

# Union Budget

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## Foreword

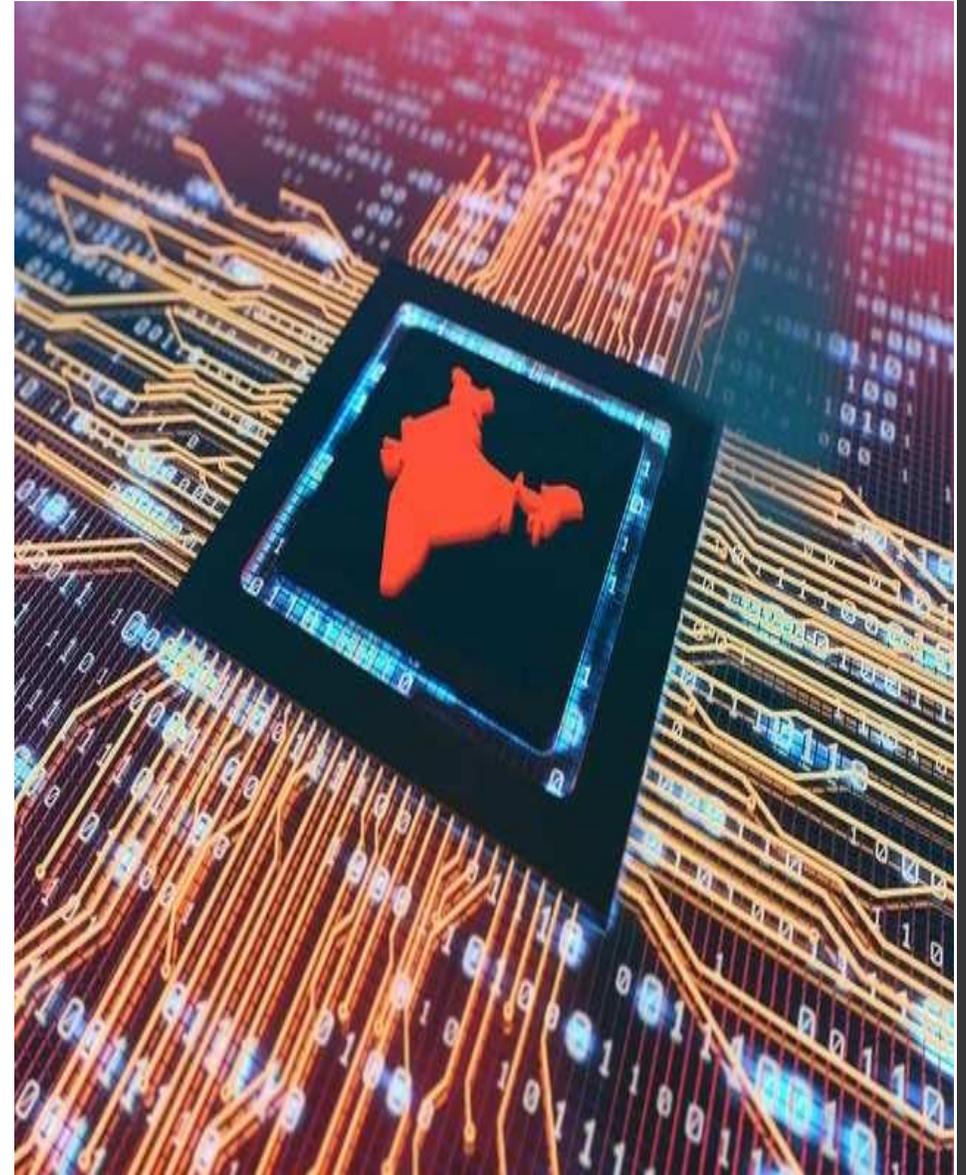
The Union Budget 2020 was presented by the Honourable Finance Minister on Feb 01, 2020 with an objective to boost income and enhance purchasing power. Between 2014-19, the Central Government has brought in a paradigm shift in governance. This shift was characterized by a twin focus: fundamental structural reform and Inclusive growth, Guided by **“Sabka Saath, Sabka Vikas, Sabka Vishwas”**. Central Government has added manifold speed and scaled up the implementation of schemes and programmes that directly benefitted the poor and the disadvantaged through various schemes such as Ayushman Bharat for healthcare, Pradhan Mantri Awas Yojana for providing affordable houses to the urban poor, clean energy through Ujjwala and solar power. Each one of these initiatives and their components would be benchmarked to International Standards and Indices.

India stands as fifth largest economy of the world in terms of GDP. 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. The Central Government debt that has been the bane of our economy got reduced to 48.7% of GDP during March 2019 from 52.2% in March 2014

The need of the hour is to revive growth in the economy and therefore Budget 2020 aims to relax India’s fiscal deficit at 3.8% for Financial year 2020 and 3.5% for Financial Year 2021 as against the target of 3.3% estimated in Budget 2019.

With a view of doubling farmer’s income by 2022, amongst other things, government has adopted 16 action points to indicate its focus. The Union budget is aiming to bring further stimulus to the slowing Indian economy, through focusing on several items for “ease of living” and “ease of doing”.

The government has also made several policy announcements which pertains to the Indian Railway Sector through the public-private partnership (PPP) mode and also proposes to sell a part of its holding in LIC by way of Initial Public Offer.

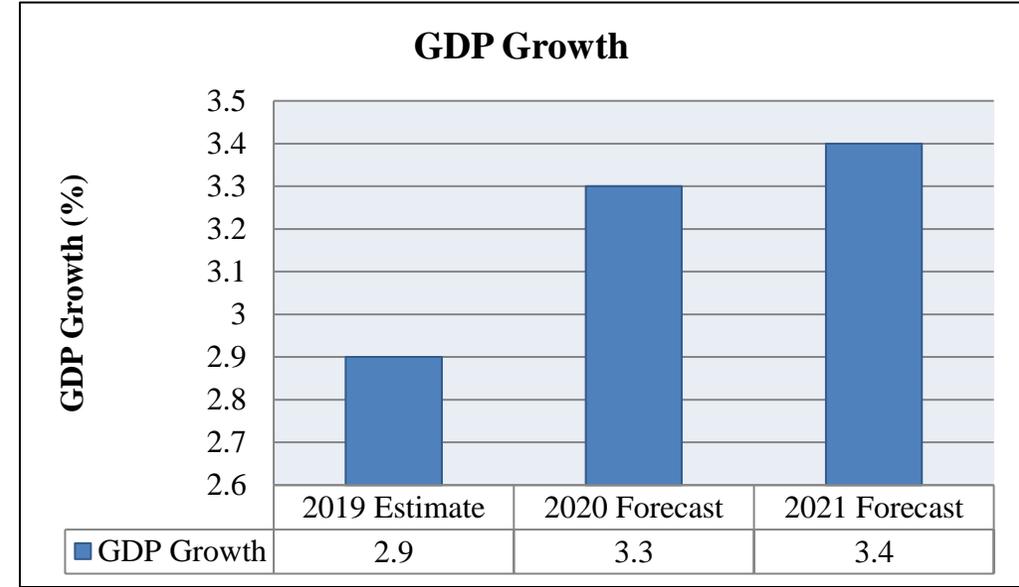


# World Economic Outlook

Trade policy uncertainty, geopolitical tensions, and idiosyncratic stress in key emerging market economies continued to weigh on global economic activity — especially manufacturing and trade—in the second half of 2019. Intensifying social unrest in several countries posed new challenges, as did weather-related disasters—from hurricanes in the Caribbean, to drought and bushfires in Australia, floods in eastern Africa, and drought in southern Africa.

Despite these headwinds, some indications emerged toward year-end that global growth may be bottoming out. Moreover, monetary policy easing continued into the second half of 2019 in several economies. Adding to the substantial support the easing provided earlier in 2019, its lagged effects should help global activity recover in early 2020.

Global growth, estimated at 2.9 percent in 2019, is projected to increase to 3.3 percent in 2020 and inch up further to 3.4 percent in 2021. Compared to the October WEO forecast, the estimate for 2019 and the projection for 2020 represent 0.1 percentage point reductions for each year while that for 2021 is 0.2 percentage point lower. A more subdued growth forecast for India accounts for the lion’s share of the downward revisions.

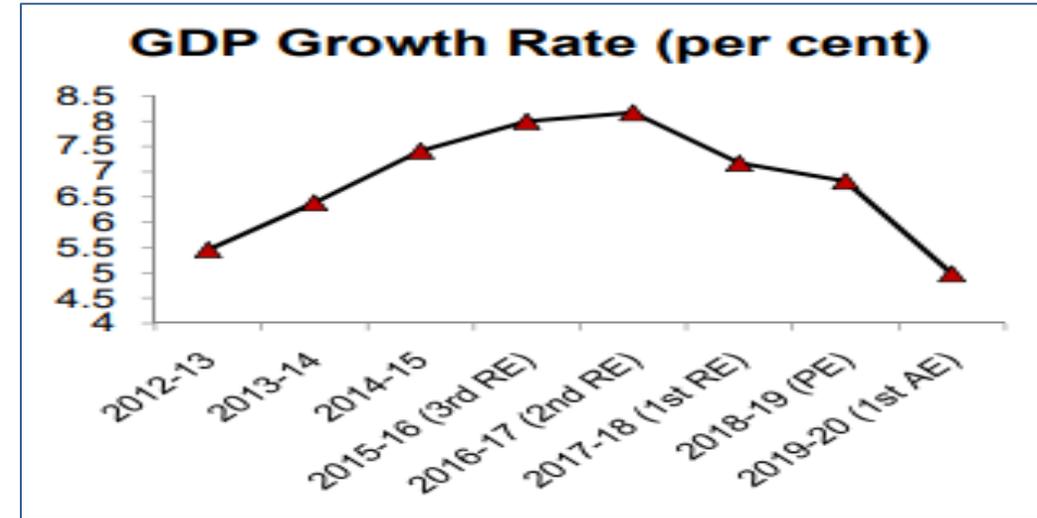


## ECONOMIC INDICATORS OF INDIA

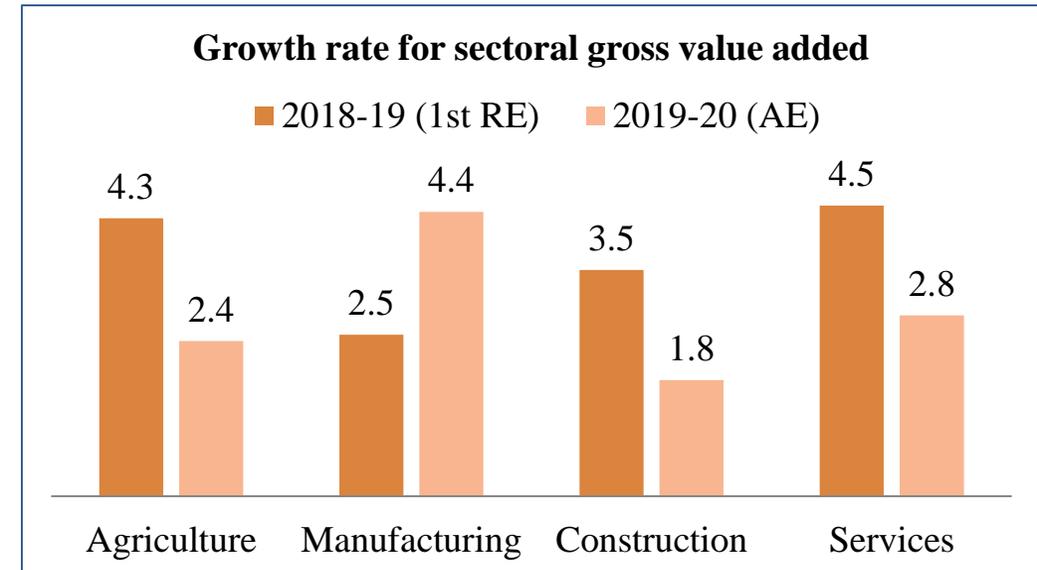
Global headwinds and challenges in the domestic financial sector moderated the growth of Indian economy in 2019-2020. The real GDP growth moderated to 5.0 percent in 2019-20 as compared to 6.8 percent in 2018-19. Despite a temporary moderation in the Gross Domestic Product growth in 2019-20, the fundamentals of Indian economy remain strong and GDP growth is expected to rebound from the first quarter of 2020-21.

The global confidence on the India economy has increased due to improvement in ease of doing business rankings. India jumped 14 places and now stands at 63rd Rank on the said Index. India also has an all time high accumulation of foreign exchange reserves of US\$ 457.7 Billion as on December, 2019.

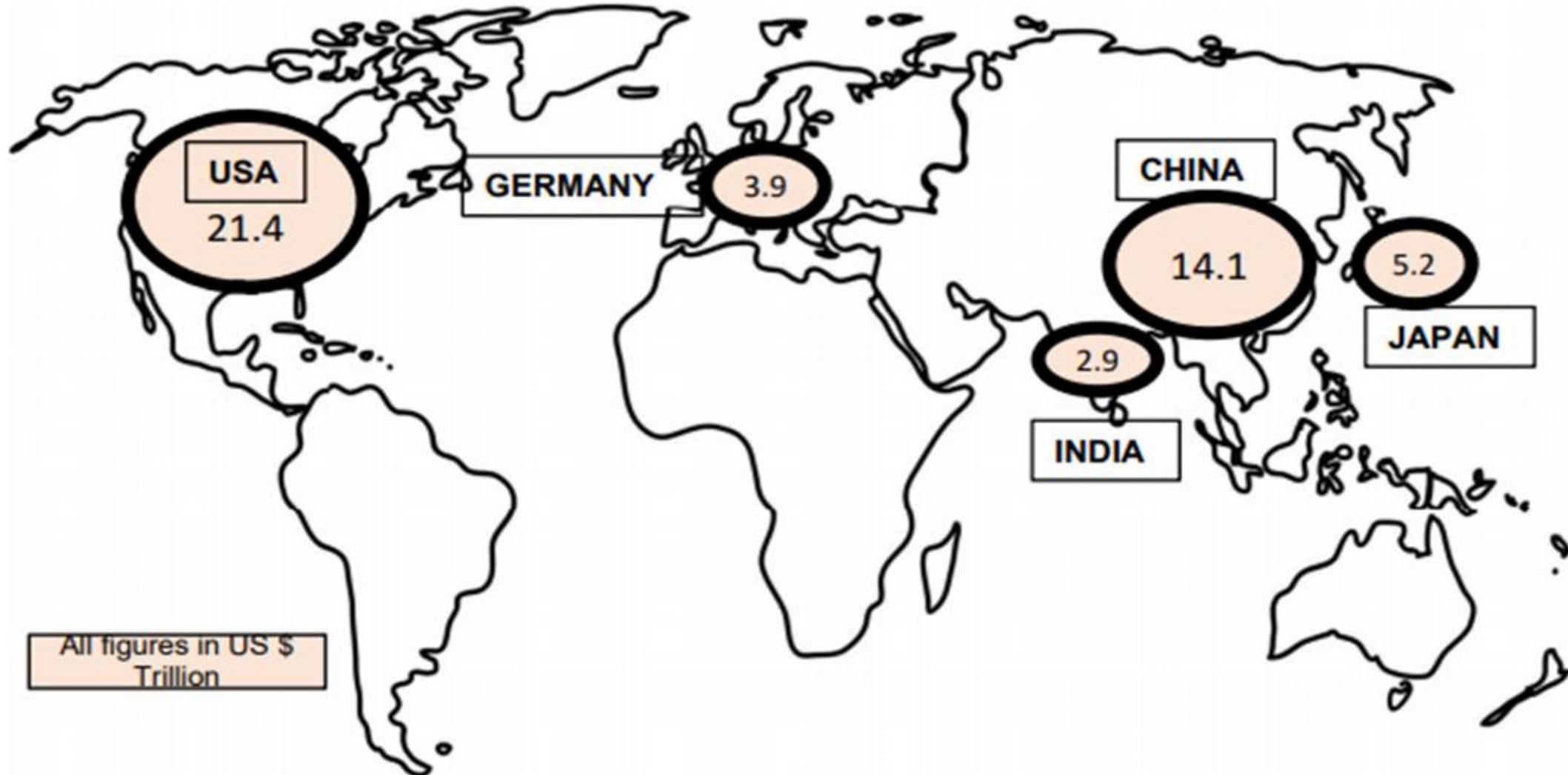
India could not catch up on the world Global Competitiveness Index 4.0 2019 published by World Economic Forum. India lost 10 places and currently is ranked at 68th position on the said Index. Also, India is the worlds 6<sup>th</sup> Fastest economy in adapting the legal framework to digital business models.



