



UNION BUDGET

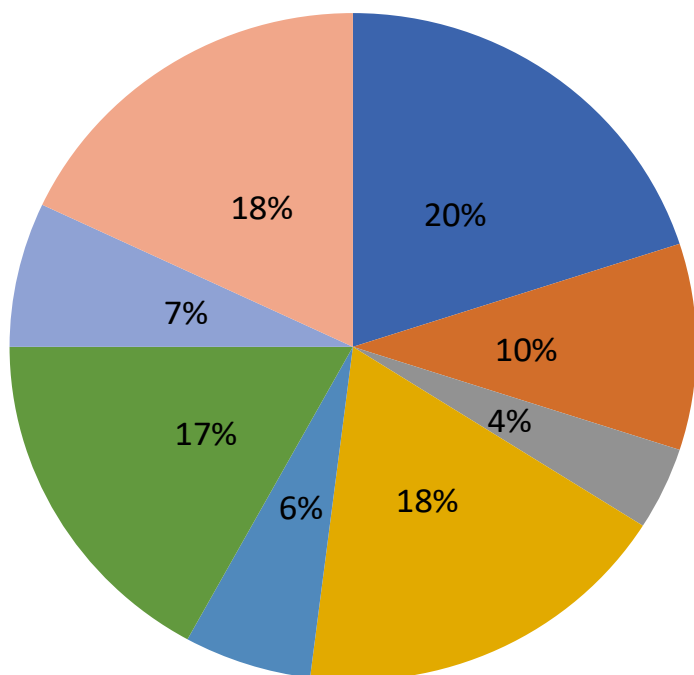
An Insight

SNAPSHOT OF UNION BUDGET

- India is now the fifth largest economy of the world. India's foreign direct investment got elevated to the level of US\$ 284 billion during 2014-19 from US\$ 190 billion that came in during the years 2009-14.
- As per the budget speech, the Central Government debt that has been the bane of our economy got reduced, in March 2019, to 48.7% of GDP from a level of 52.2% in March 2014.
- India has moved up from rank 65 in 2014 to 34 in 2019 in the Travel & Tourism Competitive Index (World Economic Forum). Foreign exchange earnings grew 7.4% to 1.88 lakh crores for the period January to November 2019 from 1.75 lakh crores.
- Revised Estimates of Expenditure for the Financial Year 2019-20 are at a level of Rs. 26.99 lakh Crore and the receipts are estimated at Rs. 19.32 lakh crore.
- Receipts for the year 2020-21 are estimated at Rs. 22.46 lakh crore and level of expenditure has been kept at Rs. 30.42 lakh crore.
- Fiscal deficit of 3.8% in FY 2019-20 and 3.5% for FY 2020-21.
- Net market borrowings for the year 2019-20 would be Rs. 4.99 lakh crore and for the year 2020-21, it would be Rs.5.36 lakh crore. Borrowings for the financial year 2020-21 would go towards Capital expenditure of the Government that has been scaled up by more than 21%.
- India during 2014-19 clocked growth of 7.4% on average with inflation, averaging around 4.5%. It is worthwhile to note that inflation was close to 9% in the last two decades of the last millennium and ranged 10.5% during 2009-14.

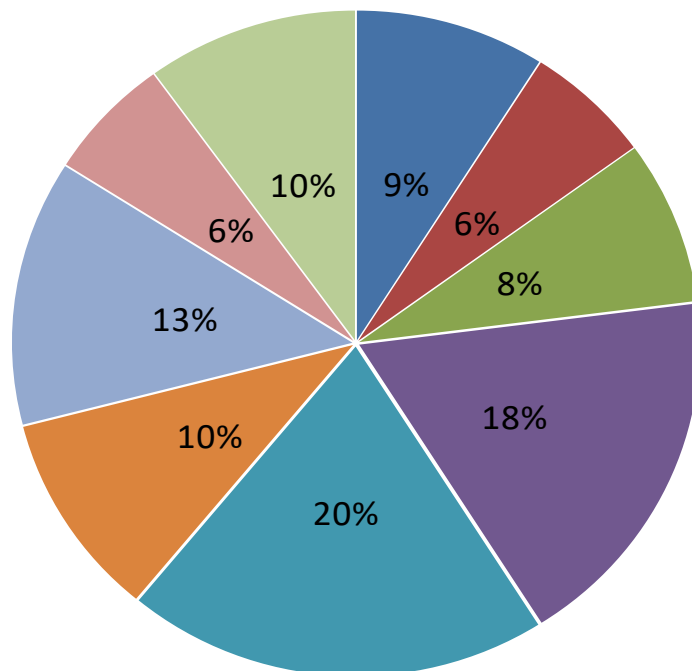
ECONOMIC OUTLOOK

Rupee comes from



- Borrowings and other liabilities
- Non tax revenue
- Customs
- GST
- Non debt capital receipt
- Income tax
- Union excise duty
- Corporation tax

Rupee goes to



- Centrally sponsored scheme
- Subsidies
- Defence
- Interest payment
- State share of tax and duties
- Finance commission and other transfers
- Central sector scheme
- Pension
- Other expenditure

BUDGET HIGHLIGHTS ON DIRECT TAX PROPOSALS

1. New taxation regime has been introduced for Individual and HUF. The Individuals or HUF opting for this regime needs to forgo prescribed exemptions and deductions.
2. Dividend Distribution Tax ('DDT') has been **abolished** and Dividend will be taxed in the hands of the receipts at the applicable rate.
3. Threshold limit for tax audit has been increased from Rs. 1 crore to **Rs. 5 crore** subject to certain conditions
4. Contribution by employer to employee's account for PF, NPS and Superannuation **more than Rs 7.5 lakh** a year will be **taxable**
5. Concessional corporate tax rate of 15% is extended to companies in generation of electricity
6. Turnover limit for availing deduction under Section 80IAC has been increased from Rs 25 Crore to **Rs. 100 Crore** and duration from 7 years to **10 years**
7. Option to co-operative societies for **Tax at 22%** plus surcharge without exemptions and exempts co-operative societies from Alternate Minimum Tax
8. New charity institution registration process be completely electronic
9. Introduces **Direct Tax dispute resolution scheme** 'Vivaad se Vishwaas' similar to IDT Sabka Vishwas in order to reduce litigation.

BUDGET HIGHLIGHTS ON DIRECT TAX PROPOSALS

10. Proposes amendments in Income Tax Act to enable **faceless Appeals** after faceless Assessments
11. Proposes amendment to Income Tax Act for mandating CBDT to adopt **taxpayers charter** and CBDT to notify contents of the charter.
12. Necessary amendment to enable taking benefit of **unabsorbed losses in amalgamation of PSBs**
13. New Section 194O providing for a new levy of TDS at **1%** on e-commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform.
14. TDS rate for TDS on fees for technical services (other than professional services) under Section 194J to be **reduced to 2%** from 10%.
15. Amendment to Sec 206C to levy TCS on overseas remittance under liberal remittance scheme and for sale of overseas tour package.



