays by 31st March, 2020.
- Those who avail this scheme after 31st March, 2020 will have to pay some additional amount. The scheme will remain open till 30th June, 2020.
- Taxpayers in whose cases appeals are pending at any level can benefit from this scheme.

TDS & TCS

- Definition of Work Amended u/s 194C
The definition of work has been proposed to be amended to provide that if any product is supplied or manufactured according to requirements of the customer, it shall fall under the category of 'work' even if raw material is supplied by the associated enterprise of such customer
- Fees for technical services – TDS @ 2% u/s 194J
Whereas TDS for professional service remains to be 10%.
- Co-operative societies liable to deduct TDS if
Gross receipts / Turnover exceeds 50 crores (or) interest paid to senior citizens exceeds Rs. 50,000 and others Rs.40,000.

TDS & TCS

- **206 C – TCS** on Sale of Goods

A **seller of goods** is liable to collect TCS at the rate of **0.1%** on consideration received from a buyer in excess of **Rs.50 lakh**.

If PAN/ Aadhaar is not provided the rate shall be **1%**.

The above provisions are only applicable if 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

TDS & TCS

- Extension of period of Concessional deduction
For the interest paid to Non residents (194LC) by specified company (or) trust at the rate of 5% and reduced rate of 4% on long term bonds and RDB (listed only in recognised Stock exchange). **(194 LC)**
- For the interest payment to Foreign Institutional Investors (FII) and Qualified Foreign Investors (QFIs) on their investment in Government securities and Rupee Denominated Bonds of an Indian company and also for municipal debt security. **(194 LD)**

For the both purpose period of concessional TDS of 5% extended to 01-07-2023 from 01-07-2020.

TDS & TCS

- TDS on income from units paid to resident taxpayers
In any income from mutual fund, from Administrator of the specified undertaking and from specified companies.(194K)
- No tax deduction for ESOP ALLOTMENT to the employees
Deduction of tax from perquisite only if the following events occur:
 - a) On expiry of 4 year from the end of the Assessment year in which ESOP are exercised;
 - b) At the time the employee leaves the organization; or
 - c) At the time of sale of shares allotted under ESOP.

WINNERS & LOSERS

GAINERS



- Transport infrastructure
- Electronics manufacturing
- Rural sector
- Water
- Telcos
- Online educators
- IT firms
- Pipeline & City gas suppliers



LOSERS



- Insurance
- State-run banks
- Real Estate & Construction
- Fertilizer companies
- Logistic players



In this world
nothing is certain
but death and taxes.

Benjamin Franklin

Thank You