



RSPT & Associates

Chartered Accountants



UNION BUDGET 2020 – 2021

TAX HIGHLIGHTS

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DIRECT TAX AMENDMENTS

I) Income Tax Slab rates

Highlight Point

Finance Bill, 2020 proposes “to provide *Alternate/Optional tax regime to individuals and HUF by insertion of Section 115BAC in the Income Tax Act*”

A. For Individuals & HUF

Taxable Total Income	Existing Tax Rates	New Tax Rates **
Up to INR 2,50,000	NIL	NIL
INR 2,50,000 TO 5,00,000	5%	5%
INR 5,00,000 TO 7,50,000	20%	10%
INR 7,50,000 TO 10,00,000	20%	15%
INR 10,00,000 TO 12,50,000	30%	20%
INR 12,50,000 TO 15,00,000	30%	25%
Above INR 15,00,000	30%	30%

** New Optional

- The option shall be exercised for every previous year where the individual or the HUF **has no business income**,
- **In case where individual or HUF has a Business Income and it opts for the new tax rates**, same shall be applicable for previous year and all subsequent years where the Individual or HUF has business income
- **If Individual or HUF opts for New Tax Rates than he will Not be allowed to claim** –
 - a) **Any Deductions under Chapter VI A not allowed** – 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 (Except sub section (2) 80CCD

i.e. employer contribution to employee pension scheme and 80JJAA i.e. for new employment generation),

b) **Certain Important Deductions not allowed under other sections** – Deduction w.r.t. Interest u/s 24 on self occupied House property or vacant property, Loss of under head house property for rented house, etc

c) Any set off of losses shall not be allowed under any head of Income

d) **Certain important Exemptions shall not be allowed under section 10** such as LTA – 10(5), HRA- 10(13A), certain allowances under section 10(14),

→ The concessional rate shall not apply unless option is exercised by the individual or HUF in the form and manner as may be prescribed

B. Tax Rates amendments proposed in case of Other Assessee's

→ **New Domestic Companies**

Concessional corporate tax rate of 15 % u/s 115 BAB extended to new domestic companies in manufacturing and power sector

→ **Co-operative Societies**

Currently Cooperative Societies are taxed at 30% plus surcharge and 4% cess, It is proposed to provide an **Option to Cooperative societies** to be taxed in newly introduced section 115 BAD at rate 22% plus 10% surcharge and 4% cess with no exemption/deductions

It is also proposed to exempt the co-operative societies from Alternative Minimum Tax (AMT) just like companies under the new tax regime are exempted from the Minimum Alternate Tax (MAT)

II) Residency Provisions Modification

→ Reduction in Number of Days for certain category of Citizens

Current Law: Section 6 of IT Act provide for situations in which an individual shall be resident in India in a previous year. An Individual is resident in India in any Previous Year if:

a) He is in India for 182 days or more in that PY **or**

b) He is in India for 60 days or more in that previous year and he is India for 365 days or more during 4 years preceding that PY.

Further, another Second category of Individuals being Indian Citizens staying abroad or Person of Indian Origin (PIO) (i.e. whose parents or grandparents who stayed in undivided India) coming to India were treated as Resident in India if –He is in India for **182 days or more** in that previous year and he is India for 365 days or more during 4 years preceding that PY

Amendment - It is proposed to reduce the number of days in above Second category of Indian Citizens or PIO to **120 days instead of 182 days earlier.**

→ Budget proposed redefining the NRI status for Indian resident going out of India for tax purposes. As per the changes, an Indian resident will now have to stay out of the country for 240 days, against 182 previously to become a non-resident for tax purpose.

→ An Indian Citizen who is not resident of any other country in the world, will be **deemed to be resident of India** and his/her global income will be taxable in India.

→ NRI's shall not be required to file ITR if,

(i) total income consists of only dividend or interest income, or royalty or FTS income; and

(ii) TDS on such income has been deducted

Highlight Point

Finance Bill, 2020 proposes that
“An Indian Citizen who is not liable to Tax in any other country or territory will be deemed to be resident of India and his/her global income will be taxable in India”

III) TAX DEDUCTED AT SOURCE (TDS)

→ **Section 194 – TDS ON DIVIDEND PAID ON SHARES TO INVESTORS-**

Amendment in section 194 is proposed to include Dividend for Tax Deduction @ 10% (Threshold limit proposed to increase to Rs.5,000/- from current Rs.2,500/-)

Highlight Point

Finance Bill, 2020 proposes

“TDS to be deducted by Companies on Dividend paid on Shares or Units of Mutual Fund to its investors”

→ **Section 194K - TDS ON DIVIDEND PAID ON MUTUAL FUND UNITS TO INVESTORS**

Amendment in section 194K is proposed to include Dividend on Units of Mutual Fund for Tax Deduction @ 10% (Threshold limit Rs.5,000/-)

→ **Section 194C – Definition of ‘Work’ proposed to be amended incase of Contract Manufacturing business**

Current Law- Clause (iv) of the Explanation of the said section defines “work”. Sub-clause (e) of this definition 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.