PERSONAL TAXATION

NEW TAXATION SCHEME

- In order to provide significant relief to the individual taxpayers or HUF, the Union Budget proposes to bring in a new and simplified personal income tax regime, wherein income tax rates will be significantly reduced for the individual taxpayers who forgo certain deductions and exemptions. In this regard, proposes to provide similar option to individuals and HUFs by insertion of **section 115BAC**. However, the new tax regime shall be **optional** for the taxpayers.
- 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.
- Further, the option can be **withdrawn only once** where it was exercised by the individual or HUF having business income for a previous year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this section, except where such individual or HUF ceases to have any business income.



The individual or HUF opting for taxation under the newly inserted section 115BAC of the Act shall not be entitled to the following exemptions/ deductions:

Leave travel concession as contained in clause (5) of section 10



House rent allowance as contained in clause (13A) of section 10



Some of the allowance as contained in clause (14) of section 10



Allowances to MPs/MLAs as contained in clause (17) of section 10



Allowance for income of minor as contained in clause (32) of section 10



Exemption for SEZ unit contained in section 10AA



Standard deduction, deduction for entertainment allowance and employment/professional tax as contained in section 16



Interest under section 24 in respect of self-occupied or vacant property referred to in sub-section (2) of section 23. (Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and would be allowed to be carried forward as per extant law)



Additional depreciation under clause (iia) of sub-section (1) of section 32



The individual or HUF opting for taxation under the newly inserted section 115BAC of the Act shall not be entitled to the following exemptions/ deductions:

Deductions under section 32AD, 33AB, 33ABA



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graph TD; A[Deductions under section 32AD, 33AB, 33ABA] --> B[Various deduction for donation for or expenditure on scientific research contained in sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35]; B --> C[Deduction under section 35AD or section 35CCC]; C --> D[Deduction from family pension under clause (iia) of section 57]; D --> E[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 (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed];
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Various deduction for donation for or expenditure on scientific research contained in sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35

Deduction under section 35AD or section 35CCC

Deduction from family pension under clause (iia) of section 57

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 (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed

TAXABILITY OF EMPLOYER'S CONTRIBUTION TO PF, NPS ETC.

Under the existing provisions of the Act, the contribution by the employer to the account of an employee in a recognized provident fund exceeding 12% of salary is taxable. Further, the amount of any contribution to an approved superannuation fund by the employer exceeding 1,50,000 is treated as perquisite in the hands of the employee. Similarly, the assessee is allowed a deduction under National Pension Scheme (NPS) for the 14% of the salary contributed by the Central Government and 10% of the salary contributed by any other employer.

However, there is no combined upper limit for the purpose of deduction on the amount of contribution made by the employer. Therefore, 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.



RATIONALISATION OF TAX AUDIT

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

In order to reduce compliance burden on small and medium enterprises, 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,-

- i. aggregate of all **receipts in cash** during the previous year **does not exceed 5%** of such receipt; and
- ii. aggregate of all **payments in cash** during the previous year **does not exceed 5%** of such payment.

CHANGES IN DUE DATE OF FILING OF THE RETURN

The due date for filing return of income under sub-section (1) of section 139 is proposed to be amended as follows:-

- i. providing **31st October** of the assessment year (as against 30th September) as the due date for an assessee referred to in clause (a) of Explanation 2 of Section 139(1) of the Act;
- ii. removing the distinction between a working and a non-working partner of a firm with respect to the due date as mentioned in sub-clause (iii) of clause (a) of Explanation 2 of sub-section (1) of Section 139 of the Act.

Further, 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. Accordingly, the due date for filing of the tax audit report will be **30 September** of the assessment year.

RATIONALISATION OF PROVISION RELATING TO FORM 26AS

The Form 26AS as prescribed in the Rules, inter-alia, contains the information about tax collected or deducted at source. However, with the advancement in technology and enhancement in the capacity of system, multiple information in respect of a person such as sale/purchase of immovable property, share transactions etc. are being captured or proposed to be captured.

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.

In future, it is envisaged that in order to facilitate compliance, this information will be provided to the assessee by uploading the same in the registered account of the assessee on the designated portal of the Income-tax Department, so that the same can be used by the assessee for filing of the return of income and calculating his correct tax liability. As the mandate of Form 26AS would be required to be extended beyond the information about tax deducted, it is proposed to **introduce a new section 285BB** in the Act regarding **annual financial statement**.



CHANGES IN RESIDENT RULES

As per the existing provisions of section 6(1) of the Act provide for situations in which an individual shall be resident in India in a previous year. Clause (c) thereof provides that the individual shall be Indian resident in a year, if he,-

- i. has been in India for an overall period of 365 days or more within four years preceding that year, and
- ii. is in India for an overall period of 60 days or more in that year.

Clause (b) of Explanation 1 of said sub-section provides that an Indian citizen or a person of Indian origin shall be Indian resident if he is in India for 182 days instead of 60 days in that year. This provision provides relaxation to an Indian citizen or a person of Indian origin allowing them to visit India for longer duration without becoming resident of India.

In order to curb malpractices, it is proposed that-

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

Our Comments:

Although the government has brought an amendment to charge Global Income of Indian Citizen such provisions will be ineffective until suitable changes are also provided in DTAA of the country in which such Indian Citizen is Tax resident as provisions of DTAA will override the Income tax Act.

DIVIDEND DISTRIBUTION TAX ('DDT')

As per the Section 115-O, a domestic company declaring or distributed or paid any amount by way of dividends shall be charged to additional income-tax at the 15% . The tax so paid by the company is treated as the final payment of tax in respect of the amount declared, distributed or paid by way of dividend. Such dividend referred to in section 115-O is exempt in the hands of shareholders under section 10(34). Similarly under section 115R, specified companies and Mutual Funds are liable to pay additional income-tax at the specified rate on any amount of income distributed by them to its unit holders. Such income is then exempt in the hands of unit holders of section 10(35).

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.

Further, It is also proposed to provide that the deduction for **expense** (like interest and other expenses) **under section 57** of the Act shall be **maximum 20%** of the dividend or income from units.



COST OF AQUISITION UNDER SECTION 55

The existing provisions of section 55 of the Act provide that for computation of capital gains, an assessee shall be allowed deduction for cost of acquisition of the asset and also cost of improvement, if any. However, for computing capital gains in respect of an asset acquired before 1st April, 2001, the assessee has been allowed an option of either to take the fair market value of the asset as on 1st April, 2001 or the actual cost of the asset as cost of acquisition.

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.