RE: Revised Estimates ; PE: Provisional Estimates ; AE: Actual Expenditure



## India is the 5th largest economy in the world in terms of GDP at current US \$ 2.9 Trillion



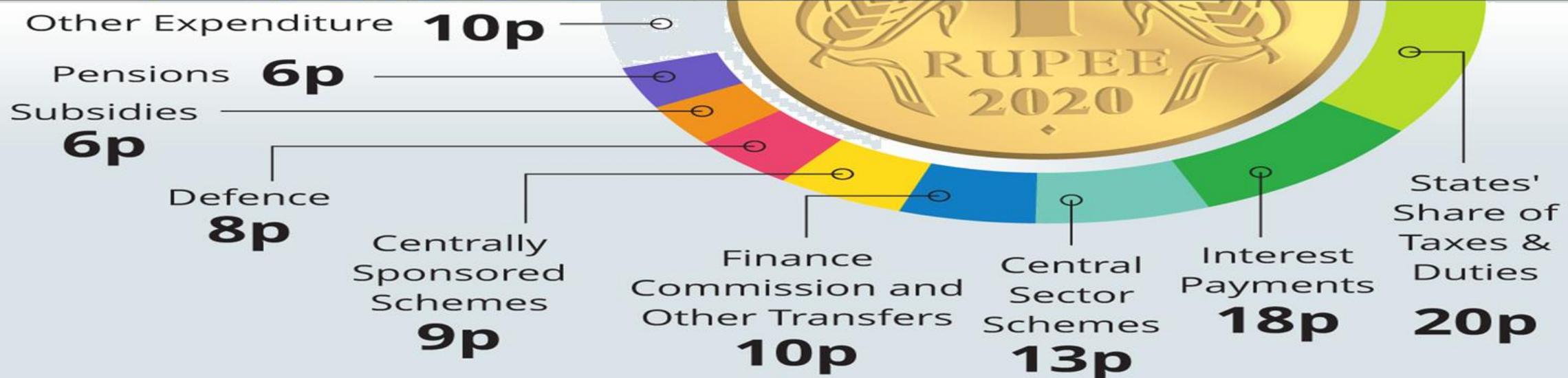
**India's Finances at a glance**

(in Rs. Crore)

|  | <b>2018-19</b>   | <b>2019-2020</b>        | <b>2019-2020</b>         | <b>2020-2021</b>        |
|--|------------------|-------------------------|--------------------------|-------------------------|
|  | <b>Actual</b>    | <b>Budget Estimates</b> | <b>Revised Estimates</b> | <b>Budget Estimates</b> |
| <b>1. Revenue Receipts</b>                       | <b>15,52,916</b> | <b>19,62,761</b>        | <b>18,50,101</b>         | <b>20,20,926</b>        |
| 2. Tax Revenue (Net to Centre)                   | 13,17,211        | 16,49,582               | 15,04,587                | 16,35,909               |
| 3. Non-Tax Revenue                               | 2,35,705         | 3,13,179                | 3,45,514                 | 3,85,017                |
| <b>4. Capital Receipts</b>                       | <b>7,62,197</b>  | <b>8,23,588</b>         | <b>8,48,451</b>          | <b>10,21,304</b>        |
| 5. Recovery of Loans                             | 18,052           | 14,828                  | 16,605                   | 14,967                  |
| 6. Other Receipts                                | 94,727           | 1,05,000                | 65,000                   | 2,10,000                |
| 7. Borrowings and Other Liabilities              | 6,49,418         | 7,03,760                | 7,66,846                 | 7,96,337                |
| <b>8. Total Receipts (1+4)</b>                   | <b>23,15,113</b> | <b>27,86,349</b>        | <b>26,98,552</b>         | <b>30,42,230</b>        |
| <b>9. Total Expenditure (10+13)</b>              | <b>23,15,113</b> | <b>27,86,349</b>        | <b>26,98,552</b>         | <b>30,42,230</b>        |
| 10. On Revenue Account of which                  | 20,07,399        | 24,47,780               | 23,49,645                | 26,30,145               |
| 11. Interest Payments                            | 5,82,648         | 6,60,471                | 6,25,105                 | 7,08,203                |
| 12. Grants in Aid for creation of capital assets | 1,91,781         | 2,07,333                | 1,91,737                 | 2,06,500                |
| 13. On Capital Account                           | 3,07,714         | 3,38,569                | 3,48,907                 | 4,12,085                |
| <b>14. Revenue Deficit (10-1)</b>                | <b>4,54,483</b>  | <b>4,85,019</b>         | <b>4,99,544</b>          | <b>6,09,219</b>         |
|  | (2.4)            | (2.3)                   | (2.4)                    | (2.7)                   |
| <b>15. Effective Revenue Deficit (14-12)</b>     | <b>2,62,702</b>  | <b>2,77,686</b>         | <b>3,07,807</b>          | <b>4,02,719</b>         |
|  | (1.4)            | (1.3)                   | (1.5)                    | (1.8)                   |
| <b>16. Fiscal Deficit {9-(1+5+6)}</b>            | <b>6,49,418</b>  | <b>7,03,760</b>         | <b>7,66,846</b>          | <b>7,96,337</b>         |
|  | (3.4)            | (3.3)                   | (3.8)                    | (3.5)                   |
| <b>17. Primary Deficit (16-11)</b>               | <b>66,770</b>    | <b>43,289</b>           | <b>1,41,741</b>          | <b>88,134</b>           |
|  | (0.4)            | (0.2)                   | (0.7)                    | (0.4)                   |



# RUPEE COMES FROM



# RUPEE GOES TO



## Personal Tax

*The Budget has introduced a new concessional tax rate for tax payers with a condition to forgo certain deductions and exemptions. Tax rate under both the options are depicted below:*

**Option 1:** Individual / Hindu Undivided Family / Association of Persons / Body of Individuals / Artificial Juridical Person for AY 2021-22

### Rates of Income Tax:

| Income Slab (INR)             | Individual       |                        |                              | HUF /<br>AOP /<br>BOI |
|-------------------------------|------------------|------------------------|------------------------------|-----------------------|
|                               | Age <60<br>years | Age >60 &<br><80 years | Age 80<br>years and<br>above |                       |
| Upto 2.5 Lakh                 | NIL              | NIL                    | NIL                          | NIL                   |
| Above 2.5 lakh upto<br>3 lakh | 5%               | NIL                    | NIL                          | 5%                    |
| Above 3 lakh upto 5 lakh      | 5%               | 5%                     | NIL                          | 5%                    |
| Above 5 lakh upto 10 lakh     | 20%              | 20%                    | 20%                          | 20%                   |
| Above 10 lakh                 | 30%              | 30%                    | 30%                          | 30%                   |

### Surcharge and Effective Tax Rate:

| Income Slabs (INR)            | Surcharge Rates | Health and Education Cess | Effective tax rate |
|-------------------------------|-----------------|---------------------------|--------------------|
| Upto 50 Lakh                  | NIL             | 4%                        | 31.20%             |
| Above 50 Lakh upto<br>1 Crore | 10%             | 4%                        | 34.32%             |
| Above 1 Crore upto<br>2 Crore | 15%             | 4%                        | 35.88%             |
| Above 2 Crore upto<br>5 Crore | 25%             | 4%                        | 39.00%             |
| Above 5 Crore                 | 37%             | 4%                        | 42.74%             |

## Personal Tax

**Option 2** : Individual / Hindu Undivided Family for AY 2021-22 :

An Individual or Hindu Undivided family may opt to compute tax in respect of total Income on satisfying prescribed conditions\* as mentioned in next slide :

| Income Slabs (INR)          | Tax Rates |
|-----------------------------|-----------|
| Up to INR 2,50,000          | NIL       |
| From 2,50,001 to 5,00,000   | 5%        |
| From 5,00,001 to 7,50,000   | 10%       |
| From 7,50,001 to 10,00,000  | 15%       |
| From 10,00,001 to 12,50,000 | 20%       |
| From 12,50,001 to 15,00,000 | 25%       |
| Above 15,00,000             | 30%       |

**The following Conditions are to be satisfied for opting to pay tax at Concessional Rate:**

- 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
- The option shall become invalid for a previous year or previous years, as the case may be, if the Individual or HUF fails to satisfy the conditions and other provisions of the Act shall apply accordingly.
- Set off of the following losses cannot be made:
  - ❖ Any losses under the head house property with any other head of income
  - ❖ Any losses carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions
- Alternative Minimum Tax shall not apply to Individual/HUF who has exercised such option.
- Provisions relating to carry forward and set off of AMT credit, if any, shall not apply to such individual or HUF having business income.
- Surcharge and Cess will continue to be applicable as shown in option 1
- *This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.*

## Personal Tax

**\*Individual or HUF opting for taxation under Alternative Tax shall not be entitled to the following exemptions or deductions:**

- (i) Leave travel concession
- (ii) House rent allowance
- (iii) Some of the special allowances u/s 10(14)
- (iv) Allowances to MPs/MLAs
- (v) Allowance for income of minor
- (vi) Exemption for SEZ unit u/s 10AA
- (vii) Standard deduction, deduction for entertainment allowance and employment/professional tax
- (viii) Interest under section 24 in respect of self-occupied or vacant property
- (ix) Additional depreciation u/s 32(1)(iia)
- (x) Deductions under specified business
- (xi) Deduction on any expenditure on agricultural extension project
- (xii) Deductions in respect of business of Site Restoration or Tea/Coffee/Rubber Development
- (xiii) Deductions in respect of investments in new plant or machinery in notified backward areas
- (xiv) Family Pension Deduction
- (xv) Various deduction for donation for or expenditure on scientific research
- (xvi) Any deduction under chapter VIA except 80CCD(2) & 80JJAA.
- (xvii) No exception in respect of free food and beverage through vouchers provided to the employee.
- (xviii) An Individual/HUF having a unit in IFSC , Deduction under 80LA will be available.
- (xix) Without any exemption or deduction for allowances or perquisite, by whatever name called provided under any other law for the time being in force.

**Individual or HUF opting for taxation under Alternative Tax shall be entitled to the following exemptions or deductions:**

- (i) Transport Allowance granted to a divyang employee to meet expenditure for the purpose of commuting between place of residence and place of duty.
- (ii) Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;
- (iii) Any Allowance granted to meet the cost of travel on tour or on transfer;
- (iv) Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.



## Personal Tax

### ***Withdrawal of exemption on certain perquisites or allowances provided to Union Public Services Commission (UPSC) Chairman and members and Chief Election Commissioner and Election Commissioners***

- The existing provisions of section 10(45) which provides that any allowance or perquisite as may be notified by the Central Government, paid to the serving/ retired Chairman or Members of UPSC shall be exempt from income-tax *is now been amended to delete the same.*
- Section 8 of the Election Commission (Conditions of Service of Election Commissioners and Transaction of Business) Act, 1991, *is now amended so as to delete the exemption from income-tax on value of rent-free residence, conveyance facilities, sumptuary allowance, medical facilities and other such conditions of service as are applicable to a Judge of the Supreme Court, paid to Chief Election Commissioner and other Election Commissioners*

*These amendments will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.*

### ***Extending time limit for sanctioning of loan for affordable housing for availing deduction***

The existing provisions of section 80EEA of the Act provide for a deduction in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property of an amount up to INR 1,50,000. One of the conditions is that loan should have been sanctioned by the financial institution during the period from 1st April, 2019 to 31st March, 2020.

In order to continue promoting purchase of affordable housing, ***the period of sanctioning of loan by the financial institution is proposed to be extended to 31st March, 2021.***

*This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.*



## Personal Tax

### *Modification of residency provisions*

- ***Residential Status for Indian Origins-***

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.

The Income tax department has noticed that the period of 182 days specified in respect of an Indian citizen or person of Indian origin visiting India during the year, is being misused. *Individuals, who are actually carrying out substantial economic activities from India, manage their period of stay in India, so as to remain a non-resident in perpetuity and not be required to declare their global income in India.*

In the light of above, It is proposed that the exception provided in ***clause (b) of Explanation 1 to section 6(1) for visiting India in that year be decreased to 120 days from existing 182 days.***

*This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.*

## Personal Tax

### *Modification of residency provisions*

- ***Resident but not ordinarily resident:***

Sub-section (6) of section 6 provides for situations in which a person shall be “not ordinarily resident” in a previous year. Clause (a) thereof provides that if the person :

- (i) is an individual who has been non-resident in nine out of the ten previous years preceding that year, or
- (ii) has during the seven previous years preceding that year been in India for an overall period of 729 days or less.

Clause (b) thereof contains similar provision for the HUF

*The conditions specified in the present law in respect of this carve out have been the subject matter of disputes, amendments and further disputes as it would unnecessarily treat an Non-resident as a resident based on the number of days of stay in India.* Further, due to reduction in number of days, as proposed, for visiting Indian citizen or person of Indian origin, there would be need for relaxation in the conditions.

Therefore it is proposed that 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.