Amendment Proposed- Definition of ‘Work’ proposed to be amended in case of Contract Manufacturing where material supplied by assessee (Customer) or assessee's (customer) associate or related parties to be covered i.e. associate or related parties to customer supplying material to contract manufacturer also to be included and treated as material supplied by said assessee (customer) and TDS to be deducted under section 194C

→ **Section 194 J – TDS ON FEES FOR TECHNICAL SERVICES (FTS)**

It is now 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 the same i.e. at 10%.

→ **Section 194 A– TDS ON INTEREST PAID BY LARGE CO-OPERATIVE SOCIETIES**

It is proposed that large co-operative societies (turnover greater than INR 50 crores in immediately preceding financial year) are liable to deduct TDS on aggregate amount of interest paid or credited to its members (Threshold limit Rs.40,000/-; in case of senior citizen Rs. 50,000/-)

→ **Section 194 O – WIDENING THE SCOPE OF TDS ON E-COMMERCE TRANSACTIONS**

Proposed that E-commerce operator is required to deduct tax at the time of credit of amount of sale of goods or service or both to the account of e-commerce participant or at the time of payment thereof to such participant (Vendor) 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.

This will further lead to cashflow blockage in business for the ecommerce vendors.

→ **Section 192 – DEFERRING TDS IN RESPECT OF INCOME PERTAINING TO ESOP OF STARTUPS:**

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 IT Act, Eligible start-ups can now deduct or pay tax on ESOP 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 ; 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

IV) TAX COLLECTED AT SOURCE (TCS)

→ TCS on Remittance through LRS-

An authorised dealer receiving an amount or an aggregate of amounts of seven lakh rupees or more in a financial year for remittance out of India under the LRS 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.
Rate of TCS on above – 5% (No PAN/Aadhaar case-10%)

Highlight Point

Finance Bill, 2020 proposes

“TCS scope Section 206C to be widened to include

TCS on foreign remittance through Liberalized Remittance Scheme (LRS);

On sale of Foreign Tour Packages by Tour Operator

and

TCS on sale of goods over a Limit”

→ TCS to be collected by Vendor selling Overseas/Foreign Tour Package

Sellers of Overseas tour Package to collect TCS @ 5% (No PANcase-10%)

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

- a) liable to deduct tax at source under any other provision of the Act and he has deducted such amount
- b) the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority as defined in Explanation to clause (20) of section 10 or any other person notified by the Central Government in the Official Gazette for this purpose subject to such conditions as specified in that notification.

→ **TCS to be collected by Vendor on Sale of Goods > 50 Lakh rupees**

A seller of goods is liable to collect TCS at the rate of 0.1% (No PAN/ Aadhaar case-1%) on consideration received from a buyer in a previous year in excess of fifty lakh rupees.

Conditions for Above:

Only those sellers whose total sales, gross receipts or turnover from the business carried on by it exceed ten crore rupees during the financial year immediately preceding the financial year, shall 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 IT Act and has deducted such amount.

V) Deductions Under Section 80

→ **Section 80M** – Re-introduced to remove cascading effect of Dividend Distribution Tax, same is proposed to be allowed now only for dividend distributed by the company one month prior to the due date of filing of return, as compared to currently allowed for dividends distributed upto due date of filing return by company

→ **Section 80G**- Details of Donations given will be pre-filled in taxpayer's return on the basis of information of donations furnished by the Donee.

Highlight Point

Finance Bill, 2020 proposes

“Donations Details Under Section 80G will be pre-filled in Income Tax Returns on basis of details filled by Donee Organization”

- **Section 80EEA-** Provides 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 INR 1.5 Lakhs and is subject to certain conditions. Same was valid only till 31st March 2020. It is proposed to extend the deduction by one more year upto 31st March, 2021 to promote purchase of affordable housing

VI.) Audit Provisions -Profits & Gains from Business & Profession

→ **Audit of Accounts (Section 44AB)-**

In order to reduce compliance burden on small and medium enterprises, it is proposed to increase the Tax Audit threshold turnover limit for a person carrying on business from INR 1 crore to INR 5 crore in cases where:

- aggregate of all receipts in cash during the PY does not exceed 5% of such receipt; and
- aggregate of all payments in cash during the PY does not exceed 5% of such payment.

Highlight Point

Finance Bill, 2020 proposes

“Tax Audit turnover Limit under section 44AB increased from 1 crore to 5 crores subject to certain conditions”

→ **Audit Report to be furnished at least 1 month prior to Due Date of Filing Return:**

In order 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.

→ **Due Date of filing Return of Income proposed to be extended for certain persons:**

Due Date of Filing Return of Income for assessee with current due date of 30th September proposed to be extended to 31st October of the AY, same is applicable only to assessee covered under clause (a) to Explanation-2 to section 139(1), further distinction between working partners and non- working partners of the firm w.r.t. due dates for filing return is proposed to be removed.