EXEMPTION TO NON-RESIDENT FROM FILING OF INCOME TAX RETURNS

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

- i. his or its total income consists of only dividend, interest income, royalty or fees for technical services(FTS) of the nature specified, and
- ii. the TDS on such income has been deducted under the provisions of Chapter XVII-B of the Act at the prescribed rates specified.

BUSINESS TAXATION

AN OPTION TO THE ASSESSEE FOR NOT AVAILING DEDUCTION UNDER SECTION 35AD

Section 35AD provides for 100% deduction on capital expenditure (other than expenditure on land, goodwill and financial assets) incurred by the assessee on certain specified businesses. Further, sub-section (4) provides that no deduction is allowable, under any other section, in respect of the above expenditure. At present, an assessee does not have any option of not availing the incentive under said section.

Due to this, a legal interpretation can be made that a domestic company opting for concessional tax rates under Section 115BAA or 115BAB, which does not claim deduction under Section 35AD, would also be denied normal depreciation under Section 32 due to operation of section 35AD(4).

This is not the intention of the statute and hence, it is proposed to amend section 35AD(1) to make the deduction thereunder **optional**.

DISALLOWANCE OF INTEREST UNDER SECTION 94B

Section 94B of the Act, provides that deductible interest or similar expenses exceeding Rs. 1 crore of an Indian company, or a permanent establishment (PE) of a foreign company, paid to the associated enterprises (AE) shall be restricted to 30% of its earnings before interest, taxes, depreciation and amortisation (EBITDA) or interest paid or payable to AE, whichever is less

Representations have been received to carve out interest paid or payable in respect of debt issued by a PE of a non-resident in India, being a person engaged in the business of banking for the reason that as per the existing provisions a branch of the foreign company in India is a non-resident in India.

Therefore, proposed to amend section 94B of the Act so as to provide that provisions of interest limitation **will 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**.

RATIONALIZATION OF PROVISIONS FOR START - UPS

In order to further rationalise the provisions relating to start-ups, it is proposed to amend section 80-IAC of the Act so as to provide that-

- i. 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 (instead of 7 years)** beginning from the year in which it is incorporated;
- ii. the deduction under the said section shall be available to an eligible start-up, if the total turnover of its business **does not exceed Rs. 100 crores (instead of 25 crores)** in any of the previous years beginning from the year in which it is incorporated.

EXTENSION IN TIME LIMIT FOR APPROVAL OF AFFORDABLE HOUSING PROJECT FOR AVAILING DEDUCTION UNDER SECTION 80-IBA OF THE ACT

Where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing projects, there shall, subject to certain conditions specified therein, be allowed a deduction of an amount equal to **100% of the profits and gains** derived from such business.

In order to incentivise boost the supply of affordable houses, the period of approval of the project by the competent authority is proposed to be extended to **31 March 2021** from 31 March 2020.



EXTENSION IN TIME LIMIT FOR SANCTIONING OF LOAN FOR AFFORDABLE HOUSING PROJECT FOR AVAILING DEDUCTION UNDER SECTION 80EEA OF THE ACT

For availing deduction of **Rs. 1,50,000** in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property the period of **sanctioning** of such **loan** by the financial institution is proposed to be extended to **31 March 2021** against the earlier granted as 31 March 2020.



INCLUSION OF GENERATION OF ELECTRICITY AS MANUFACTURING UNDER SECTION 115BAB OF THE ACT

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

Aforesaid benefit of the concessional rate is extended to the companies engaged in the business of **generation of electricity**.



INCREASE IN SAFE HARBOUR LIMIT OF 5% UNDER SECTION 43CA TO 10%

Section 43CA 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 the stamp valuation authority (for the purpose of payment of stamp duty in respect of such transfer), the value so adopted or assessed or assessable shall for the purpose of computing profits and gains from transfer of such assets, be deemed to be the full value of consideration. However, a safe harbour of 5% is provided wherein if the stamp duty valuation does not exceed 105% of the consideration declared, the consideration so declared shall be deemed to be the full value of consideration.

It is now proposed to increase the safe harbour from **5% to 10% and the said amendment is also proposed in Section 50C and Section 56.**



INTERNATIONAL TAXATION

SIGNIFICANT ECONOMIC PRESENCE

Finance Act, 2018, inter alia, inserted Explanation 2A to said clause so as to clarify that the “significant economic presence” (SEP) of a non-resident in India shall constitute "business connection" in India and SEP for this purpose, shall mean:

- i. transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India, if the aggregate of payments arising from such transaction or transactions during the previous year exceeds such amount as may be prescribed; or
- ii. systematic and continuous soliciting of business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means.

Said Explanation further provided that the transactions or activities shall constitute significant economic presence in India, whether or not, the

agreement for such transactions or activities is entered in India; or the non-resident has a residence or place of business in India; or the non-resident renders services in India.

It was also provided that only so much of income as is attributable to the transactions or activities mentioned at para 2(a) and (b) shall be deemed to accrue or arise in India.

Therefore, for the purposes of determining SEP of a non-resident in India, threshold for the aggregate amount of payments arising from the specified transactions and for the number of users were required to be prescribed in the Rules. However, since discussion on this issue is still going on in G20-OECD BEPS project, these numbers have not been notified yet. G20-OECD report is expected by the end of December 2020.

In the circumstances, it is proposed to defer the applicability of SEP to starting from assessment year 2022-23. Certain drafting changes have also been made while deferring the proposal.

SOURCE RULE AMENDMENT

It is proposed to amend Section 9 of the Act, by way of inserting **new Explanation 3A** to clarify 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 shall form part of income attributable to the operations carried out in India.

AMENDMENT IN SECTION 90

The MLI is an outcome of the G20-OECD project to tackle Base Erosion and Profit Shifting (the BEPS Project), i.e. tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity, resulting in little or no overall corporate tax being paid. The MLI will modify India's DTAA's to curb revenue loss through treaty abuse and base erosion and profit shifting strategies by ensuring that profits are taxed where substantive economic activities generating the profits are carried out. The MLI will be applied alongside existing DTAA's, modifying

their application in order to implement the BEPS measures.

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

TAXATION OF FOREIGN PORTFOLIO INVESTOR (FPI)

The Finance Act, 2012, inter alia, had inserted Explanation 5 to said clause to clarify that an asset or capital asset being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be and shall always be deemed to have been situated in India if the share or interest derives, directly or indirectly, its value substantially from the assets located in India. Second proviso to said Explanation, inserted through the Finance Act, 2017, provides that the Explanation shall not apply to an asset or capital asset, which is held by a non-resident by way of investment, directly or indirectly, in Category-I or Category-II foreign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 [SEBI (FPI) Regulations, 2014].