The above amendments will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

- ***Deemed Resident: Section 6 (1A)***

The issue of stateless persons has been bothering the tax world for quite some time. It is entirely possible for an individual to arrange his affairs in such a fashion that he is not liable to tax in any country or jurisdiction during a year. This arrangement is typically employed by high net worth individuals (HNWI) to avoid paying taxes to any country/ jurisdiction on income they earn. Tax laws should not encourage a situation where a person is not liable to tax in any country. The current rules governing tax residence make it possible for HNWIs and other individuals, who may be Indian citizen to not to be liable for tax anywhere in the world. Such a circumstance is certainly not desirable; particularly in the light of current development in the global tax environment where avenues for double non-taxation are being systematically closed.

**As a Consequence, an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.**

## Personal Taxation:

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

| Existing   | Proposed  |
|--|---|
| <p>As per the existing provisions of the act,</p> <ol style="list-style-type: none"><li>1. Employer contribution to Recognized Provident Fund (RPF) in excess of 12% of Salary is Taxable.</li><li>2. Employer contribution to an approved superannuation fund exceeding Rs. 1.5 Lakh is treated as perquisite.</li><li>3. Employer contribution of 14%/10% as the case applicable, to NPS is allowed as deduction to the employee.</li></ol> <p>There is no combined upper limit for the purpose of deduction on the amount of contribution made by the employer.</p> | <ol style="list-style-type: none"><li>1. It is proposed to provide a combined upper limit of Rs. 7.5 Lakh in respect of employer's contribution in a year to NPS, superannuation fund and recognized provident fund (RPF) and any excess contribution is proposed to be taxable.</li><li>2. 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.</li></ol> |



## Capital Gains

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

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 rationalize the provision 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*

**CAPITAL GAINS**  
TAX INDIA





## Increase in Safe Harbour Limit:

***Increase in safe harbour limit of 5 per cent. under section 43CA, 50C and 56 of the Act to 10% from current 5% of Stamp duty value***

The provisions of section 43CA of the Act, 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 any authority of a State Government (i.e. “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. Further provides that where the value adopted or assessed or assessable by the authority for the purpose of payment of stamp duty does not exceed 105% of the consideration received or accruing as a result of the transfer, the consideration so received or accruing shall be deemed to be the full value of the consideration.

Section 50C of the Act provides that where the consideration declared to be received or accruing as a result of the transfer of land or building or both, is less than the value adopted or assessed or assessable by stamp valuation authority for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable shall be deemed to be the full value of the consideration and capital gains shall be computed on the basis of such consideration under section 48 of the Act. The said section also provides that where the value adopted or assessed or assessable by the stamp valuation authority does not exceed one hundred and five per cent of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of section 48, be deemed to be the full value of the consideration.

Clause (x) of sub-section (2) of section 56 of the Act, inter alia, provides that where any person receives, in any previous year, from any person or persons on or after 1st April, 2017, any immovable property, for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property as exceeds such consideration shall be charged to tax under the head “income from other sources”. It also provides that where the assessee receives any immovable property for a consideration and the stamp duty value of such property exceeds five per cent of the consideration or fifty thousand rupees, whichever is higher, the stamp duty value of such property as exceeds such consideration shall be charged to tax under the head “Income from other sources”

It is proposed to increase the limit to 10% i.e , ***the Stamp duty value will not be deemed to be full value of consideration where the Stamp duty value does not exceed 110% of the consideration received.***

*These amendments will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.*

## Non-Residents Taxation

### *Exempting non-resident from filing of Income-tax return in certain conditions*

Section 115A of the Act provides for the determination of tax for a non-resident whose total income consists of:

- (a) certain dividend or interest income;
- (b) royalty or fees for technical services (FTS) received from the Government or Indian concern in pursuance of an agreement made after 31st March 1976, and which is not effectively connected with a Permanent Establishment (PE), if any, of the non-resident in India.

Under the current provisions a non-resident is not required to furnish its return of income if its total income, consists only of certain dividend or interest income and the TDS on such income has been deducted according to the provisions of Chapter XVII-B of the Act.

*Based on the representations received by the Finance ministry, It is decided to extend this benefit to royalty and FTS income as well.*

Under the proposed provision, Non-Resident taxpayers/ foreign companies will not be required to furnish their tax returns in India, if the following conditions are satisfied:

- Their total income consists only of ***dividend or interest, or royalty or FTS***; and
- Taxes under the provisions of chapter XVII-B of the Act relating to ***TDS have been deducted*** at the rates prescribed.

*The proposed amendment will be effective from 1 April 2020 and will accordingly apply to AY 2020–21 and onwards*



## Non-Residents Taxation

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

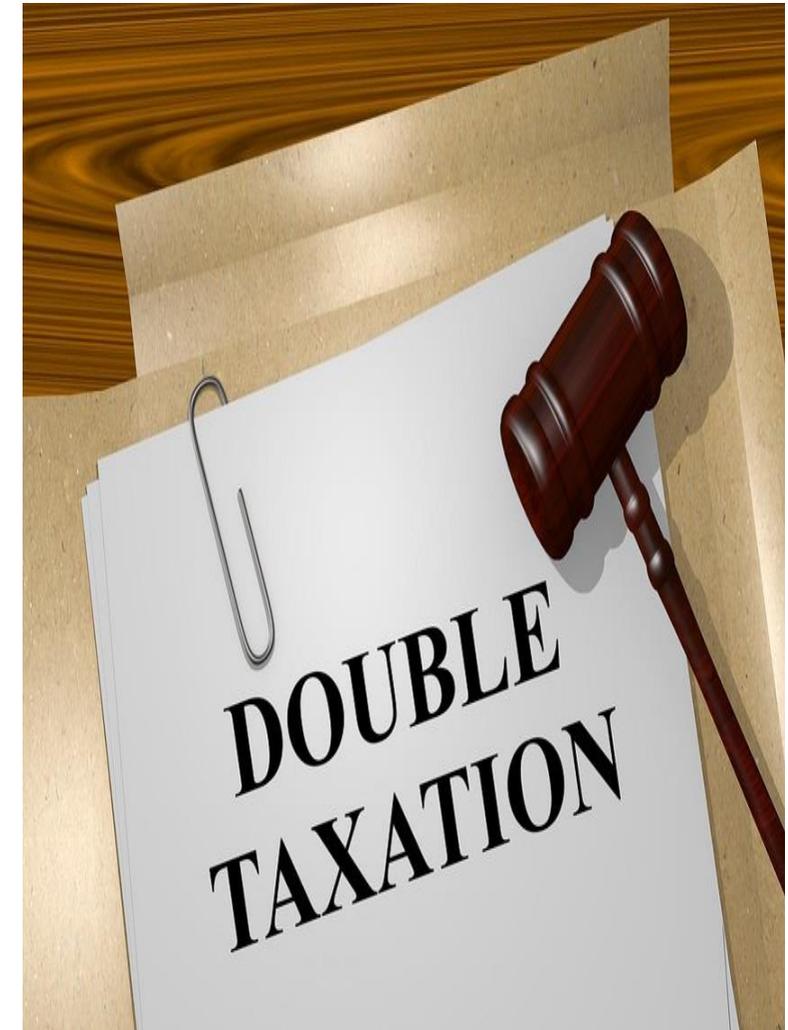
Section 90 of the Act empowers the Central Government to enter into agreement with foreign countries or specified territories (commonly known as DTAA), inter alia, for avoidance of double taxation of income under the laws of India and the foreign country or foreign territory.

India has signed and ratified the MLI with many countries as part of measures to prevent base erosion and profit shifting practices; the provisions of the MLI will be applicable on India's DTAA's from FY 2020–21 onwards.

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.

To prevent the granting of DTAA benefits in inappropriate circumstances and to align it with MLI, an amendment is proposed in sections 90 and 90A of the Act which provide that the Central Government shall enter into said agreement(s) for the avoidance of double taxation 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 the said agreement for the indirect benefit to residents of any other country or territory).

*The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.*



## Non-Resident Taxation:

### *Safe harbour for fund managers :*

Section 9A of the Act, provides safe harbour to offshore investment funds carrying out investment activities through fund managers in India by creating a “business connection” in India. The exemption is subject to the fulfillment of prescribed conditions, inter alia, including the following:

1. Aggregate participation from residents does not exceed 5% of the corpus of the fund;
2. Monthly average corpus of the fund shall be at least INR 1bn by the end of six months from the last day of the month of its establishment or incorporation, **or** at the end of such previous year, *whichever is later*.

In the view of difficulties faced by fund managers in complying with the above conditions the following relaxations are being proposed to an investment fund to be eligible for exemption:

1. Investments by investment managers up to INR 250m during the first three years of fund operation should not be considered for computing aggregate participation by residents in the fund.
2. The time limit is proposed to be amended to comply with the condition of the monthly average corpus to 12 months from the last day of the month of its establishment or incorporation.

The proposed amendment will be effective from 1 April 2020 and will accordingly apply from AY 2020–21 onwards.



## Non-Resident Taxation:

### *Tax exemption provided in respect of certain incomes of wholly owned subsidiary of ADIA and sovereign wealth funds:*

In order to promote investment of sovereign wealth fund, including the wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA) in Infrastructure sector the below amendment is proposed.

It is proposed to insert a new clause 23FE under section 10 of the Act to provide for a exemption to any income of a ‘specified person’ in the nature of dividend, interest or long-term capital gains arising from an investment made by it in the form of debt or equity. In a company carrying on the business of developing, or operating and maintaining, or developing, operating or maintaining any infrastructure facility (as defined under section 80-IA(4)(i) of the Act) or other notified businesses.

“Specified Person” is defined to mean,

1. a wholly owned subsidiary of the 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
2. a sovereign wealth fund which satisfies the following conditions:
  1. It is wholly owned and controlled, directly or indirectly, by Government of a foreign country;
  2. It is set up and regulated under the law of the foreign country;
  3. Its earnings are credited either to the account of the Government of the foreign country or to any other account designated by that Government such that no portion of the earnings inures any benefit to any private person;
  4. Its asset vest in the Government of the foreign country upon dissolution;
  5. It does not undertake any commercial activity whether within or outside India; and
  6. It is notified by the Central Government in the Official Gazette for this purpose.

To be eligible for the said exemption, the investment is required to be made on or before 31 March 2024 and is required to be held for at least three years.

*The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.*



## Non-Resident Taxation:

### *Deferring Significant Economic Presence (SEP) proposal, widening the scope of income attributable to operations in India:*

Section 9 of the Act contains provisions in respect of income which are deemed to accrue or arise in India. Clause (i) of sub-section (1) of section 9 deems the following income to accrue or arise in India:

“all income accruing or arising, whether directly or indirectly, through or from any business connection in India, or through or from any property in India, or through or from any asset or source of income in India, or through the transfer of a capital asset situated in India.”

Finance Act, 2018 inserted Explanation 2A to said clause so as to clarify that the SEP of a non-resident in India shall constitute "business connection" in India and SEP for this purpose, shall mean:

1. 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
2. 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.

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

It was provided that, for the purposes of determining SEP of an Non-Resident in India, the threshold limit for the aggregate amount of payments arising from the specified transactions and for the number of users will be prescribed. Since the discussion on this issue is still on going in G-20-OECD BEPS Project, these limits have not yet been notified. G20-OECD report is expected by the end of December 2020. Therefore, it is proposed that the current SEP provisions shall be omitted from AY 2021–22 and *the amended provisions will be effective from AY 2022–23 onwards.*



## Non-Resident Taxation:

### *Widening the scope of income attributable to operations in India:*

It is proposed to widen the scope of attribution of income to operations in India by way of insertion of new Explanation 3A in Section 9(1)(ii) to provide that the income attributable to the operations carried out in India, as referred to in explanation 1, shall include income from:

- 1) sale of data collected from person residing in India or from a person who uses internet protocol address located in India; and
- 2) advertisements which targets customer residing in India or a customer who accesses the advertisement through internet protocol address located in India;
- 3) sale of goods or services using data collected from person residing in India or from a person who uses internet protocol address located in India.

*The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.*



## Non-Resident Taxation:

### *Foreign Portfolio Investors:*

Finance Act, 2012 had inserted Explanation 5 to clause (i) of Section 9(1) 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 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 has notified Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 and repealed the SEBI (FPI) Regulations, 2014. The difference between these two regulations pertinent in the present context is that, 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. 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.

*These amendments will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.*



## Co-operative Society

### *Incentives to resident co-operative societies*

The Taxation Laws (Amendment) Ordinance, 2019, sought to provide additional fiscal stimulus to attract investment, generate employment and boost the economy in the wake of economic developments post enactment of the Finance (No. 2) Act, 2019 and keeping in view the reduction of rate of corporate income tax by many countries world over. Thus, introduced section 115BAA in the Act so as to provide that an existing domestic company may opt to pay tax at 22 per cent.

*The ministry of finance has received representations from the stakeholders requesting to provide for concessional rate of tax in case of resident co-operative society on similar lines. In view of the above, it is proposed to insert a new section 115BAD in the Act to provide that-*

- ❖ Notwithstanding anything contained in the Act ***and on satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22 per cent in respect of its total income*** so however that if it fails to satisfy the conditions in any previous year, the option shall become invalid and other provisions of the Act shall apply;
- ❖ *The condition for concessional rate shall be that the total income of the co-operative society is computed ,*
  - ❖ *without any deduction under —*
    1. *Section 10AA -Exemption for SEZ unit*
    2. *Section 32(1)(iia) - Additional depreciation*
    3. *Deductions under specified business*
    4. *Deduction on any expenditure on agricultural extension project*
    5. *Deductions in respect of business of Site Restoration or Tea/Coffee/Rubber Development*
    6. *Deductions in respect of investments in new plant or machinery in notified backward areas*
    7. *Various deduction for donation for or expenditure on scientific research*
    8. *Deductions under chapter VIA except 80LA, where applicable.*
    9. *Without set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred above*
- ❖ The option so exercised cannot be withdrawn
- ❖ Alternate Minimum Tax (AMT) shall not apply to such co-operative society u/s 115JC
- ❖ Carry forward and set off of AMT credit, if any, shall not apply to such co-operative society u/s 115JD



*The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.*

## Corporate Tax

### ***Modification of concessional tax schemes for domestic companies under section 115BAA and 115BAB***

Section 115BAA and Section 115BAB in the Act provides domestic companies with an option to be taxed at concessional tax rates provided some of the deductions are not allowed under any provisions of Chapter VI-A under the heading “C. Deduction in respect of certain incomes” other than the provisions of section 80JJAA.

The existing provisions of section 115BAA and section 115BAB are now amended ***to not allow deduction under any provisions of Chapter VI-A other than section 80JJAA or section 80M***, in case of domestic companies opting for taxation under these sections.