→ **Modification in Section 43CA w.r.t deviation in stamp duty value and sale consideration** – Covered under Capital Gains session

VII.) Capital Gains – Real estate Transactions & Income from Other Sources

→ **Section 50B- Computation of Capital Gains incase of Slump Sale:**

Under Slump Sale of undertaking or division assessee is required to give report from accountant certifying that the Net worth of the undertaking or division being sold under slump sale has been correctly arrived, It is proposed to amend the said clause and provide that said report of accountant should be furnished before due date specified to section 44AB (i.e. One month prior to filing return of Income)

→ **Section 50C, 43CA, 56 **- Deviation of Sale Consideration with Stamp Duty**

Value: It is proposed that incase of deviation in actual sale consideration with stamp duty value of the property incase of transfer of property is up to 10% than, actual sale consideration be deemed to be full value of consideration for computing gains.

**Amendment is proposed in all above mentioned three sections of the Income Tax Act applicable for computing total Income from Capital Gains on transfer of Immovable property (Section 50C), Income under head Business & Profession on transfer of immovable property being capital asset (Section 43CA), Income under the head Other Sources on transfer of immovable property without adequate consideration (Section 56)

→ **Section 55- Cost of Acquisition of Capital Assets:**

It is proposed 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.

→ **Section 57- Income from Dividend:**

Deduction of interest expense under section 57 of the Act in respect of dividend income shall be maximum 20 per cent of the such dividend income.

VIII.) OTHER IMPORTANT AMENDMENTS

- **Expanding the details/information provided in form 26AS:** It is proposed to insert new provisions and amend existing ones to ensure that the department and its authorities upload information in their record on timely basis to expand the information provided in form 26AS to assist the taxpayers in computing and filing correct tax returns. Going forward 26AS will provide more detailed information w.r.t transactions made by taxpayers.
- **Dividend Distribution Tax (Section 115-O):** It is proposed to abolishing Dividend Distribution tax (DDT) and moving to classical system of taxing dividends in hands of shareholders/ mutual fund unitholders, thus proposing to make amendments in all related provisions.
- **Startups Incentives:**
 - a) ESOP's Taxability- Currently, ESOPs are taxable as perquisites at the time of exercise. In order to give a boost to the start-up ecosystem, and to enable ease the burden of taxation on the employees a deferred tax regime is introduced by five years or till they leave the company or when they sell their shares, whichever is earliest
 - b) Further, an eligible start-up having turnover up to INR 25 crores is allowed deduction of 100% of its the profits for three consecutive assessment years out of seven years. In order to extend this benefit to larger start-ups, it is proposed to increase the turnover limit from existing INR 25 crore to INR 100 crores.
- **Taxpayer's Charter:** The Finance Bill seeks to insert a new section 119A so as 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 such Charter

- **Due Date for Accountants Report (Section 115JB)-** section 115JB provides to furnish a report from an accountant certifying that the book profit along with the return of income, same is amended to furnish the same before the specified date referred to in section 44AB (i.e. one month prior to the due date for filing of return of income).
Similar amendments have been made for reports under section 115JC

IX.) APPEALS & DISPUTE RESOLUTIONS

- **Provision for E-Appeal:** It is proposed to move CIT (A) proceedings entire process to online and to be faceless.
Currently, 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.
- **Stay of demand by ITAT:** It is proposed to provide that ITAT may grant stay of demand upto 180 days 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.
Further, Extension of Stay will not be allowed beyond 365 days.
- **No Dispute but Trust Scheme (Vivad se Vishwas Scheme):** Presently, there are 4,83,000 direct tax cases pending in various appellate forums i.e. Commissioner (Appeals), ITAT, High Court and Supreme Court.
Under the proposed '**Vivad Se Vishwas**' 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 (yet to be notified). The scheme will remain open till 30th June, 2020.

GOODS & SERVICE TAX (GST) IMPORTANT AMENDMENTS

- **Delinking Debit Notes with Invoices relating to restriction on availment of credit:** As per the amendment, if a particular debit note is issued henceforth in subsequent financial year with respect to original invoice issued in previous financial year, credit relating to such debit note can be availed upto the due date of return for September from the end of financial year in which **such debit note was issued and not the original invoice was issued.** (amendment in Section 16 of CGST Act, 2017)

- **Waiver of Late Fees incase of Delayed issuance of TDS certificate by the deductor under GST:** Section 51 which deals with Tax Deduction at source is being amended to remove the requirement of issuance of TDS certificate by the deductor and to omit the provision pertaining to late fees for delay in issuance of TDS certificate as stated in Sub section (4).

- **Penalty for Fake Invoices:** 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 due to fake transactions or invoices to evade tax liability.
Penalty of 100% will be levied on the person whose books are forged and further 100% penalty on any other person, who causes in any manner to make such false entry in the books of person.



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