The SEBI has notified Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 [SEBI (FPI) Regulations, 2019] and repealed the SEBI (FPI) Regulations, 2014. The difference between these two regulations pertinent in the present context is that the SEBI has done away with the broad basing criteria for the purposes of categorization of portfolios and has reduced the categories from three to two. In view of the same, necessary modification needs to be made in the proviso so inserted. Hence, it is proposed that the exception from said Explanation 5 provided to an asset or a capital asset, held by a non-resident by way of investment in erstwhile Category I and II FPIs under the SEBI (FPI) Regulations, 2014 may be grandfathered. Further, similar exception may be provided in respect of investment in **Category-I FPI under the SEBI (FPI) Regulations, 2019.**

CHANGES IN TERM “ROYALTY”

As per the existing provisions the term “royalty” mean the transfer of all or any rights (including the granting of a licence) in respect of any copyright, literary, artistic or scientific work including films or video tapes for use in connection with television or tapes for use in connection with radio broadcasting, **but not including** consideration for the sale, distribution or exhibition of cinematographic films.

Due to exclusion of consideration for the sale, distribution or exhibition of cinematographic films from the definition of royalty, such royalty is not taxable in India even if the DTAA gives India the right to tax such royalty. Such a situation is discriminatory against Indian residents, since India is foregoing its right to tax royalty in case of a non-resident from another country without that other country offering similar concession to Indian resident. Hence, 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.**

PROVISIONS RELATING TO VERIFICATION OF THE RETURN OF INCOME AND APPEARANCE OF AUTHORIZED REPRESENTATIVE

It is proposed to amend Section 140(c) or (cd) so as to enable any other person, as maybe prescribed by the Board to verify the return of income in the cases of a company and a limited liability partnership. For example, where MD is not able to verify for any unavoidable reason or where there is no MD, any director of the company can verify the return or in case of a company in whose case application for insolvency resolution process has been admitted by the Adjudicating Authority (AA) under the Insolvency and Bankruptcy Code, 2016 (IBC), the return has to be verified by the insolvency professional appointed by such AA etc.

Further, while the IBC empowers the Insolvency Professional or the Administrator to exercise the powers of the Board of Directors or corporate debtor, it has been reported that lack of explicit reference in section 288 of the Act for an Insolvency Professional to act as an authorized representative of the

corporate debtor has been raising certain practical difficulties. It is therefore proposed to amend Sec 288(2) to enable any other person, as may be prescribed by the Board, to appear as an authorized representative.

TAX DEDUCTED AT SOURCE ('TDS') OR TAX COLLECTED AT SOURCE ('TCS')

TDS DEDUCTION

Applicability of TDS/TCS provisions contained in sections 194A, 194C, 194H, 194I, 194J and 206C has been proposed to be amended and will be applicable to every person whose turnover / gross receipts exceeds **Rs. 1 crore** in case of business or **Rs. 50 lakhs** in case of the profession, as the case may be.

REDUCING THE RATE OF TDS ON FEES FOR TECHNICAL SERVICES

There are large number of litigations on the issue of short deduction of tax treating assessee in default where the assessee deducts tax under Section 194C, while the tax officers claim that tax should have been deducted under section 194J of the Act.

Therefore, to reduce litigation, it is proposed to reduce rate for TDS in section 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%

ENLARGING THE SCOPE FOR TAX DEDUCTION ON INTEREST INCOME UNDER SECTION 194A OF THE ACT

In order to extend the scope of section 194A, interest paid by large co-operative society referred to in clause (v) or clause (viia) of sub-section 194A(3) shall be liable to deduct income-tax in accordance with the provisions of Section 194A(1), if-

- i. the total sales, gross receipts or turnover of the co-operative society exceeds Rs. 50 crores during the financial year immediately preceding the financial year in which the interest referred to in sub-section (1) is credited or paid; and
- ii. the amount of interest, or the aggregate of the amount of such interest, credited or paid, or is likely to be credited or paid, during the financial year is more than **Rs. 50,000** in case of payee being a **senior citizen** and **Rs. 40,000** in any other case.

TDS ON E-COMMERCE TRANSACTIONS

It is proposed to insert a new section 194-O in the Act so as to provide for a new levy of TDS at the rate of **1%**.

- The TDS is to be deducted and paid by e-commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform
- E-commerce operator is required to deduct tax at the time of credit of amount of sale or service or both to the account of e-commerce participant or at the time of payment thereof to such participant by any mode, whichever is earlier.
- The tax at **1%** is required to be deducted on the **gross amount** of such sales or service or both.
- Any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant shall be deemed to be amount credited or paid by the e-commerce operator to the e-commerce participant and shall be included in the gross amount of such sales or services for the purpose of deduction of income-tax.

- The sum credited or paid to an e-commerce participant (being an individual or HUF) by the e-commerce operator shall not be subjected to provision of this section, if the gross amount of sales or services or both of such individual or HUF, through e-commerce operator, during the previous year **does not exceed five lakh rupees** and such e-commerce participant has furnished his PAN or Aadhaar number to the e-commerce operator.
- However, it has been clarified that this aforesaid exemption will not apply to any amount received or receivable by an e-commerce operator for hosting advertisements or providing any other services which are not in connection with the sale of goods or services.
- Consequential amendments are being proposed in section 206AA to provide for tax deduction **at 5%** in non-PAN/Aadhaar cases

TAX COLLECTED AT SOURCE ('TCS') ON FOREIGN REMITTANCE THROUGH LIBERALISED REMITTANCE SCHEME

An authorised dealer receiving an amount or an aggregate of amounts of **7 lakhs or more** in a financial year for remittance out of India under the LRS of RBI, he shall be liable to collect TCS, if he receives sum in excess of said amount from a person remitting such amount out of India, at the rate of **5%**. In non PAN/Aadhaar cases the aforesaid rate shall be **10%**.

DEFINITION OF WORK UNDER SECTION 194

Section 194C of the Act provides for the deduction of tax on payment made to contractors. Further, as per the Clause (iv) of the Explanation of the said section "work" includes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer within the definition. However, it 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.

Accordingly, in order to bring clarity in the section and plug the leakage, 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.

TDS ON DIVIDEND

Amendment is proposed in Section 194 to include TDS on dividend on shares at the **rate of 10%** on dividend over and **above Rs 5,000** paid other than cash. Further, new Section 194K has been introduced to provide for TDS on dividend declared by mutual fund at the **rate of 10% above Rs. 5000**.

TDS will be required to be deducted at the time of time of credit of such income to the account of the payee or at the time of payment thereof by any mode, whichever is earlier. TDS is also applicable on the dividend paid to non-resident and TDS will be deducted at actual rate in force and necessary amendment is also proposed in Section 195 of the Act.

TDS OR TAX PAYMENT IN RESPECT OF INCOME PERTAINING TO EMPLOYEE STOCK OPTION PLAN (ESOP) OF START-UPS

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

- i. Tax on perquisite as income from salary at the time of exercise.
- ii. Tax on income from capital gain at the time of sale.