*These amendments will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.*

### ***Amendment of section 115BAB of the Act to include generation of electricity as manufacturing***

Section 115BAB provides that new manufacturing domestic companies set up on or after 1st October, 2019, which commence manufacturing or production by 31st March, 2023 and do not avail of any specified incentives or deductions, may opt to pay tax at a concessional rate of 15 per cent. Further, for the purposes of the said section, businesses engaged in development of computer software, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of cinematograph film or any other business as may be notified by the Central Government ***will not be considered*** as manufacturing or production.

The ministry has received representations from various stakeholders requesting to provide that the benefit of the concessional rate under section 115BAB of the Act may also be extended to business of generation of electricity, which otherwise may not amount to manufacturing or production of an article or thing. Accordingly, it is proposed that ***for the purposes of this section i.e. 115BAB, manufacturing or production of an article or thing shall include generation of electricity.***

*This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.*

## Corporate Tax

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

The existing provisions of section 80-IAC of the Act provide for a deduction of an amount equal to one hundred per cent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of seven years, at the option of the assessee, subject to the condition that the eligible start-up is incorporated on or after 1st April, 2016 but before 1st April, 2021 and the total turnover of its business does not exceed twenty-five crore rupees.

*In order to further rationalize the provisions relating to start-ups, the total **business turnover limits in any previous year for the start-ups to claim profit-linked deduction increased from INR 25 crore to INR 100 crore. Further, the eligibility period for claiming such deduction in three consecutive years is extended to 10 years from the year of Incorporation from the existing period of seven years.***

*This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.*

### ***Extending time limit for approval of affordable housing project for availing deduction***

The existing provisions of section 80-IBA of the Act, inter alia, provide that 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 that the project is approved by the competent authority during the period from 1st June, 2016 to 31st March, 2020, be allowed a deduction of an amount equal to 100% of the profits and gains derived from such business.

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

*This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.*

## Corporate Tax

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

Section 35AD of the Act, relating to deduction in respect of expenditure on specified business, provides for 100 per cent. deduction on capital expenditure (other than expenditure on land, goodwill and financial assets) incurred by the assessee on certain specified businesses. Further, sub-section (4) provides that no deduction is allowable under any other section in respect to the expenditure referred to in sub-section (1). 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 rate under section 115BAA or section 115BAB of the Act, which does not claim deduction under section 35AD, would also be denied normal depreciation under section 32 due to operation of sub-section (4) of section 35AD. This has not been the intention of the statute.

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

*This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years*

## Corporate Tax

### *Allowance of deduction under section 43B on payment basis to the insurance sector*

Section 44 of the Act provides that computation of profits and gains of any business of insurance, including any such business carried on by a mutual insurance company or a co-operative society shall be computed in accordance with the rules contained in the First Schedule to the Act.

Section 43B of the Act provides for allowance of certain deductions, irrespective of the previous year in which the liability to pay such sum was incurred by the assessee according to the method of accounting regularly employed by the assessee, only in the previous year in which such sum is actually paid.

Currently, any expenditure or allowance that is not admissible under the provisions of sections 30 to 43B is added back while computing the taxable profits of non-life insurance business. As per the current provisions of the Act, in case of other taxpayers, items listed under section 43B of the Act are allowed as deductions in the subsequent years on payment basis.

***However, in case of non-life insurance companies, while Rule 5 provides for an add back of expenses debited to the profit-and-loss account under section 43B of the Act, there is no explicit provision for allowing such expenditure in the subsequent years once the payment is made.***

The amendment proposed to Rule 5 provides that non-life insurance companies, like other taxpayers, will be able to claim allowance of expenses covered by section 43B in the year of payment.

*The proposed amendment will be effective from 1 April 2020 and will accordingly apply from AY 2020–21 onwards.*

## Corporate Tax

### ***Dividend Distribution Tax (DDT):***

Section 115-O provides that, in addition to the income-tax chargeable in respect of the total income of a domestic company, any amount declared, distributed or paid by way of dividends shall be charged to additional income-tax at the rate of 15 per cent. The tax so paid by the company (called DDT) 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 u/s 10(34). In case of business trust, specific exemption is provided under sub-section (7) of section 115-O, subject to certain conditions. Similarly, exemption is provided for distributed profits of a unit of an International Financial Service Centre, on fulfilment of certain conditions, under sub-section (8) of section 115-O.

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 u/s 10(35).

***It is proposed 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.***

The following incidental changes are also proposed:

1. Sections 115BBDA for taxation dividends in excess of Rs.10 Lakhs at 10% and Section 10(34), 10(35), 115R, 115O will cease to apply from 1<sup>st</sup> April, 2020.
2. Individuals are now given deduction benefits under section 57 in respect of dividend income or income in respect of units of mutual fund/specified company provided that such deduction is on account of interest expense and in any previous year such deduction shall not exceed 20% of such amount.
3. Section 80M has been inserted where any Domestic Company which is in receipt of dividend from other Domestic Company, then first said Domestic Company can take deduction to the maximum of dividend distributed by it *on or before one month prior to the date of furnishing the Return u/s 139.*
4. TDS under section 194K on Income in respect of units of a specified mutual fund under section 10(23D) in excess of INR 5,000 at the rate of 10%.
5. TDS under section 194LBA on Dividend distributed by a business trust to unit holder at the rate of 10%. For Non-Residents it would be 5% for interest and 10% for dividend.
6. TDS under section 194 on Dividends in excess of INR 5,000 at the rate of 10%.

## Corporate Tax

### Transfer Pricing

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

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

Further, a loan is deemed to be from an AE, if an AE provides implicit or explicit guarantee in respect of that loan.

These provisions do not apply to an Indian company or a PE of foreign company that is engaged in the business of banking or insurance.

The term AE, inter alia, includes an entity that has advanced a loan to another entity, and such loan constitutes at least 51% of the book value of total assets of the borrower enterprise. In such a situation, the provisions with regard to limitation on the deduction of interest expenditure are attracted.

*Said provisions discourage companies from raising debt from the PE of a foreign bank. **Further, the branches of foreign banks are taxable in India on their income.*** Hence, it is proposed to amend section 94B of the Act so as to provide that provisions of interest limitation would not apply to interest paid in respect of a debt issued by a lender which is a PE of a non-resident, being a person engaged in the business of banking, in India.

*The proposed amendment will take effect from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.*



## Corporate Tax

### Transfer Pricing

#### *APA for profit attribution to PE's:*

Currently, section 92CC of the Act empowers the CBDT to enter into an APA with any taxpayer, determining the ALP or specifying the manner in which the ALP is to be determined, in relation to international related party transactions. APA provides certainty on TP for a maximum of five years in future and for four rollback years.

While the APA FAQs issued by the CBDT clarified that it is possible for a taxpayer to file an APA in relation to profit attribution to PE, there appeared to be an ambiguity that section 92CC in its current form does not cover such cases.

*It is proposed to cover profit attribution to PEs also under the APA. It is further proposed that the manner of **determination of profit attributable to PEs in an APA may include methods to be prescribed in this regard.***

*The above amendment shall take effect from 1 April 2020 and therefore will apply to an APA entered into on or after 1 April 2020.*

#### *Safe Harbour Rules for profit attribution to PE's:*

Currently, section 92CB of the Act encapsulates Safe Harbour Rule (SHR), providing an option to taxpayers having specified international related party transactions (such as provision of IT/ IT enabled services, KPO services, etc.), to achieve TP certainty by adopting pre-defined mark-ups (or safe harbour). This is subject to an approval process and conditions outlined in SHR.

*This, however, does not include instances **wherein profit is attributable to PEs under section 9(1)(i) of the Act. It is proposed to cover profit attribution to PEs also under the SHR.***

*This amendment is effective from 1 April 2020 and will accordingly apply in relation to the AY 2020-21 and subsequent AYs.*

## Tax Audit

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

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 one crore rupees to five crore rupees in cases where,-*

- (i) aggregate of *all receipts in cash during the previous year does not exceed five per cent of such receipt; and*
- (ii) aggregate of *all payments in cash during the previous year does not exceed five per cent of such payment*

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.*

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

- (A) *providing 31st October of the assessment year (as against 30th September) as the due date for an assessee referred to in Section 139(1) of the Act;*
- (B) *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 Section 139(1) of the Act.*

Section 10, 10A, 12A, 32AB, 33AB, 35D, 35E, 44AB, 44DA, 50B, 80-IA, 80-IB, 80JJAA, 92F, 115JB, 115JC, and 115VW are proposed to be amended accordingly in the view of change in due date under section 139(1).

For the purpose of Section 194A, 194C, 194I, 194H, 194J & 206C - “the monetary limits specified under clause (a) or clause (b) of section 44AB”, the words **“one crore rupees in case of business or fifty lakh rupees in case of profession”** shall be substituted.

*These amendments will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.*

## Tax Deducted at Source

### ***Reducing the rate of TDS on fees for technical services (other than professional services): 194J***

Section 194J provides that any person who is responsible for paying to a resident any sum by way of fees for professional services, or fees for technical services, or any remuneration or fees or commission by whatever name called, other than those on which tax is deductible under section 192, to a director of a company, royalty, shall deduct an amount equal to 10% of such sum.

Section 194C of the Act provides that any person responsible for paying any sum to a resident for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract shall at the time of payment or credit of such sum deduct an amount equal to 1% in case payment is made to an individual or a HUF and 2% in other cases.

It is noticed by the Income tax department that 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 now proposed to reduce tax rate to ***2% of such sum in case of fees for technical services (not being a professional service) and other cases remain constant at 10% of such sum.***

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

## Tax Deducted at Source

### ***TDS on E-commerce transactions through insertion of a new section- 194O***

- TDS is to be 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 Permanent Account Number (PAN) or Aadhaar number to the e-commerce operator.
- A transaction in respect of which tax has been deducted by the e-commerce operator under this section or which is not liable to deduction under the exemption discussed in the previous bullet, there shall not be further liability on that transaction for TDS under any other provision of Chapter XVII-B of the Act. This is to provide clarity so that same transaction is not subjected to TDS more than once. However, it has been clarified that this 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 referred to in sub-section (1) of the proposed section.

Consequential amendments are being proposed in section 197 (for lower TDS), in section 204 (to define person responsible for paying any sum) and in section 206AA (to provide for tax deduction at 5% in non-PAN/ Aadhaar cases)

*These amendments will take effect from 1st April, 2020.*

## Tax Deducted at Source

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

| <b>Prior to Amendment</b>  | <b>Post Amendment</b>  | <b>Reason for such amendment</b>   |
|--|--|--|
| “Work” shall include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer | “Work” shall include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee under the provisions contained in clause (b) of sub-section (2) of section 40, | It has been noted by the Income Tax Department that some assesseees are using the escape clause of the section by getting the contract manufacturer to procure the raw material supplied through its related parties. As a result, a substantial amount of income escapes the tax net. |

*These amendments will take effect from 1st April, 2020.*

## Tax Deducted at Source

### *Deferring TDS or tax payment in respect of income pertaining to Employee Stock Option Plan (ESOP) of start-ups*

| Prior to amendment   | Post Amendment  |
|--|---|
| <p>ESOPs are taxed as perquisites under section 17(2) of the Act read with Rule 3(8)(iii) of the Rules.</p> <p>The taxation of ESOPs is split into two components:</p> <ul style="list-style-type: none"> <li><i>i. Tax on perquisite as income from salary at the time of exercise.</i></li> <li><i>ii. Tax on income from capital gain at the time of sale.</i></li> </ul> <p>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.</p> | <p>It is proposed to amend Section 192 whereby 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 <b><i>deduct or pay tax on such income within 14 days:</i></b></p> <ul style="list-style-type: none"> <li>a. after the expiry of <i>forty eight months from the end of the relevant assessment year</i>; or</li> <li>b. from <i>the date of the sale of such specified security or sweat equity share</i> by the assessee; or</li> <li>c. from the date of which <i>the assessee ceases to be the employee of the person</i>;</li> </ul> <p><b><i>whichever is the earliest</i></b> 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.</p> |

Similar amendments have been carried out in section 191 (for assessee to pay the tax direct in case of no TDS) and in section 156 (for notice of demand) and in section 140A (for calculating self-assessment).

*These amendments will take effect from 1st April, 2020.*

## Tax Deducted at Source

### *Extension the period of concessional rate of withholding tax and also to provide for the concessional rate to bonds listed in stock exchanges in IFSC*

Section 194LC of the Act, provided for a concessional rate of Tax Deductible at Source (TDS) at five per cent by a specified company or a business trust, on interest paid to non-residents on the following forms of borrowings (approved by the Central Government) made in foreign currency from sources outside India:

- a. Monies borrowed under a loan agreement at any time on or after 1st July, 2012 and before 1st July, 2020;
- b. Borrowings by way of issue of any long-term infrastructure bond at any time on or after 1st July, 2012 and before 1st July, 2014;
- c. Borrowings by way of issue of long-term bond including long-term infrastructure bonds at any time on or after 1st of October 2014 and before 1st July, 2020;

On Representations having been received for extension of the time limit and also for a further concessional rate of TDS on interest payment against borrowings through issues of long-term bonds and RDB which are listed only on a recognised stock exchange in any IFSC.

In order to attract fresh investment, create jobs and stimulate the economy, it is proposed to :-

- a. extend the period of said concessional rate of TDS of five per cent *to 1st July, 2023 from 1st July, 2020*;
- b. provide that the rate of TDS shall *be four per cent on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or rupee denominated bond on or after 1st April, 2020 but before 1st July, 2023 and which is listed only on a recognised stock exchange located in any IFSC.*

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

## Tax Deducted at Source

### *Extension the period of concessional rate of withholding tax and also to extend this concessional rate to municipal debt securities*

Section 194LD of the Act provides for lower TDS of five per cent in case of interest payments to Foreign Institutional Investors (FII) and Qualified Foreign Investors (QFIs) on their investment in Government securities and rupee denominated bond of an Indian company subject to the condition that the rate of interest does not exceed the rate notified by the Central Government in this regard. The section further provides that the interest should be payable at any time on or after 1st June, 2013 but before 1st July, 2020.

Representations have been received for extension of the time limit and also for a further concessional rate of TDS on interest payment on investment in municipal bonds, as Foreign Portfolio Investors (FPIs) have now been permitted to invest in municipal bonds by the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) under the limits available for FPI investments in State Development Loans (SDL).