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 clause (vi) of sub-section (2)

of section 17 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** —

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

whichever is the earliest on the basis of **rates in force of the financial year** in which the said specified security or sweat equity share is allotted or transferred.

TCS ON OVERSEAS TOUR PACKAGES

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%**.

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 a previous year in excess of **Rs. 50 lakhs**.
- Only those sellers whose total sales, gross receipts or turnover from the business carried on by it **exceed Rs. 10 crores** during the financial year immediately preceding the financial year, shall be liable to collect such TCS.
- No TCS is to be collected from the Central Government, a State Government and 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 as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to conditions as prescribed in such notification.
- 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.
- In non-PAN/ Aadhaar cases the rate shall be **1%**.

ASSESSMENT AND APPEAL

MODIFICATION TO E-ASSESSMENT SCHEME

Section 143(3A) provides that the Central Government may make a scheme, by notification in the Official Gazette, for the purposes of making assessment of total income or loss of the assessee under section 143(3) so as to impart greater efficiency, transparency and accountability by certain means specified therein. Accordingly, E-assessment Scheme, 2019 was notified under Section 143(3A) of the Act.

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

- i. 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;
- ii. provided that Central Government may issue any direction under sub-section (3B) of the said section upto 31st March, 2022.

E PENALTY PROCEEDINGS

Section 274 of the Act provides for the procedure for imposing penalty under Chapter XXI of the Act. In response to a show cause notice issued by the Assessing Officer (AO), assessee or his authorised representative is still required to visit the office of the Assessing Officer.

With the advent of the E-Assessment Scheme-2019 and in order to ensure that the reforms initiated by the Department to eliminate human interface from the system reaches the next level, it is imperative that an e-penalty scheme be launched on the lines of E-assessment Scheme-2019. Therefore, it is proposed to insert a new sub-section (2A) in the said section so as to provide that the Central Government may notify an e-scheme for the purposes of imposing penalty.

E-APPEAL


The filing of appeals before Commissioner (Appeals) has already been enabled in an electronic mode. However, the first appeal process under the Commissioner (Appeals), which is one of the major functions/processes that is not yet in full electronic mode. A taxpayer can file appeal through his registered account on the e-filing portal. However, the process that follows after filing of appeal is neither electronic nor faceless.

In order to ensure that the reforms initiated by the Department to eliminate human interface from the system reach the next level, it is imperative that an e-appeal scheme be launched on the lines of e-assessment scheme. Accordingly, 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).

STAY OF DEMAND BEFORE ITAT

The existing provisions of the first proviso to section 254(2A) of the Act, inter-alia, provides that the ITAT may, after considering the merits of the application made by the assessee pass an order of stay for a maximum period of 180 days. Second proviso to the said sub-section prescribes that where the appeal is not so disposed of, the ITAT on being satisfied that the delay is not attributable to the assessee, extend the stay for a further period subject to the restriction that the aggregate of the periods originally allowed and the period so extended shall not, in any case, exceed 365 days and the ITAT shall dispose of the appeal within the period or periods of stay so extended or allowed.



The third proviso of the said sub-section also provides that if such appeal is not so disposed of within the period allowed under the first proviso or the period or periods extended or allowed under the second proviso, which shall not, in any case, exceed 365 days, the order of stay shall stand vacated after the expiry of such period or periods, even if the delay in disposing of the appeal is not attributable to the assessee.

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.

SURVEY UNDER SECTION 133A

Under the existing 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, Sub-section 6 provides that no income-tax authority below the rank of Joint Director or Joint Commissioner, shall conduct any survey under the said section without prior approval of the Joint Director or the Joint Commissioner, as the case may be.

It is proposed to substitute the proviso to sub-section (6) of section 133A to provide that,-

- i. in a case where the information has been received from the prescribed authority, 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; and
- ii. in any other case, no income-tax authority below the rank of Commissioner or Director, shall conduct any survey under the said section without prior approval of the Commissioner or the Director, as the case may be.

TAXPAYER'S CHARTER

There are only three countries in the world which have enshrined the rights of the taxpayers - Canada, US and Australia. The Hon'ble Finance Minister Smt. Sitharaman says the move is to prove that the intent of the government is never to harass the taxpayers, which is why the government has decided to incorporate the charter in the statute itself.

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.

PENALTY FOR FALSE DOCUMENTS

In the recent past after the launch of Goods & Services Tax (GST), several cases of **fraudulent input tax credit (ITC)** claim have been caught by the GST authorities. In these cases, fake invoices are obtained by suppliers registered under GST to fraudulently claim ITC and reduce their GST liability.

These invoices are found to be issued by racketeers who do not actually carry on any business or profession. They only issue invoices without actually supplying any goods or services. The GST shown to have been charged on such invoices is neither paid nor is intended to be paid. Such fraudulent arrangements deserve to be dealt with harsher provisions under the Act.

Therefore, it is proposed to introduce a new provision in the Act to provide for a levy of **penalty on a person**, if it is found during any proceeding under the Act that in the books of accounts maintained by him there is a

- i. false entry or
- ii. any entry relevant for computation of total income of such person has been omitted to evade tax liability.

The penalty payable by such person shall be **equal to the aggregate amount of false entries or omitted entry.**

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** are proposed to include use or intention to use –

- i. **forged or falsified documents** such as a false invoice or, in general, a false piece of documentary evidence; or
- ii. **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
- iii. **invoice** in respect of supply or receipt of goods or services or both to or **from a person who do not exist**.

CHARITABLE ORGANISATION TAXATION

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

Exempt entity may accept donations or certain sum for utilisation towards their objects or activities in respect of which

the payer, being the donor, gets deduction in computation of his income.

At present, there is no reporting obligation by the exempt entity receiving donation.

A Standardised process through which one-to-one matching between what is received by the exempt entity and what is claimed as deduction by the assessee **will be introduced**. 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 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.



“

GST has resulted in efficiency gains in the transport and logistics sector. The inspector raj has vanished. Consumers have got an annual benefit of 1 lakh crore rupees by GST.

NIRMALA SITHARAMAN
FINANCE MINISTER

A. CHANGES APPLICABLE FROM THE DATE TO BE NOTIFIED AFTER ENACTMENT OF FINANCE BILL, 2020

• INPUT TAX CREDIT

Section 16(4) is proposed to be amended to delink period of limitation for availment of ITC on debit note from the date of original invoice. Presently, recipient is eligible to avail ITC w.r.t a debit note till the due date of furnishing of GSTR-3B for the month of September following the end of financial year of which invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.

After the amendment, ITC in respect of a debit note can be availed till the due date of furnishing of GSTR-3B for the month of September following the end of financial year to which such debit note pertains or furnishing of the relevant annual return, whichever is earlier.

• COMPOSITION SCHEME

It is proposed to deny benefit of composition scheme for taxable persons engaged in:


- a) Supply of services not leviable to tax under GST;
- b) Inter-state supply of services; and
- c) Supply of services through e-commerce operator.