In order to attract fresh investment, create jobs and stimulate the economy, it has been proposed to amend section 194LD to,-

- (i) extend the period of rate of TDS of five per cent under the said section to ***1st July, 2023 from the existing 1st July, 2020;***
- (ii) provide that the concessional rate of TDS of ***five per cent under the said section shall also apply on the interest payable, on or after 1st April, 2020 but before 1st July, 2023, to a FII or QFI in respect of the investment made in municipal debt security.***

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

## Tax Collected at Source

*Section 206C to include TCS on foreign remittance through Liberalised Remittance Scheme (LRS) and on selling of overseas tour package as well as TCS on sale of goods over a limit*

| <b>New Subsection Inserted</b> | <b>Liability occurs when</b>   | <b>Rate</b>   | <b>Threshold</b>  | <b>Time of Payment</b>  |
|--------------------------------|--|---|---|---|
| <b>1G</b>                      | Every person, —<br>(a) being an authorised dealer, who receives an amount, for remittance out of India from a buyer, under the Liberalised Remittance Scheme of the Reserve Bank of India;<br>(b) being a seller of an overseas tour program package, who receives any amount from a buyer, being the person who purchases such package, | 5%  | (a) seven lakh rupees or more in a financial year<br>(b) No Threshold Limit | At the time of debiting the amount payable by the buyer or At the time of receipt of such amount from the said buyer, by any mode, whichever is earlier |
| <b>1H</b>                      | Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year  | 0.1 % of the sale consideration exceeding fifty lakh rupees (1% in case Aadhaar/PAN is not furnished) | Exceeding fifty lakh rupees   | At the time of receipt of such amount   |

*Note: Exceptions to the above section are mentioned in next slide*

## Tax Collected at Source

### Exception:

- ❖ The above TCS provision shall not apply if the buyer is,
  - ❖ Liable to deduct tax at source under any other provision of the Act and he has deducted such amount.
  - ❖ The Central Government, a State Government , an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority as defined in Explanation to clause (20) of section 10 or any other person notified by the Central Government in the Official Gazette for this purpose subject to such conditions as specified in that notification.
  
- ❖ The above TCS provision shall not apply if the seller is having total sales, gross receipts or turnover from the business carried on by it does not exceed ten crore rupees during the financial year immediately preceding the financial year.
  
- ❖ 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.





## Governance Measures:

### *Rationalization of provision relating to Form 26AS*

Section 203AA of the Act, requires the prescribed income-tax authority or the person authorized by such authority referred to in sub-section (3) of section 200, to prepare and deliver a statement in Form 26AS to every person from whose income, the tax has been deducted or in respect of whose income the tax has been paid specifying the amount of tax deducted or paid.

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.

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

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



## Governance Measures:

### *Preventing misuse of Power for Survey operations:*

Section 133A of the Act empowers an income-tax authority to conduct survey at the business premises of the assessee under his jurisdiction. Currently, prior approval of the Joint Director or Joint Commissioner is required to conduct such survey. However to prevent misuse of such power it is proposed to amend the provisions to provide **that prior approval** from:

1. The Joint Director or Joint Commissioner shall be required for conducting survey in case any information is received from the prescribed authority.
2. Director or the Commissioner shall be required for conducting survey other than as referred above.

*The proposed amendment will be effective from 1 April 2020.*

### *Expanding the scope of cases where objections may be filed before the Dispute Resolution Panel:*

Currently, where any variation is proposed in the income or loss returned, in the case of certain eligible taxpayers, the tax officer is required to forward a draft of the assessment order to such taxpayer. Eligible taxpayers include foreign companies and any person in whose case transfer pricing adjustments have been made. Such taxpayers have the option of filing objections before the DRP against such draft assessment order.

It has been proposed to expand the scope of such provisions to,

1. Include cases where any variation prejudicial to the interest of the taxpayer is proposed and
2. Include all Non-Resident's within the scope of eligible taxpayers (and not just foreign companies).

*The proposed amendment will be effective from 1 April 2020.*



## Governance Measures:

*E-Assessment scheme include Best Judgment Assessment, E-Appeals before Commissioner (Appeals) and E-Penalty :*

- ❖ E-Assessment was introduced in Budget 2019 and was limited to regular assessment made under section 143(3) of the Act. The guidelines for E-Assessment have been subsequently notified by the Government. It is now proposed to expand the scope so as to include best judgment assessment under section 144 of the act..
- ❖ E-Appeals to be introduced on the same lines as E-Assessment to bring greater efficiency, transparency and accountability in the tax administration. E-Appeals will be used to eliminate the interface between the Commissioner (Appeals) and the appellant in the course of appellate proceedings.
- ❖ E-Penalty has been introduced to ensure that reforms initiated to eliminate human interface from the system reaches next level. E-Penalty will be imposed with dynamic jurisdiction in which penalty will be imposed by one or more tax authorities under Chapter XXI of Income Tax Act, 1961.

The Central Government will issue directions for above proposals up to 31<sup>st</sup> March, 2022.

*This amendment will take effect from 1<sup>st</sup> April, 2020 and will accordingly apply in relation to AY 2020-21 and subsequent AYs.*



*Penalty for false entry in books of accounts:*

A new section 271AAD is proposed to be introduced wherein penalty has been prescribed for furnishing any false entry or omission of any entry which is relevant for the tax computation in the books of accounts.

The term '**false entry**' has been defined to include use or intention to use:

1. Forged or falsified documents, such as false invoice or false piece of documentary evidence;
2. Invoice for supply or receipt of goods and/ or services without actual supply or receipt; and
3. Invoice for supply or receipt of goods and/ or services to or from a non-existent person.

The penalty prescribed is equivalent to the aggregate amount of such false or omitted entry. Further, such penalty can also be levied on any other person who causes the person to make such false entry or omission.

*This amendment will take effect from 1<sup>st</sup> April, 2020 and will accordingly apply in relation to AY 2020-21 and subsequent AYs.*



## Governance Measures:

### *Introduction of Taxpayer's Charter:*

With a view to enhance the trust between the taxpayer and the Tax Authorities and to embrace an atmosphere of mutual cooperation, the Finance Minister has announced the introduction of a “**Taxpayer's Charter**” in the statute. CBDT has been mandated by the Finance Ministry to adopt and implement the charter. The contents of this charter shall be notified in due course

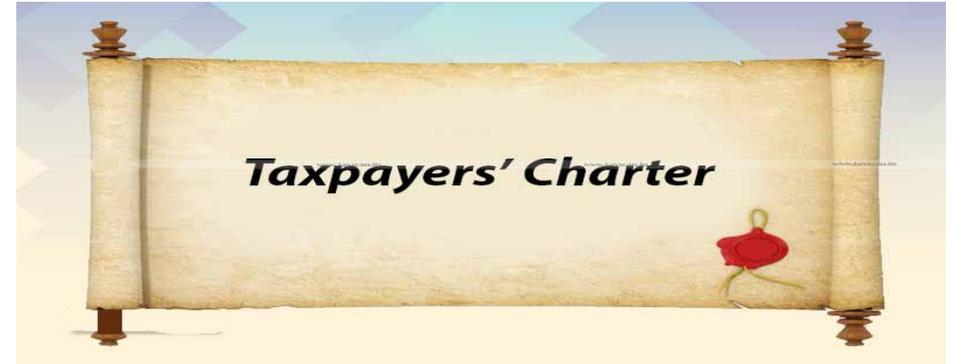
*The proposed amendment will be effective from 1 April 2020.*

### *Powers of Tribunal to grant stay of demand:*

Provisions of section 254 of the Act grants power to the Tribunal to grant stay for a period of 180 days based on merits of the application made. It is proposed that a **payment of 20% of the amount of tax, interest, fee, penalty, or any other sum payable** under the provisions of the Act or on furnishing of security of same amount shall be made a **pre-condition for grant of stay by the Tribunal**.

In respect of the **extension of stay** by the Tribunal **beyond 180 days** due to pendency of appeal, it is proposed that above condition of payment of 20% of amount in dispute or furnishing of security should be complied with for granting extension of stay subject to a **maximum combined period of 365 days**. It is also proposed that the Tribunal shall dispose the appeal within the period of stay/ extended period of stay.

The proposed amendment will be effective from 1 April 2020.



## Miscellaneous:

### *Section 72AA – Carry forward of losses or depreciation:*

The benefit of carrying forward of accumulated losses and unabsorbed depreciation allowance of the amalgamation bank with the other banking institution *now extended in amalgamation of public sector banks*. This benefit has also been extended in respect of the *amalgamation of public sector General Insurance Companies*. This amalgamation will take with effect from FY 2019-20.

### *Tax exemption for Indian Strategic Petroleum Reserves Limited (ISPRL):*

A new clause (48C) is proposed to be inserted in section 10 of the Act to provide that income arising to ISPRL as a result of arrangement for replenishment of crude oil stored in its storage facility, in pursuance of the direction of the Central Government, shall be exempt from taxation in India.

In case the crude oil is not replenished in the storage facility within three years from the end of financial year in which the crude oil was first removed from the storage facility, such exemption shall not be available.

*The proposed amendment will take effect from 1 April 2020 and will accordingly apply from AY 2020–21 onwards.*

### *Rationalization for taxation in respect of segregated portfolios:*

SEBI issued a circular in December 2018 permitting creation of a segregated portfolio of debt and money market instruments by mutual fund schemes. As per the circular, all existing unit holders in the affected scheme as on the day of the **credit event** are allotted an equal number of units in the segregated portfolio as held in the main portfolio.

Section 49 is rationalized to provide that the **Cost of Acquisition (COA)** of units will be as below:

#### COA for Segregated Portfolio

Cost of Acquisition of units in segregated portfolio shall be proportionate to the NAV of assets transferred to the segregated portfolio to NAV of the total portfolio immediately before segregation

#### COA for Original Units

Cost of Acquisition of the original units held by the unit holder in the main portfolio shall be deemed to have been reduced by the acquisition cost of units in the segregated portfolio

## Miscellaneous:

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

The definition of taxable commodities transaction is amended to include the transactions of “sale of option in goods” and “sale of commodity derivatives based on prices or indices of prices of commodity derivatives”.

Additionally, to encourage settlement of transactions by actual delivery of commodities, a lower CTT rate has been proposed. The proposed CTT rates for the commodities derivative market are provided below:



| Sr. No. | Taxable Commodities Transaction   | Existing Rate | Proposed Rate | Value of Taxable transaction  | Payable by |
|---------|---|---------------|---------------|---|------------|
| 1       | Sale of commodity derivative  | 0.01%         | 0.01%         | Price at which the commodity derivative is traded   | Seller     |
| 2       | Sale of an option on commodity derivative   | 0.05%         | 0.05%         | Option premium  | Seller     |
| 3       | Sale of an option on commodity derivative, where option is exercised  | 0.0001%       | 0.0001%       | Settlement price  | Purchaser  |
| 4       | Sale of option in goods, where option is exercised resulting in actual delivery of goods                                    | -             | 0.0001%       | Settlement price  | Purchaser  |
| 5       | Sale of option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods | -             | 0.125%        | Difference between the settlement price and strike price  | Purchaser  |
| 6       | Sale of commodity derivative based on prices or indices of prices of commodity derivatives                                  | -             | 0.01%         | Price at which the commodity derivatives based on prices or indices of prices of commodity derivatives are traded | Seller     |
| 7       | Sale of option in goods   | -             | 0.05%         | Option premium  | Seller     |

# VIVAD SE VISHWAS - Dispute Resolution Scheme 2020



## VIVAD SE VISHWAS Scheme:

Inline with the announcement by Finance Minister on 1<sup>st</sup> February, 2020 about a Direct tax dispute resolution scheme, The Government tabled "The Direct Tax Vivad se Vishwas Bill, 2020" on 5<sup>th</sup> February, 2020 before the Parliament. The Bill will come into effect once it is passed by both the Houses of Parliament and assent is given by the President of India.

This Scheme aims to provide a resolution mechanism for pending direct tax disputes across various appellate forums i.e. Commissioner of Income-tax (Appeals), Income Tax Appellate Tribunal, the High Court of respective states and the Supreme Court of India. Writ Petitions have also been included within the scope of this scheme.

### Applicability of this scheme:

All direct tax appeals (i.e. related to disputed tax, interest, penalty or fee) pending as on **31 January 2020** are eligible for resolution under this Scheme subject to certain exceptions prescribed such as search and seizure cases, matters where prosecutions have been initiated etc. Cases where objections have been filed before the Dispute Resolution Panel, such disputes are outside the ambit of the scheme.

### Disputed Tax formula: $(A-B) + (C-D)$

Where,

- A. = Amount of tax on the total income assessed as per provisions of the Income-Tax Act, 1961 other than the provisions contained in section 115JB/115JC;
- B. = Amount of tax that would have been chargeable had the total income assessed as per the general provisions been reduced by the amount of income in respect of which appeal has been filed by the appellants;
- C. = Amount of tax on the total income assessed as per the provisions contained in section 115JB or section 115JC of the Income tax act, 1961
- D. = Amount of tax that would have been chargeable had the total income assessed as per the provisions contained in section 115JB or section 115JC of the income tax act, 1961 been reduced by the amount of income in respect of which appeal has been filed by the appellant.

In case appeal has been considered under Section 115JB/115JC and General Provisions, such amount shall not be reduced from total income under the head "D".

In case provisions of section 115JB/115JC is not applicable, item (C-D) in the formula shall be **ignored**

## VIVAD SE VISHWAS Scheme:

### Disputed Tax Payable under the scheme:

where a declarant files under the provisions of this Act on or before the last date, a declaration to the designated authority in accordance with the provisions of section 4 in respect of tax arrear, then, notwithstanding anything contained in the Income-tax Act or any other law for the time being in force, the amount payable by the declarant under this Act shall be as under,

| Nature of tax arrear  | Amount payable under this Act on or before the 31st day of March, 2020. | Amount payable under this Act on or after the 1st day of April, 2020 but on or before the last date.  |
|---|---|---|
| Where the tax arrear is the aggregate amount of disputed tax, interest chargeable or charged on such disputed tax and penalty leviable or levied on such disputed tax | 100% of the disputed tax  | 110% of the disputed tax<br>[If incase, 10% of disputed tax exceeds total amount of disputed interest and penalty, such excess to be ignored] |
| Where the tax arrear relates to disputed interest or disputed penalty or disputed fee   | 25% of the disputed penalty/interest/ fees                              | 30% of the disputed penalty/interest/ fees  |

### Taxpayers Duty:

The taxpayer is required to withdraw the appeal from the applicable appellate forums and is required to file proof of such withdrawal along with the declaration. Once the declaration is filed, within a period of 15 days, the designated authority is required to issue a certificate determining the amount payable by the taxpayer. The taxpayer is required to pay the amount specified within 15 days from the date of receipt of the certificate. Such amount has to be deposited by 31 March 2020 to avail benefits of lower tax outflows.