Presently, section 10 impose these restrictions only on supplier of foods.

• REGISTRATION

Section 29(1)(c) is proposed to be amended to empower GST officer to cancel registration which has been obtained voluntarily. Presently, the legislation empowers the officer to cancel the registration of a person either suo-moto or on an application made to him having regard to following circumstances:

- a) Discontinuance, Amalgamation, demerger, death of proprietor etc.;
- b) Change in constitution of business; or
- c) Taxable person is no longer liable to obtain registration *except who has obtained registration voluntarily.*



Amendment is also proposed in Section 30. Presently, Section 30(1) provides that a registered person, whose registration is cancelled by the proper officer on his own motion, may apply to such officer for revocation of cancellation of the registration within 30 days from the date of service of the cancellation order.

Finance Bill, 2020 proposed to insert proviso to Section 30(1) to empower the jurisdictional tax authorities to extend the time limit of 30 days. If the registered person has sufficient cause, such period can be extended –

- a) by Additional/Joint commissioner up to 30 days; or
- b) by Commissioner up to 60 days.

• **PENALTY & PROSECUTION**

Section 122 is proposed to be amended to levy penalty on any person who retains the benefit of following transactions and at whose instance such transaction is conducted:

- i. supplies any goods or services or both without issue of any invoice or issues an incorrect or false invoice with regard to any such supply;

- ii. issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act or the rules made thereunder;
- iii. takes or utilizes input tax credit without actual receipt of goods or services or both either fully or partially, in contravention of the provisions of this Act or the rules made thereunder; and
- iv. takes or distributes input tax credit in contravention of section 20, or the rules made thereunder.

This amendment seeks to penalize the person who causes the conduct of such an arrangement and retains the benefit out of such transaction and the amount of penalty shall be the equivalent to amount of tax evaded or ITC availed or passed on as Input Service Distributor (ISD).

Akin to amendment in Section 122, amendment has been proposed in Section 132 in order to expand its scope of punishment to persons who cause the conduct of offences listed therein and retains the benefits arising out of such offences.

Opening line of sub-section (1) which read as *“Whoever commits any of the following offences, namely”* is proposed to be substituted by words *“Whoever commits, or causes to commit and retain the benefits arising out of, any of the following offences”* to include such person(s) under its scope.

Scope of offence listed in clause (c) of sub-section (1) has also been proposed to be expanded by adding the words *“or fraudulently avails input tax credit without any invoice or bill”* at the end of clause (c). It is proposed to make the offence of fraudulent availment of input tax credit without an invoice or bill a cognizable and non-bailable offence.

• INVOICE

Section 31 is proposed to be amended to provide enabling provisions to specify:

- i. the categories of services or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed;
- ii. the categories of services in respect of which any other document issued in relation to the supply shall be treated as tax invoice; and
- iii. the categories of services in respect of which tax invoice may not be issued.

• TDS

Section 51 is proposed to be amended to remove requirement to issue TDS certificate and to omit the corresponding provision of late fee for delay in issuance of TDS certificate. Presently, section 51(4) provide for late fee @ 100 per day, in case the TDS deductor fails to furnish to deductee TDS certificate within 5 days, subject to Max limit of INR 5,000.

• MISCELLANEOUS

Section 140 is proposed to be amended, w.e.f. 1st July 2017, to prescribe the manner and time period for taking transitional credit.

Time period to issue ROD (Removal of Difficulties) is proposed to be extended from three years to five years from the date of commencement of the CGST Act, 2017.

Entry at 4(a) and 4(b) in Schedule II of the CGST Act, 2017 is proposed to be amended, w.e.f. 1st July 2017, to make provision for omission of supplies relating to transfer of business assets made without consideration from Schedule II.

B. CHANGES APPLICABLE WITH RETROSPECTIVE EFFECT AFTER ENACTMENT OF FINANCE BILL 2020

- The refund of accumulated credit of compensation cess on tobacco products arising out of inverted duty structure in compensation cess is disallowed w.e.f. 01.10.2019 vide NN 3/2019–Compensation Cess (Rate) dated 30.09.2019. This notification is proposed to be given retrospective effect from 01.07.2017 onward. Accordingly, no refund on account of inverted duty structure would be admissible on any tobacco product
- No tax in respect of supply of fishmeal (HS 2301) for the period 01.07.2017 to 30.09.2017.
GST @ 12% in respect of supply of pulley, wheels and other parts (falling under heading 8433) and used as parts of agricultural machinery (falling under headings 8432, 8433 and 8436), during the period 01.07.2017 to 31.12.2018.
No refund of all such tax which has been collected, but which would not have been so collected, had amendment was in force at all material times.

RATES OF TAX

TAX RATES FOR INDIVIDUAL(OLD REGIME) / HUF(OLD REGIME) / AOP / BOI / ARTIFICIAL JUDICIAL PERSON

Income Slabs (Rs)	Tax Rates (Who is of age of less than 60 years)	Tax Rates (Who is of age of more than 60 years but less than 80 years)	Tax Rates (Who is of age of more than 80 years)
Upto 2,50,000	NIL	NIL	NIL
2,50,000 to 3,00,000	5%	NIL	NIL
3,00,000 to 5,00,000	5%	5%	NIL
5,00,000 to 10,00,000	20%	20%	20%
Above 10,00,000	30%	30%	30%

- Plus, Health and Education Cess of 4% and surcharge as applicable.
- Tax rebate under section 87A is ₹ 12,500 for persons having net taxable income upto ₹ 5,00,000.

TAX RATES FOR INDIVIDUAL / HUF (UNDER NEW REGIME)

Income Slabs (Rs)	Tax Rates
Upto 2,50,000	NIL
2,50,000 to 5,00,000	5%
5,00,000 to 7,50,000	10%
7,50,000 to 10,00,000	15%
10,00,000 to 12,50,000	20%
12,50,000 to 15,00,000	25%
Above 15,00,000	30%

- Plus, Health and Education Cess of 4% and surcharge as applicable.
- Tax rebate under section 87A is ₹ 12,500 for persons having net taxable income upto ₹ 5,00,000.



SURCHARGE FOR INDIVIDUAL / HUF / AOP / BOI / ARTIFICIAL JUDICIAL PERSON (UNDER NEW AND OLD REGIME)

Sr No	Particulars	Rate of surcharge
(i)	Total income (including income under section 111A and 112A) is above Rs 50 lakhs but below Rs 1 crore	10%
(ii)	Total income (including income under section 111A and 112A) is above Rs 1 crore but below Rs 2 crore	15%
(iii)	Total income (excluding income under section 111A and 112A) is above Rs 2 crore but below Rs 5 crore	25%
(iv)	Total income (excluding income under section 111A and 112A) is above Rs 5 crore	37%
(v)	Total income (including income under section 111A and 112A) is above Rs 2 crore but not covered in (iii) or (iv) above	15%



TAX RATES FOR FIRMS AND LLP

Income Slabs (Rs)	Tax	Surcharge	Health & Education Cess	Total
Upto 1 Crore	30%	NIL	4%	31.20%
Above 1 Crore	30%	12%	4%	34.94%

TAX RATES FOR DOMESTIC COMPANY (NEW SCHEME)

Flat Tax Rate	Surcharge	Health & Education Cess	Effective Tax rate
22%	10%	4%	25.168%

TAX RATES FOR DOMESTIC MANUFACTURING COMPANY (NEW SCHEME)

Flat Tax Rate	Surcharge	Health & Education Cess	Effective Tax rate
15%	10%	4%	17.16%

TAX RATES FOR DOMESTIC COMPANY (OLD SCHEME)

Total Turnover or Gross Receipt of FY 18-19	Income Slab (in Rs)	Tax	Surcharge	Health and Education Cess	Total
Upto 400 Crores	Upto 1 Crore	25%	NIL	4%	26%
	1 Crore to 10 Crore	25%	7%	4%	27.82%
	Above 10 Crore	25%	12%	4%	29.12%
Above 400 Crores	Upto 1 Crore	30%	NIL	4%	31.20%
	1 Crore to 10 Crore	30%	7%	4%	33.38%
	Above 10 Crore	30%	12%	4%	34.94%

TAX RATES FOR FOREIGN COMPANY

Income Slabs (Rs)	Tax	Surcharge	Health & Education Cess	Total
Upto 1 Crore	40%	NIL	4%	41.60%
1 Crore to 10 Crore	40%	2%	4%	42.43%
Above 10 Crore	40%	5%	4%	43.68%

TAX RATES FOR CO-OPERATIVE SOCIETY (OLD SCHEME)

Income Slabs (Rs)	Tax	Health & Education Cess	Total
Upto 10,000	10%	4%	10.40%
10,000 to 20,000	20%	4%	20.80%
Above 20,000	30%	4%	31.20%

#Surcharge @ 12% of the income tax amount if income is greater than Rs. 1 Crore.

TAX RATES FOR CO-OPERATIVE SOCIETY (NEW SCHEME)

Flat Tax Rate	Health & Education Cess
22%	4%

Surcharge @ 12% of the income tax amount if taxable income is greater than 1 Crore.

MINIMUM ALTERNATE TAX (MAT) & ALTERNATE MINIMUM TAX (AMT)

Assessee Type		Tax	Sur	HEC	Total
Domestic Company (old scheme)	Income below Rs 1 Crore	18.5%	NIL	4%	19.24%
	Income above Rs 1 Crore but below Rs 10 Crore	18.5%	7%	4%	20.58%
	Income above Rs 10 Crore	18.5%	12%	4%	21.54%
Company other than Domestic Companies	Income below Rs 1 Crore	18.5%	NIL	4%	19.24%
	Income above Rs 1 Crore but below Rs 10 Crore	18.5%	2%	4%	19.62%
	Income above Rs 10 Crore	18.5%	5%	4%	20.20%
Firm or LLP	Income below Rs 1 Crore	18.5%	NIL	4%	19.24%
	Income above Rs 1 Crore	18.5%	12%	4%	21.54%
Others*	Income above Rs 50 Lakh but below Rs 1 Crore	18.5%	10%	4%	21.16%
	Income above Rs 1 Crore	18.5%	15%	4%	22.12%

*Applicable to other assessee who are claiming profit linked deductions. Individual, HUF, AOP, BOI and Co-operative Society are liable for AMT only when their adjusted total income exceeds the above mentioned limits.

Notes:

Tax Credit in respect of MAT / AMT can be carried forward upto **15** assessment years.
Tax Credit in respect of MAT / AMT shall not be allowed to be carried forward to subsequent year to the extent such credit relates to the difference between the amount of Foreign Tax Credit (FTC) allowed against MAT / AMT and FTC allowable against the Tax computed under regular provisions.

CAPITAL GAINS TAX

Class of Assets	Short Term	Long Term
<u>LISTED EQUITY SHARES & UNITS OF EQUITY ORIENTED FUND AND UNIT OF A BUSINESS TRUST</u>		
Purchased after 01.04.04 (With STT Paid)	15%	10%
Purchased after 01.04.04 (Without STT Paid)	15%	10%
<u>UNLISTED SHARES AND SECURITIES</u>		
With Indexation	-	20%
Without Indexation	APPLICABLE SLAB RATES	10%
<u>OTHER ASSETS</u>		
With Indexation	-	20%
Without Indexation	APPLICABLE SLAB RATES	10%

PAYMENT OF ADVANCE TAX

QUARTER ENDED	DUE DATE	FOR ASSESSEE FILING RETURN U/S 44AD	FOR ALL OTHER ASSESSEE
June	15 th June	-	15 %
September	15 th September	-	45 %
December	15 th December	-	75 %
March	15 th March	Full	Balance

- Liability to pay Advance Tax will arise only if tax liability exceeds Rs. 10,000

DUE DATE UNDER INCOME TAX ACT

FILING OF INCOME TAX RETURN

ASSESSEE	DUE DATE
All Assesses whose Accounts are required to be audited u/s 44AB/44AD (Tax Audit) and their working partner (in case of firm)	31 st October
All Assesses whose Accounts are required to be audited u/s 92E (Transfer Pricing)	30 th November
Other than Above	31 st July

FILING OF TDS RETURN

QUARTER ENDED	DUE DATE
June	31 st July
September	31 st October
December	31 st January
March	31 st May

DEDUCTIONS UNDER CHAPTER VI-A – ASSESSMENT YEAR 2020-21

Sec	Applicability	Eligible Payments	Amount of Deduction	New regime
80C	Individual or HUF	<ul style="list-style-type: none"> Investment in PPF Employees Share of PF Contribution NSCs Life Insurance Premium Payment Children's Tution Fee Principal Repayment of Home Loan Investment in Sukanya Samridhi Account ULIPS ELSS Sum paid to Purchase deferred annuity Five Year deposit Scheme Senior Citizen savings scheme 	<p>Maximum monetary Limit of Rs. 1,50,000</p> <div> <p>Sec 80CCE maximum permissible deduction under sec 80C , 80CCC and 80CCD(1) is Rs. 1,50,000</p> </div>	Not available

		<ul style="list-style-type: none"> • Subscriptions to Notified Securities / notified deposits scheme • Subscription to notified Bonds of NABARD 		
80CCC	Individual	Amount Deposited in Annuity Plan of LIC or any other insurer for pension from a fund referred to in section 10 (23AAB).	Maximum monetary Limit of Rs. 1,50,000	Not available
80CCD	Individual employed by Central Government or any other employer as well as self employed individuals	Contribution to Pension Scheme of Central Government.	<p>In case of Central Government employee deduction of own contribution under sec 80 CCD(1) is restricted to 14 % of his salary.</p> <p>In case of salaried individual deduction of own contribution under sec 80 CCD(1) is restricted to 10 % of his salary.</p> <p>In any other case deduction under sec 80CCD(1) is restricted to 10% of Gross Total Income.</p>	Available subject to limit prescribed under the Act.