## Goods and Services Tax (GST)

- ❑ It is proposed to digitally refund to exporters, duties and taxes levied at the Central, State and local levels, such as electricity duties and VAT on fuel used for transportation, which are not getting exempted or refunded under any other existing mechanism. This Scheme for Reversion of duties and taxes on exported products shall be launched this year.
- ❑ The Finance Minister emphasized the implementation of a new simplified GST return structure from April 1, 2020 which includes various features like SMS based filing for NIL return, auto populated GST returns, improved input tax credit flow, automation of refund process.
- ❑ Aadhaar based verification of taxpayers is proposed to be introduced which will help in weeding out dummy or non-existent business units.
- ❑ This budget also aims in the implementation of Electronic Invoicing mechanism and few other apparatus likes Dynamic QR-code for consumer invoices capturing the GST parameters, cash incentives for customers to seek invoice, etc.
- ❑ Deep data analytics and Artificial Intelligence tools will be used for review of GST input tax credit and refunds claimed by the tax payers and detect any other frauds.
- ❑ GST rate structure will also be deliberated so as to rectify issues like inverted duty structure.
- ❑ FM has proposed to take measurable steps for providing a level playing field to the domestic manufacturers like:
  - Toughen the provisions of Anti-Dumping Duties and import of subsidized goods.
  - Upheaval of Custom duty rates by increasing the rates or by withdrawing the exemptions.
  - Stringent checks on undue benefits being claimed under the Free Trade Agreements (FTAs).



## Goods and Services Tax (GST)

- *Amendments in the definition of “Union Territories”:* In Section 2 of CGST Act Ladakh is being added in the list of Union Territories and Dadra and Nagar Haveli and Daman and Diu is being merged in the list of Union Territories.
- Composition scheme would not be available to taxpayer engaged in supply services which are not leviable to GST, inter-state supply of services, or supply of services through electronic commerce operator.
- Amendments is being made to delink the date of issuance of debit note from the date of issuance of the underlying invoice, for purposes of availing input tax credit.
- Tax payers who had voluntarily obtained GST registration will now be allowed to file application for cancellation of registration.
- *Extension of revocation of cancellation of registration:* Provisions have been added which empowers the jurisdictional tax authorities to extend the date for application of revocation of cancellation of registration in deserving cases.
- Specific provision is being introduced to specify the time and manner of issuance of tax invoice in respect of the specific categories of services.
- *TDS certificates:* New form of TDS certificate will be specified by the Government soon. Further, failure of issuance of TDS certificate would not trigger late fees.
- *Punishment provisions:* Punishment provisions are made applicable to person who causes to commit fraudulent transactions and retains the benefits of such transactions. For specific transactions, provisions inserted to impose an equivalent penalty on any person who retains the benefit of such transactions and at whose instance such transactions are conducted.
- Transitional provisions is proposed to be amended with effect from 01 July 2017 to prescribe the manner and time-limit for taking transitional credit



## Goods and Services Tax (GST)

- The time period provided to make provision for enabling 'issuance of removal of difficulty order' is being extended from three to five years, with effect from 01 July 2017.
- Schedule II to the CGST Act (Activities to be treated as supply of goods or services), is being retrospectively amended with effect from 01 July 2017 to omit supplies relating to transfer of business assets without any consideration.
- Retrospective exemption from CGST/IGST/UTGST is proposed on fish meal (HSN 2301) for the period 01 July 2017 to 30 September 2019. Further, no refund would be granted on the tax collected on such supplies.
- Levy of 12% IGST, 6% CGST and 6% UTGST rates has been retrospectively amended on pulley, wheels and other parts (falling under heading 8483) and used as parts of agricultural machinery of heading 8432, 8433 and 8436 from 01 July 2017 to 31 December 2018. Further, no refund would be granted of the tax collected on such supplies.
- Refund of Compensation cess is proposed to be restricted under inverted duty structure for tobacco and tobacco products retrospectively i.e. with effect from 01 July 2017.





## Customs Duty

- If the departmental verification establishes non-compliance of the imported goods with the country of origin criteria, preferential tariff treatment to the imports of identical goods from the same producer or exporter may also be rejected.
- Contravention of any of the specific provisions pertaining to 'administration of rules of origin under trade agreement' will trigger confiscation provision

- ❑ The FM proposes power to restrict import or export of goods extended where the same is causing injury to the Indian economy.
- ❑ Explanation to Section 28 of Customs Act, 1962 (Customs Act) amended to state that notices issued prior to 29 March 2018 would continue to be governed by the earlier provisions of Section 28 as it stood prior to the 29 March 2018.
- ❑ Further, changes has been introduced in Anti - Dumping Duty Rules by way of introduction of Customs Tariff Amendment Rules, 2020 to include specific provision to extend the ambit of anti-dumping investigation to the exporters not originally and initially investigated.
- ❑ A provision is being incorporated in the countervailing Duty Rules to enable investigation into the case of circumvention of countervailing duty for enabling imposition of such duty. Certain other changes are being made for bringing clarity in the Rules.
- ❑ There has been an insertion of a new section providing for creation of an electronic duty credit ledger in the customs automated system and manner of its utilization.



### Customs Duty: (Continued)

| AMENDMENTS IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975 |   |  |              |       |
|--|---|--|--------------|-------|
| I (A).   | Changes in tariff rates of key products |  | Rate of Duty |       |
| S. No  | Heading, sub-heading tariff item        | Commodity  | From         | To    |
| 1.   | 0802 32 00                              | Food processing (Walnuts, shelled)   | 30%          | 100%  |
| 2.   | 3824 99 00                              | Chemical products and preparations of the chemical or allied industries, not elsewhere specified   | 10%          | 17.5% |
| <b>Footwear</b>  |   |  |              |       |
| 3.   | 6401, 6402, 6403, 6404, 6405            | Footwear   | 25%          | 35%   |
| 4.   | 6406                                    | Parts of footwear  | 15%          | 20%   |
| 5.   | Various Chapters                        | Specified Household Items  | 10%          | 20%   |
| 6.   | 7118                                    | Precious Metals (Coins)  | 10%          | 12.5% |
| <b>Other Electronic goods</b>                                    |   |  |              |       |
| 7.   | 8504 40 (except 8504 40 21)             | Static Converters  | 15%          | 20%   |
| 8.   | 8504 40 21                              | Dip bridge rectifier   | 10%          | 20%   |
| 9.   | 8517 70 10                              | Populated, loaded or stuffed printed circuit boards  | 10%          | 20%   |
| <b>Toys</b>  |   |  |              |       |
| 10.  | 9503                                    | Tricycles, scooters, pedal-cars and similar wheeled-toys; dolls' carriages; dolls; other toys; reduced-size ("scale") models and similar recreational models, working or not; puzzles of all kinds | 20%          | 60%   |
| <b>Automobile and automobile parts</b>                           |   |  |              |       |
| 11.  | 8421 39 20, 8421 39 90                  | Catalytic Convertor  | 10%          | 15%   |

| S. No                   | Heading, sub-heading tariff item | Commodity  | From | To  |
|-------------------------|----------------------------------|--|------|-----|
| <b>Furniture Goods</b>  |                                  |  |      |     |
| 12.                     | 9401                             | Seats and parts of seats (other than aircraft seats and their parts)   | 20%  | 25% |
| 13.                     | 9403                             | Other Furniture and parts  | 20%  | 25% |
| 14.                     | 9404                             | Mattress supports; Articles of bedding and similar furnishing  | 20%  | 25% |
| 15.                     | 9405                             | Lamps and lighting fittings including searchlights and spotlights and parts thereof; Illuminated signs, illuminated name plates and the like, having a permanently fixed light source, and parts thereof except solar lantern and solar lamps. | 20%  | 25% |
| <b>Stationary items</b> |                                  |  |      |     |
| 16.                     | 8304 00 00                       | Filing, cabinets, card-index cabinets, paper-trays, paper rests, pen trays, office-stamp stands and similar office or desk equipment, of base metal, other than office furniture of heading 9403   | 10%  | 20% |
| 17.                     | 8305                             | Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags and similar office articles, of base metal; staples in strips (for example, for offices, upholstery, packaging), of base metal              | 10%  | 20% |
| 18.                     | 8310                             | Sign-plates, name-plates, address-plates and similar plates, numbers, letters and other symbols, of base metal, excluding those of heading 9405  | 10%  | 20% |
| <b>Miscellaneous</b>    |                                  |  |      |     |
| 19.                     | 6702                             | Artificial Flowers   | 10%  | 20% |
| 20.                     | 7018 10 20                       | Glass Beads  | 10%  | 20% |
| 21.                     | 8306                             | Bells, gongs, statuettes, trophies and like, non-electric of base metal; statuettes and other ornaments of base metal; photograph, picture or similar frames, of base metal; mirrors of base metal.  | 10%  | 20% |

### Customs Duty: (Continued)

| S. No | Heading, sub-heading tariff item | Commodity   | From | To    |
|-------|----------------------------------|---|------|-------|
|       |                                  | <b>Machinery</b>  |      |       |
| 22.   | 8414 51 40                       | Railway Carriage fans   | 7.5% | 10%   |
| 23.   | 8414 51 90                       | Other fans with a self-contained electric motor not exceeding 125W                  | 7.5% | 20%   |
| 24.   | 8414 59 10                       | Air Circulator  | 7.5% | 10%   |
| 25.   | 8414 59 30                       | Industrial fans blowers and similar blowers   | 7.5% | 10%   |
| 26.   | 8414 59 90                       | Other industrial fans   | 7.5% | 10%   |
| 27.   | 8414 30 00, 8414 80 11           | Compressor of Refrigerator and Air conditioner                                      | 10%  | 12.5% |
| 28.   | 8419 89 10                       | Pressure vessels  | 7.5% | 10%   |
| 29.   | 8418 10 10                       | Commercial type combined refrigerator freezers, fitted with separate external doors | 7.5% | 15%   |
| 30.   | 8418 30 10                       | Commercial freezer of chest type, not exceeding 800lt capacity                      | 7.5% | 15%   |
| 31.   | 8418 30 90                       | Other chest type freezers   | 10%  | 15%   |
| 32.   | 8418 40 10                       | Electrical freezers of upright type, not exceeding 800 litre capacity               | 7.5% | 15%   |
| 33.   | 8418 40 90                       | Other freezers of upright type, not exceeding 800 litre capacity                    | 7.5% | 15%   |
| 34.   | 8418 50 00                       | Refrigerating or freezing display counters, cabinets, show-cases and the like       | 7.5% | 15%   |
| 35.   | 8418 61 00                       | Heat pumps other than ac machines   | 7.5% | 15%   |
| 36.   | 8418 69 10                       | Ice making machinery  | 7.5% | 15%   |
| 37.   | 8418 69 20                       | Water cooler  | 10%  | 15%   |
| 38.   | 8418 69 30                       | Vending machine, other than automatic   | 10%  | 15%   |
| 39.   | 8418 69 40                       | Refrigerating equipment/devices used in leather industry                            | 7.5% | 15%   |
| 40.   | 8418 69 50                       | Refrigerated farm tanks, industrial ice cream freezer                               | 7.5% | 15%   |
| 41.   | 8418 69 90                       | Others [like freezers of capacity 800 litres and more etc.]                         | 7.5% | 15%   |
| 42.   | 8515 (except 8515 90 00)         | Welding and Plasma cutting machines   | 7.5% | 10%   |

| <b>I (B). New Entries added to the Customs Tariff</b> |                                  |   |                 |                |
|---|----------------------------------|---|-----------------|----------------|
| S. No.  | Tariff Item                      | Description   | Tariff Rate     | Effective rate |
| 1.  | 8414 51 50                       | Wall fans   | 20%             | 20%            |
| 2.  | 8529 90 30                       | Open cell for television set  | 15%             | 0%             |
| 3.  | 8541 40 11                       | Solar cells not assembled   | 20%             | 0%             |
| 4.  | 8541 40 12                       | Solar cells assembled in modules or made up in panels   | 20%             | 0%             |
| <b>II Changes in effective BCD rates of products</b>  |                                  |   |                 |                |
| S. No   | Heading, sub-heading tariff item | Commodity   | From            | To             |
| 1.  | 0101 21 00                       | Animals Pure-bred breeding horses   | 30%             | Nil            |
|   |                                  | <b>Fuels, Chemicals and Plastics</b>  |                 |                |
| 2.  | 27                               | Very low Sulphur fuel oil meeting ISO 8217:2017 RMG380 Viscosity in 220-400 CST standards/marine Fuel Oil 0.5% (FO), under the same conditions as available to IFO 180 CST and IFO 380 CST under entry at S. No. 139 of notification No. 50/2017–Customs dated 30.6.2017. | 10%             | Nil            |
| 3.  | 2713 12 10, 2713 12 90           | Calcined Petroleum Coke   | 10%             | 7.5%           |
| 4.  | 2843                             | Colloidal precious metals; compounds of precious metals; amalgams of precious metals  | 7.5%            | 10%            |
| 5.  | 2916 12 10                       | Butyl Acrylate  | 5%              | 7.5%           |
| 6.  | 3907 99 90                       | Polyester Liquid Crystal Polymers (LCP) for use in manufacture of connectors  | 7.5%            | Nil            |
| 7.  | 3920 10 99                       | Calendared plastic sheets for use in manufacturing of smart cards   | 10%             | 5%             |
|   |                                  | <b>Sports Goods</b>   |                 |                |
| 8.  | 44                               | List of items allowed duty free import up to 3% of FOB value of sports goods exported in the preceding financial year is amended to include Willow  | Applicable rate | Nil            |