80D	Individual or HUF	<ul style="list-style-type: none"> Health insurance premium - For Individual /HUF - For Senior Citizens and very Senior Citizens 	Rs. 25,000 Rs. 50,000	Not available
80DD	Residential Individual or HUF	Medical Treatment for handicapped dependent (Spouse, Parents, Kids or siblings) or payment to specified scheme for maintenance of handicapped dependent <ul style="list-style-type: none"> Disability is 40% or more but less than 80% Disability is 80 % or more 	Flat deduction of Rs.75,000 Flat deduction of Rs. 1,25,000	Not available
80DDB	Residential Individual or HUF	Medical Expenditure for Specified Diseases (such as Neurological Diseases, Malignant Cancers, Full Blown Aids, Chronic Renal Failure etc) in respect of senior citizens and very senior citizens	Monetary Limit of Rs 1,00,000	Not available

80G	All Assessee	Donation to certain Funds in Charitable Institutions	As specified in the IT Act 1961	Not available
80GG	Individual not in receipt of HRA	For Rent Paid when HRA is not received from employer	Least of - 25 % of Total Income - Rent paid minus 10% of Adjusted Income - Rs. 5,000 per month	Not available
80G	All Assessee	Donation to certain Funds in Charitable Institutions	As specified in the IT Act 1961	Not available
80GG	Individual not in receipt of HRA	For Rent Paid when HRA is not received from employer	Least of - 25 % of Total Income - Rent paid minus 10% of Adjusted Income - Rs. 5,000 per month	Not available
80E	Individuals	Interest on Education Loan	Interest paid (for a maximum period of 8 years Or Until the Interest is repaid by the Individual in full (Whichever is earlier)	Not available
80EE	Individuals	Interest on home loan for first time homeowners	Maximum Rs. 50,000	Not available

80EEA	Individuals	Interest on home loan for house purchased under affordable housing scheme	Maximum Rs. 1,50,000	Not available
80EEB	Individuals	Interest on loan borrowed for purchase of electric vehicle	Maximum Rs. 1,50,000	Not available
80TTB	Individuals	Interest income from Deposits held by Senior Citizen	Upto Rs. 50,000	Available
80JJAA	Individuals	Emoluments paid to eligible new employee employed for a minimum period of 240 days (150 days in case of apparel, footwear and leather industries)	30% in addition to normal deduction of 100% in respect of emoluments paid.	Can be availed only in case of new employment.

Nature of Payment	Section	Threshold Limit for Deduction	Individual/ HUF	Firms/ Companies*
Salary	192	As per available slab		
Dividend	194	Rs. 5000 p.a.	10%	10%
Interest other than interest on securities (by Bank) ¹	194A	Rs. 40,000 p.a.	10%	10%
Interest other than interest on securities (by Bank and Post Office for Senior Citizen) ¹	194A	Rs. 50,000 p.a.	10%	N.A.
Interest other than interest on securities (by Others)	194A	Rs. 5,000 p.a.	10%	10%
Winnings from Horse Races/Lotteries	194B	Rs. 10,000 p.a.	30%	30%
Contracts/Subcontracts	194C	Rs. 30,000 per contract or Rs. 1,00,000 p.a.	1%	2%
Insurance Commission	194D	Rs. 15,000 p.a.	5%	5%
Payment in respect of Life Insurance Policy	194DA	Rs. 1,00,000 p.a.	5%	5%
Payments in respect of NSS Deposits	194EE	Rs. 2,500 p.a.	10%	N.A.

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Commission on sale of Lottery Tickets	194G	Rs. 15,000 p.a.	5%	5%
Brokerage/ Commission	194H	Rs. 15,000 p.a.	5%	5%
Rent on plant, machinery and equipment	194I(a)	Rs. 2,40,000 p.a.	2%	2%
Rent other than above Rent	194I(b)	Rs. 2,40,000 p.a.	10%	10%
Sale of immovable property(other than agricultural land)	194IA	Rs. 50,00,000	1%	1%
Professional fees & Royalty	194J	Rs. 30,000 p.a.	10%	10%
Fees for Technical services	194J	Rs. 30,000 p.a.	2%	2%
Payment against units of Mutual fund.	194K	Rs. 5,000 p.a	10%	10%
Payment of Compensation on acquisition of Certain Immovable Property	194LA	Rs. 2,50,000 p.a.	1%	1%
Interest paid to Non-residents	194LC		5%	5%

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Interest payments to Foreign Institutional Investors(FII) and Qualified Foreign Investors(QFIs) on investments in Govt. securities and RDB of an Indian company.	194LD		5%	5%
Deduction by Individual/HUF from payments to contractors and professionals (other than those required to deduct as per sec. 194C and 194J)	194M	Rs. 50,00,000 p.a.	5%	5%
Cash Withdrawal in excess of Rs. 1,00,00,000	194N	Rs. 1,00,00,000	2%	2%
Sale of goods or services by an e-commerce operator on an electronic platform	194-O	Rs. 5,00,000 p.a only for an Individual/HUF	1%	1%

Notes:

1. Assessee receiving rental income and insurance commission can now give self declarations to their tenants for non deduction of TDS under Forms 15G / 15H whose total income is below the taxable limit.
2. All amounts of tax deducted at source shall be paid on or before 7th of next month in which tax is deducted (except in case of March - 30th April)
3. TDS at higher rate i.e.20% has to be made if deductee does not provide PAN to deductor.

*In respect of foreign companies the above rates shall continue to be increased by 2% surcharge.

¹In respect of Co-operative societies, if the gross receipts or turnover exceeds RS. 50 crores, then the above rates would be available.

#The above rates shall increase by Health and Education Cess of 4% only in case of person not Resident in India, companies other than domestic companies and on payment of salary.



ABOUT US

Neeraj Bhagat & Company is a team of distinguished **chartered accountants**, corporate financial advisors and **tax consultants in India**. Our firm of chartered accountants represents a coalition of specialized skills that is geared to offer sound financial solutions and advices. The organization is a congregation of professionally qualified and experienced persons who are committed to add value and optimize the benefits accruing to clients.

We are prominent Chartered Accountants in India. We offer services of accounts outsourcing, auditing, company formation in India, Business taxation, corporate compliance, starting business in India, registration of foreign companies, transfer pricing, tax due diligence, taxation of expatriates etc.





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