### Customs Duty: (Continued)

| S. No | Heading, sub-heading tariff item | Commodity   | From  | To     |
|-------|----------------------------------|---|-------|--------|
|       |                                  | <b>Paper Industry</b>   |       |        |
| 9.    | 48                               | a) Newsprint, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI)<br>b) Uncoated paper used for printing newspaper, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI)<br>c) Lightweight coated used for printing magazines, subject to end-use conditions | 10%   | 5%     |
|       |                                  | <b>Precious Stones and Metals</b>   |       |        |
| 10.   | 7108                             | Gold used in the manufacture of semiconductor devices or light emitting diodes  | Nil   | 12.5%  |
| 11.   | 7103                             | Rubies, emeralds, sapphires – unset and imported uncut  | Nil   | 0.5%   |
| 12.   | 7103                             | Rough coloured gemstones  | Nil   | 0.5%   |
| 13.   | 7103                             | Rough semi-precious stones  | Nil   | 0.5%   |
| 14.   | 7103                             | Pre-forms of precious and semi-precious stones  | Nil   | 0.5%   |
| 15.   | 7104                             | Rough synthetic gemstones   | Nil   | 0.5%   |
| 16.   | 7104                             | Rough cubic zirconia  | Nil   | 0.5%   |
| 17.   | 7104                             | Polished Cubic Zirconia   | 5%    | 7.5%   |
| 18.   | 7110                             | Platinum or Palladium used in manufacture of-<br>a) All goods, including Noble Metal Compounds and Noble Metal Solutions [ 2843]<br>b) Catalyst with precious metal or precious metal compounds as the active substance [ 3815 12]  | 12.5% | 7.5%   |
| 19.   | 7112                             | Spent Catalyst/Ash containing precious metal like gold from which such precious metal is retrieved subject to specified conditions.   | 12.5% | 11.85% |
|       |                                  | <b>Machinery</b>  |       |        |
| 20.   | 84                               | Goods specified in List 10 of Notification No. 50/2017 – Customs dated 30.6.2017, required for use in high voltage power transmission project   | 5%    | 7.5%   |

| S. No | Heading, sub-heading tariff item | Commodity   | From           | To             |
|-------|----------------------------------|---|----------------|----------------|
| 21.   | 8432 80 20                       | Rotary tillers/weeder   | 2.5%           | 7.5%           |
| 22.   | 84 or any other Chapter          | Goods specified in List 14 of Notification No. 50/2017 – Customs dated 30.6.2017, required for construction of road like paver finisher, machines for filling up cracks in roads, mobile bridge inspection units etc. | Nil            | Applicable BCD |
| 23.   | 8501                             | Motors like Single Phase AC motors, Stepper motors, Wiper Motors etc.   | 7.5%           | 10%            |
|       |                                  | <b>Electronic goods, parts thereof</b>  |                |                |
| 24.   | 74                               | Copper and articles thereof used in manufacturing of specified electronic items   | Nil            | Applicable BCD |
| 25.   | 8504 40                          | Specified Chargers and power adapters   | Applicable BCD | 20%            |
| 26.   | 8517 70 10                       | PCBA of Cellular mobile phones (with effect from 01.04.2020)  | 10%            | 20%            |
| 27.   | 8517 70 90                       | Fingerprint readers for use in Cellular mobile phones   | Nil            | 15%            |
| 28.   | 8517 70 90                       | Vibrator/Ringer of Cellular mobile phones (with effect from 01.04.2020)   | Nil            | 10%            |
| 29.   | 8517 70 90                       | Display Panel and Touch Assembly of Cellular mobile phones (with effect from 01.10.2020)  | Nil            | 10%            |
| 30.   | 8518 30 00                       | Headphones and Earphones  | Applicable BCD | 15%            |
| 31.   | 8518 90 00                       | Following parts of Microphone for use in manufacture of Microphone namely,<br>a) microphone cartridge<br>b) microphone holder<br>c) microphone grill<br>d) microphone body etc.                                       | 10%            | Nil            |
| 32.   | 8538                             | Micro-fuse base, sub-miniature fuse base, Micro-fuse Cover and sub-miniature fuse cover for use in manufacture of micro fuse and sub-miniature fuse.  | 7.5%           | Nil            |

### Customs Duty: (Continued)

| S. No | Heading, sub- heading tariff item | Commodity   | From          | To             |
|-------|-----------------------------------|---|---------------|----------------|
|       |                                   | <b>Automobile and automobile parts</b>  |               |                |
| 33.   | 2843                              | Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and their parts  | 5%            | Applicable BCD |
| 34.   | 7110                              | Platinum or Palladium used in manufacturing of catalytic converter and their parts  | 5%            | Applicable BCD |
| 35.   | 84 or any other Chapter           | (A) Parts of catalytic converter for manufacture of catalytic converters.<br>(B) The following goods for use in the manufacture of catalytic converters and its parts, namely: -<br>(i) Raw substrates (ceramics)<br>(ii) Wash coated substrates (ceramics)<br>(iii) Raw substrates (metal)<br>(iv) Wash coated substrates (metal)<br>(v) Stainless steel wire cloth stripe<br>(vi) Wash coat | 5%            | 7.5%           |
| 36.   | 8702, 8704                        | Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles)<br>(w.e.f. 01.04.2020)  | 30%           | 40%            |
| 37.   | 8702, 8704                        | Completely Built Units (CBUs) of commercial electric vehicles (w.e.f. 01.04.2020)   | 25%           | 40%            |
| 38.   | 8703                              | Semi Knocked Down (SKD) forms of electric passenger vehicles<br>(w.e.f. 01.04.2020)   | 15%           | 30%            |
| 39.   | 8702, 8704, 8711                  | Semi Knocked Down (SKD) forms of electric vehicles- Bus, Trucks and Two wheelers<br>(w.e.f. 01.04.2020)   | 15%           | 25%            |
| 40.   | 8702, 8703, 8704, 8711            | Completely Knocked Down (CKD) forms of electric vehicles - Passenger vehicles, Three wheelers, Two wheelers, Bus and Trucks<br>(w.e.f. 01.04.2020)  | 10%           | 15%            |
|       |                                   | <b>Defence sector</b>   |               |                |
| 41.   | 73,84,85,87, 88,89,90,93          | Exemption from import duty for specified military equipment, when imported by Defence PSUs and other PSUs for defence forces.   | As applicable | Nil            |

### III Miscellaneous changes:

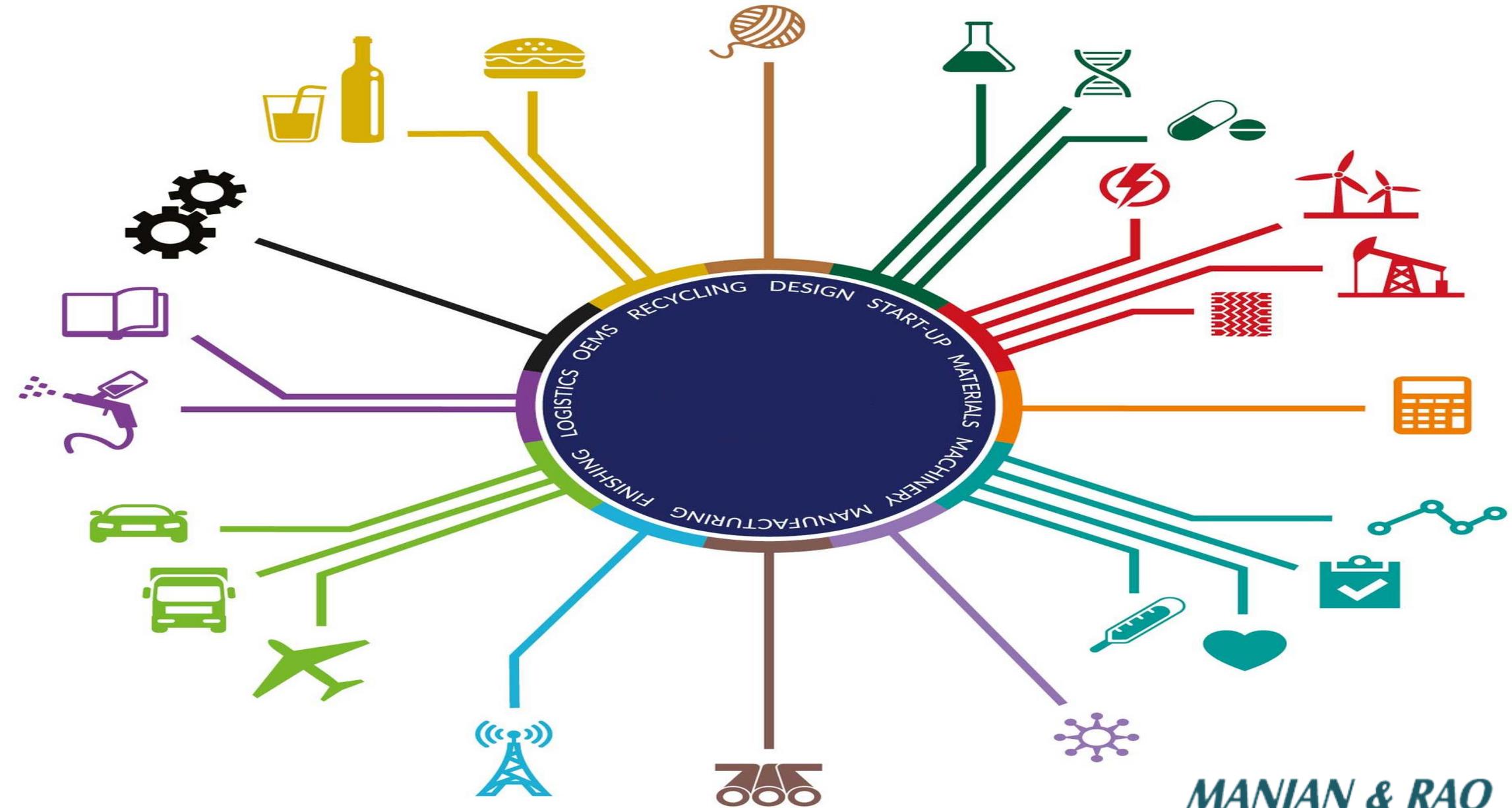
- ❑ Customs duty exemptions which has been granted through certain stand-alone notifications has been withdrawn for the following:
  - Exemption import of goods under Preferential trade agreement from SAARC countries withdrawn.
  - Exemption from levy of additional duty of customs on goods imported from Nepal withdrawn.
  - Preferential rate of BCD on specified products withdrawn.
  - Exemption from BCD withdrawn on specified products.
  - Exemption from Social Welfare surcharge withdrawn on specified goods of chapter 84, 85 and 90 of First Schedule to Customs Tariff Act, 1975 and exemption introduced on certain new products.
- ❑ Impose of Health Cess on the import of Medical devices falling under headings 9018 to 9022 at the rate of 5% ad valorem on the import value of such goods. Any Export Promotion scrips shall not be used for payment of said Cess.
- ❑ Social Welfare Surcharge is being exempted few items such as Cheese, Almonds, Walnuts, Chewing Gums, Orange Juice, Tiles, Marbles, All commercial vehicles (including electric vehicles, etc.)

### Change in rates of Excise Duty

Rate changes (effective from 1 February 2020)

| S. No. | Tariff Item | Description of goods  | Unit | From                 | To                   |
|--------|-------------|---|------|----------------------|----------------------|
| 1.     | 2402 20 10  | Other than filter cigarettes, of length not exceeding 65 millimetres  | Tu   | Rs. 90 per thousand  | Rs.200 per thousand  |
| 2.     | 2402 20 20  | Other than filter cigarettes, of length exceeding 65 millimetres but not exceeding 70 millimetres   | Tu   | Rs. 145 per thousand | Rs.250 per thousand  |
| 3.     | 2402 20 30  | Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) not exceeding 65 millimetres                              | Tu   | Rs. 90 per thousand  | Rs. 440 per thousand |
| 4.     | 2402 20 40  | Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 65 millimetres but not exceeding 70 millimetres | Tu   | Rs. 90 per thousand  | Rs.440 per thousand  |
| 5.     | 2402 20 50  | Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 70 millimetres but not exceeding 75 millimetres | Tu   | Rs. 145 per thousand | Rs.545 per thousand  |
| 6.     | 2402 20 90  | Other ( <i>Cigarettes containing tobacco</i> )  | Tu   | Rs. 235 per thousand | Rs.735 per thousand  |
| 7.     | 2402 90 10  | Cigarettes of tobacco substitutes   | Tu   | Rs. 150 per thousand | Rs.600 per thousand  |
| 8.     | 2403 11 10  | Hookah or gudaku tobacco  | Kg.  | 10%                  | 25%                  |
| 9.     | 2403 19 10  | Smoking mixtures for pipes and cigarettes   | Kg.  | 45%                  | 60%                  |
| 10.    | 2403 19 90  | Other <i>smoking tobacco</i>  | Kg.  | 10%                  | 25%                  |
| 11.    | 2403 91 00  | “Homogenised” or “reconstituted” tobacco  | Kg.  | 10%                  | 25%                  |
| 12.    | 2403 99 10  | Chewing tobacco   | Kg.  | 10%                  | 25%                  |
| 13.    | 2403 99 20  | Preparations containing chewing tobacco   | Kg.  | 10%                  | 25%                  |
| 14.    | 2403 99 30  | Jarda scented tobacco   | Kg.  | 10%                  | 25%                  |
| 15.    | 2403 99 40  | Snuff   | Kg.  | 10%                  | 25%                  |
| 16.    | 2403 99 50  | Preparations containing snuff   | Kg.  | 10%                  | 25%                  |
| 17.    | 2403 99 60  | Tobacco extracts and essence  | Kg.  | 10%                  | 25%                  |
| 18.    | 2403 99 90  | Other ( <i>manufactured tobacco and substitutes</i> )   | Kg.  | 10%                  | 25%                  |

# SECTORAL ANALYSIS



## Healthcare Sector:

### ❑ Health Budget:

- The Union budget 2020-21 has focused on the health wellness of the Indian citizens. The government has allocated totally INR 69,000 crores towards the health sector.
- Allocation of INR 6,400 crores is towards Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) which would strengthen the infrastructure, create large scale employment and make healthcare accessible and affordable for all.

### ❑ Hospital Infrastructure:

- FM Proposes a funding window to set up hospitals under public-private partnership (PPP) mode in 112 aspirational districts.
- The proceeds from the health cess on import of medical devices would be utilized towards setting up of hospitals.

### ❑ Health Schemes:

- INR 35,600 crore is allocated to nutrition-related programs.
- “**TB हरेगा, देश जीतेगा**” Campaign is being launched by the Government which aims to **end Tuberculosis by 2025**.
- The Government proposes to extend the Pradhan Mantri Jan Aushadhi Kendra Scheme to all districts offering 2000 medicines and 300 surgical by 2024. This would have an positive impact on both SME pharmaceutical manufacturing units and small medical device manufacturers.

### ❑ Digital Technologies:

- The Government proposes to use Artificial Intelligence and machine learning in the Ayushman Bharat scheme to target disease with an appropriately designed preventive regime.



## Agriculture Sector:

- ❑ Finance Minister (FM) stated that the government is determined to the goal of doubling the farmer's income by the year 2022.
- ❑ FM allotted budget of 2.83 lakh crore for agriculture and rural development.
- ❑ The government has proposed 16 action points in order to develop the Agriculture Sector.
  - i. Encourage state government to implement the model laws like Model Agriculture Land Leasing Act, 2016, Model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017 and Model Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act, 2018.
  - ii. Proposes comprehensive measures for one hundred water stressed districts.
  - iii. Expand PM-KUSUM scheme to provide 20 lakh farmers for setting up stand-alone solar pumps and help another 15 lakh farmers solarise their grid-connected pump sets. And also introduce a scheme which would enable farmers to set up solar power generation capacity on their fallow/barren lands and to sell it to the grid in order to earn living out of the fallow/barren lands.
  - iv. A Village Storage scheme is proposed to be run by the Self Help Groups. This will provide farmers a good holding capacity and reduce their logistics cost.
- v. Develop the quality of the Warehouses by providing Viability Gap Funding at the block/taluk level on a PPP mode. Food Corporation of India (FCI) and Central Warehousing Corporation (CWC) shall undertake such warehouse building on their lands too.
- vi. In order to have a seamless national cold supply chain for perishables, the Indian Railways will set up a “Kisan Rail” through PPP arrangements. There shall be refrigerated coaches in Express and Freight trains as well.
- vii. “Krishi Udaan” is proposed to be launched by the Ministry of Civil Aviation on international and national routes. This will immensely help improve value realization especially in North-East and tribal districts.
- viii. For better marketing and export of Horticulture sector central government proposes “one product one district” concept.



## Agriculture Sector:

- x. Integrated farming systems in rainfed areas is proposed to be expanded, Zero-Budget Natural Farming (mentioned in July 2019 budget) is also included in the current budget. A portal on “jaivikkheti” online national organic products market is encouraged to be used.
- xi. Negotiable Warehousing Receipts (e-NWR) is proposed to be integrated with National Agriculture Marketing (e-NAM).
- xii. Agriculture credit target for the year 2020-21 has been set at INR 15 lakh crore. All eligible beneficiaries of PM-KISAN will be covered under the Kisan Credit Card Scheme (KCC scheme).
- xiii. The Government Intends to eliminate Foot and Mouth disease, brucellosis in cattle and also *peste des petits ruminants* (PPR) in sheep and goat by 2025. A step taken to do so is by increasing the Coverage of artificial insemination from 30% to 70%. Also, milk processing capacity would be increased from 53.5 million MT to 108 million MT by 2025.
- xiv. The Government proposes to put in a framework for development, management and conservation of marine fishery resources in place.
- xv. The Union Budget aims to increase fish production to 200 lakh tonnes. Growing of algae, sea-weed and cage Culture is also being promoted. The Government aims to raise fishery exports to ` 1 lakh crore by 2024-25.
- xvi. The Government has proposed to expand SHGs under DeenDayal Antyodaya Yojana for alleviation of poverty.



## Education Sector:

- ❑ Under the Union Budget, INR 99,300 crore is allocated for education sector in 2020-21 and INR 3,000 crore for skill development.
- ❑ Central Government shall soon announce a new educational policy.
- ❑ Required steps is proposed to be taken in order to attract external commercial borrowing and foreign direct investment (FDI) in the education sector.
- ❑ A degree-level full-fledged online education programme is to be offered by institutes in top 100 of the National Institutional Ranking Framework in order to provide quality education to students of deprived section of the society as well as those who do not have access to higher education.
- ❑ Proposal to establish Indian Institute of Heritage and Culture under Ministry of Culture has been made.



## Industry, Commerce and Investment Sector:

- ❑ The Union Budget has allocated INR 27,300 crores for development for industry and commerce for year 2020-21.
- ❑ Efforts of the Centre and State governments would be synergized and institutional mechanisms would be created towards development of each district as an Export Hub.
- ❑ To achieve higher export credit disbursement, a new scheme, NIRVIK is proposed to be launched, which would provide higher insurance coverage, reduction in premium for small exporters and simplified procedure for claiming settlements.
- ❑ To position India as a global leader in Technical Textiles, a National Technical Textiles Mission is proposed with a four-year implementation period from 2020-21 to 2023-24 for an estimated outlay of INR 1480 crore.
- ❑ The government proposes a scheme which focusses on encouraging manufacture of mobile phones, electronic equipment and semi-conductor packaging to create jobs, boost Indian domestic manufacturing and attract large investments in electronics value chain.
- ❑ It is proposed to develop five new smart cities in collaboration with States in PPP mode. Such sites would be chosen that offer the best choices in terms of aforementioned principles.



## Infrastructure Sector:

- ❑ The Union Budget proposes to direct all infrastructure agencies of the government to involve youth-power in start-ups. These youth would help in rolling out value added services in quality public infrastructure for citizens.
- ❑ A National Logistics Policy is soon to be released which would clarify the roles of the Union Government, State Governments and key regulators. It would create a single window e-logistics market and focus on generation of employment, skills and make MSMEs competitive.
- ❑ An Accelerated development of highways is proposed to be undertaken which would include development of 2500 Km access control highways, 9000 Km of economic corridors, 2000 Km of coastal and land port roads and 2000 Km of strategic highways.
- ❑ Inland Waterways received a boost in the last five years. It is aimed to complete the 890 Km Dhubri-Sadiya connectivity by 2022.
- ❑ About One hundred more airports is aimed to be developed by 2024 to support Udaan scheme.
- ❑ The Government would corporatizing at least one major port and subsequently its listing on the stock exchanges.

- ❑ Following 5 measures has been proposed in the union budget 2020 which pertains to the Indian Railways:
  - i. Setting up a large solar power capacity alongside the rail tracks, on the land owned by the railways.
  - ii. Four station re-development projects and operation of 150 passenger trains would be done through PPP mode.
  - iii. More Tejas type trains to be introduced to connect iconic tourist destinations
  - iv. High speed train between Mumbai to Ahmedabad would be actively pursued.
  - v. Central Government would provide 20% of equity and facilitate external assistance up to 60% to Bengaluru Suburban Transport Metro Model Project.



## Culture and Tourism Sector:

- ❑ Five archaeological sites has been proposed to be developed as iconic sites with on-site Museums. They are: Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shivsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu).
- ❑ There would be a renovation and re-curation of the historic Old Mint building in Kolkata and four other museums from across India, so that a world class experience can be offered to visitors. The Government has also proposed to set up a Tribal Museum in Ranchi.
- ❑ A maritime museum is also proposed to be set up at Lothal- the Harrapan age maritime site near Ahmedabad, by the Ministry of Shipping.
- ❑ The FM has allocated INR 3,150 crore for Ministry of Culture.
- ❑ 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 INR 1.88 lakh crores for the period January to November 2019 from INR 1.75 lakh crores.
- ❑ For purpose of tourism promotion, FM has proposed to allocate INR 2,500 crore for 2020-21.



## Housing and Real Estate Sector:

- ❑ In the previous budget it was announced that an additional deduction of INR 1 lakh and 50 thousand would be given for interest paid on loans taken for purchase of an affordable house. This deduction was allowed on the housing loans sanctioned on or before 31 March, 2020. In the current budget, it is proposed to extend the housing loan sanction date to 31 March, 2021.
- ❑ Further, in previous budget it was also announced that a tax holiday would be provided on the profits earned by the developers of affordable housing projects if approved by 31 March, 2020. In the current budget it is proposed to extend the date of approval of affordable housing projects for availing the tax holiday to 31 March, 2021.
- ❑ Currently, in respect of real estate transactions, if the Consideration value is less than the Stamp Duty value by more than 5% of the Stamp Duty value, then the difference between the Consideration value and Stamp Duty value is considered as Income in the hands of both the Purchaser and the Seller. In the current union budget, it is proposed to increase this limit of 5% to 10%, in order to minimise hardships in real estate transactions.



## Finance Sector:

- ❑ In last few years, Government of India has infused about INR 3,50,000 crore by way of capital into the Public Sector Banks for regulatory and growth purposes.
- ❑ The Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor from INR 1 Lakh to INR 5 Lakh.
- ❑ Amendments to the Banking Regulation Act is proposed for increasing professionalism, enabling access to capital and improving governance and oversight for sound banking through the RBI for the Cooperative Banks.
- ❑ There has been an proposal for increasing the limit for NBFCs to be eligible for debt recovery under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 to be reduced from INR 500 crore to asset size of INR 100 crore or loan size from existing INR 1 crore to INR 50 lakh.
- ❑ There has been a proposal to sell the balance holding of Government of India IDBI Bank to private, retail and institutional investors through the stock exchange.
- ❑ Government has wished to infuse the Universal Pension coverage with auto enrolment to help easy mobility while in jobs. Government is in a process to make necessary amendments in the Pension Fund Regulatory Development Authority of India Act, which can establish a Pension Trust by the non-government employees too.
- ❑ Certain specified categories of Government securities is proposed to be open fully for non-resident investors, apart from being available to domestic investors as well.
- ❑ The limit for FPI in corporate bonds is proposed to be increased from 9% to 15% of the outstanding stock of corporate bonds.

- ❑ FM has proposed to formulate a legislation, which is to be placed soon before the House, for laying down a mechanism for netting of financial contracts.
- ❑ Government proposes to introduce a new Debt-based Exchange Traded Fund (ETF) consisting primarily of government securities. This would give retail investors access to government securities, and give an attractive investment for pension funds and long-term investors.
- ❑ Central Government has proposed to sell a part of its holding in LIC to the public by way of Initial Public Offer (IPO).
- ❑ In order to ensure that the amalgamated public banks are able to take benefits of unabsorbed losses and depreciation, necessary changes is proposed to be done in the Income-tax Act.



## Start-ups:

- ❑ To support ideation and development of the early stage Start-ups, government has proposed to provide seed funding to them.
- ❑ Currently, ESOPs are taxable as perquisites at the time of exercising in the hands of the employees. In order to give a boost to the startup ecosystem, and to ease the burden of taxation on the employees, it is proposed that the payment of tax on account of ESOPs would be deferred by five years or till they leave the company or when they sell their shares, whichever is earlier.
- ❑ Further, an eligible startup having turnover up to INR 25 crore is allowed deduction of 100% of its the profits for three consecutive assessment years out of seven years if the total turnover does not exceed INR 25 crore rupees. In order to extend this benefit to larger startups, the FM has proposed to increase the turnover limit from existing INR 25 crore to INR 100 crore. Moreover, considering the fact that in the initial years, a startup may not have adequate profit to avail this deduction, FM has proposed to extend the period of eligibility for claim of deduction from the existing Seven years to Ten years.
- ❑ The government wishes to expand the base for knowledge-driven enterprises. Intellectual property creation and protection will play an important role for the same. Several measures are proposed in this regard, which will benefit the Start-ups.



## MSME Sector:

- ❑ Proposals were made to make necessary amendments to the Factor Regulation Act 2011, which would enable NBFCs to extend invoice financing to the MSMEs through TReDS, thereby enhancing their economic and financial sustainability.
- ❑ The government has proposed to introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs. This subordinate debt to be provided by banks would count as quasi-equity and would be fully guaranteed through the Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE). The corpus of the CGTMSE would accordingly be augmented by the government.
- ❑ The Central Government has proposed to extend the restructuring debt window from March 31, 2020 to March 31, 2021 to RBI for the benefit of the MSMEs.
- ❑ An app-based invoice financing loans product would be launched. This would obviate the problem of delayed payments and consequential cash flows mismatches for the MSMEs.
- ❑ For mid-size companies in selected sectors such as pharmaceuticals, auto components and others, Central Government has proposed to extend handholding support – for technology upgradations, R&D, business strategy etc. A scheme of INR 1,000 crore would be anchored by EXIM Bank together with SIDBI. Both these institutions would contribute INR 50 crore each. This INR 100 crore would be achieved towards equity and technical assistance. Debt funding of INR 900 crore from banks would be made available.

- ❑ In order to reduce the compliance burden on small retailers, traders, shopkeepers who comprise the MSME sector, Tax Audit requirement threshold limit has been increased from turnover of more than INR 1 crore to turnover of more than INR 5 crore. This proposal would be applicable for business whose cash transactions doesn't exceeds 5% of their total payments and total receipts.



## Miscellaneous Amendments:

### Co-operative Societies :

- ❑ Currently, Cooperatives are currently taxed under 30% with surcharge and cess. In order to bring parity between the co-operative societies and corporates, an option for these cooperatives is proposed wherein, they would be taxed at 22% plus 10% surcharge and 4% cess with no exemption/deductions. Further, they would be exempt from Alternative Minimum Tax (AMT) .

### International Financial Services Centre (IFSC):

- ❑ In order to enable India to enhance its position worldwide, create jobs in India and discovery of better price of Gold, FM proposes that the GIFT City would set up an International Bullion exchange(s) in GIFT-IFSC as an additional option for trade by global market participants.
- ❑ The Government and RBI shall take various measures to permit Rupee derivatives to be traded in the International Financial Services Centre at GIFT city, Gujarat.
- ❑ In order to incentivize listing of bonds at IFSC exchange, FM has proposed to reduce the withholding rate from 5% to 4% on interest payment on the bonds listed on its exchange.



## Miscellaneous Amendments:

### Environment & Climate Change:

- ❑ The government has Proposed to shut down thermal power plant units whose carbon emission level is too high and is above the pre-set norms. The land so vacated shall be put to alternated use.
- ❑ The government has proposed an incentive scheme for state government to ensure cleaner air in cities above one million population. Allocation for the same amounts to INR 4,400 crore for 2020-21.

### Governance:

- ❑ Certain changes in Companies Act, 2013 has been proposed where criminal liability for acts that are civil in nature shall be amended to civil liability. These changes will be notified in a future date.
- ❑ For speedy disposal of commercial and other disputes, Government has constituted various Tribunals and specialized bodies. It is proposed to evolve a robust mechanism for appointment including direct recruitment to these bodies to attract best talents and professional experts.
- ❑ There has been a proposal for a new National Policy on Official Statistics which would use latest technology including AI. This would lay down a road-map towards modernized data collection, integrated information portal and timely dissemination of information.
- ❑ India will host G-20 presidency in the year 2022- the year of 75th anniversary of independence of Indian Nation. For the same, INR 100 crore has been allocated.
- ❑ An amount of INR 30,757 crore has been provided for supporting development of Jammu & Kashmir and INR 5,958 crore has been provided for supporting the development of Ladakh fir the financial year 2020-21



## Glossary:

|       |  |
|-------|--|
| ADIA  | Abu Dhabi Investment Authority                     |
| AIF   | Alternative Investment Fund                        |
| AMT   | Alternate Minimum Tax                              |
| AVGC  | Animation, Visual Effects, Gaming and Comics       |
| AY    | Assessment Year                                    |
| COA   | Cost of Acquisition                                |
| CPSE  | Central Public Sector Enterprises                  |
| DICGC | Deposit Insurance and Credit Guarantee Corporation |
| DTAA  | Double Taxation Avoidance Agreement                |
| EXIM  | Export-Import                                      |
| FDI   | Foreign Direct Investment                          |
| FII   | Foreign Institutional Investors                    |
| FM    | Finance Minister                                   |
| FM    | Finance Minister                                   |
| FPI   | Foreign Portfolio Investors                        |

|       |   |
|-------|---|
| FY    | Financial Year                              |
| GDP   | Gross Domestic Product                      |
| IFSC  | International Financial Services Centre     |
| ISPRL | Indian Strategic Petroleum Reserves Limited |
| KYC   | Know Your Customer                          |
| MAT   | Minimum Alternate Tax                       |
| MSME  | Micro, Small and Medium Enterprises         |
| NBFC  | Non Banking Financial Company               |
| NR    | Non-Resident                                |
| PAN   | Permanent Identification Number             |
| PSU   | Public Sector Undertaking                   |
| PY    | Previous Year                               |
| RBI   | Reserve Bank of India                       |
| SEBI  | Securities and Exchange Board of India      |
| TDS   | Tax Deducted at Source                      |



**THANK YOU**

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