

Amended Direct Tax Provision Finance Act 2020

Simplified Analysis

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This is a brief document, highlighting the major amendments in Finance Act 2020. Changes made while passing Finance Act 2020 are in RED font
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❖ Individuals / HUF

RATES OF TAX

(A.Y. 2021-22, F.Y. 2020-21)

Two Options **Amended** to be made available

(Resident Other than Senior Citizens and Super Senior Citizens)

Taxable Income Slab	Tax rate under Existing Scheme	Tax rate under New Scheme U/s 115BAC
Up to Rs.2,50,000	Nil	Nil
Rs.2,50,000 to Rs. 5,00,000	5%	5%
Rs. 5,00,000 to Rs.7,50,000	20%	10%
Rs. 7,50,000 to Rs. 10,00,000	20%	15%
Rs.10,00,000 to Rs. 12,50,000	30%	20%
Rs.12,50,000 to Rs. 15,00,000	30%	25%
Above Rs.15,00,000	30%	30%

Note : No separate tax slab for senior or super senior Citizens under New Scheme

(Resident Senior Citizens(age >60 but less than 80 yrs) Other than Super Senior Citizens)

Taxable Income Slab	Tax rate under Existing Scheme	Tax rate under New Scheme U/s 115BAC
Up to Rs.2,50,000	Nil	Nil
Rs.2,50,000 to Rs. 3,00,000	Nil	5%
Rs.3,00,000 to Rs. 5,00,000	5%	5%
Rs. 5,00,000 to Rs.7,50,000	20%	10%
Rs. 7,50,000 to Rs. 10,00,000	20%	15%
Rs.10,00,000 to Rs. 12,50,000	30%	20%
Rs.12,50,000 to Rs. 15,00,000	30%	25%
Above Rs.15,00,000	30%	30%

(Resident Super Senior Citizens – age above 80 years)

Taxable Income Slab	Tax rate under Existing Scheme	Tax rate under New Scheme U/s 115BAC
Up to Rs.2,50,000	Nil	Nil
Rs.2,50,000 to Rs. 5,00,000	Nil	5%
Rs. 5,00,000 to Rs.7,50,000	20%	10%
Rs. 7,50,000 to Rs. 10,00,000	20%	15%
Rs.10,00,000 to Rs. 12,50,000	30%	20%
Rs.12,50,000 to Rs. 15,00,000	30%	25%
Above Rs.15,00,000	30%	30%

Continued under New Scheme :

- Tax rebate u/s 87A up to Rs.12500 for age below 60 years and Rs.10000 for age between 60 years to 80 years is available only if Taxable Income is \leq Rs.5,00,000. Hence No tax on Individual or HUF having taxable income upto Rs.5,00,000.
- Surcharge:

Income Slab	Surcharge
Total Income = 50 Lakhs – 1 Crore	10 % of Tax
Total Income = 1 crore - 2 crore	15% of Tax
Total Income = 2 Cr. – 5 Cr	25% of Tax
Total Income > 5 Crore	37.50% of Tax

In case total income includes	Surcharge
LTCG u/s 111A and STCG u/s 112A	not exceed 15% on such capital gain
Dividend income	not exceed 15% on such Dividend Income

- Health and Education Cess (on Tax plus Surcharge) levied @ 4% to continue.

New Scheme can be availed subject to following conditions:-

- * The option shall be exercised for every previous year where the individual or the HUF has no business income.
- * In cases where assessee has business Income the option once exercised (to be exercised before due date u/s 139(1)) for a previous year shall be valid for that previous year and all subsequent years. It can be revoked once in subsequent years, but cannot opt for scheme again (Professional Income – it seems not covered under this condition, clarification awaited)

Around 70 of the existing exemptions and deductions (more than 100) to be removed in the new simplified regime.

Following exemptions and deductions are not available:

- (i) Leave travel concession -section 10(5);
- (ii) House rent allowance -section 10(13A);
- (iii) Specified allowances granted to employees (Other than certain travel and transfer allowances - section 10(14);
- (iv) Allowances to MPs/MLAs-section 10(17);
- (v) Allowance for income of minor - section 10(32);
- (vi) Exemption for SEZ unit - in section 10AA;
- (vii) Standard deduction of Rs.50000/-, deduction for entertainment allowance and employment/professional tax - section 16;
- (viii) Interest under section 24 in respect of self-occupied or vacant property;
- (ix) Additional depreciation under section 32(1)(ia);
- (x) Deductions under section 32AD, 33AB, 33ABA;

- (xi) Various deduction for donation for or expenditure on scientific research contained in sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35;
- (xii) donation or Expenditure on Scientific Research (other than inhouse revenue and capital expenditure) - 35AD or section 35CCC;
- (xiii) Deduction from family pension - section 57(iia);
- (xiv) Any deduction under Chapter VIA ie
 - 80C – Insurance, PPF, PF, School Fees, Tax saving Mutual Fund, Tax saving deposits etc,
 - 80CCD – pension fund, 80D - Mediclaim,
 - 80E – Interest on Education Loan,
 - 80EE – Interest on Housing loan,
 - 80G - Donation,
 - 80TTA – interest on bank deposit.(Allowable deduction - u/s 80CCD(2), 80JJAA and 80LA.

* Following Losses are not allowed to be set off -

- (i) carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in (a) above; or
- (ii) Under the head house property with any other head of income – Section 71B

Employee can opt for New tax slab under new Section 115BAC even if employer deducts tax at normal rates.

Hassle: As Sec 192 not **Amended** there will be mismatch with Salaries as per Form 16 by employer with salary computed by assessee employee. Clarification awaited.

The assessee has to now calculate his tax as per both the scheme and compare which one is the best with the lowest tax amount.

Removal of Exemptions [Section 10(34) and 10(35)]

Exemption on Dividend income of shareholders and Income distributed to Mutual Fund unit holder shall stand abolished from 01.04.2020 and the said income/dividend received shall now be taxed in hands of the shareholders/unit holders at slab rate.

Shareholders/ unit holder shall be allowed deduction of interest expense subject to maximum of 20% of such income. No other expenses shall be allowed.

Setting Upper Cap on Employer's Contribution

Existing:

The contribution by the employer in various funds is taxable in hands of the employee as under:

- o Contribution to recognized provident fund exceeding 12% of the salary.
- o Contribution to approved superannuation fund exceeding ₹ 1,50,000.
- o Deduction for 14% of the salary contributed by Central Government to NPS & 10% in other cases is permitted.

Amended:

A combined upper limit of Rs 7,50,000 in respect of Employer's contribution in a year to National Pension Scheme, approved superannuation fund and recognized Provident Fund shall be inserted.

Any contribution and accretion to these funds by way of interest, dividend or any similar nature in excess of Rs.7,50,000 would be treated as perquisite u/s 17(2).

(w.e.f AY 2021-22)

CHANGE IN RESIDENT'S DEFINITION (Section 6)**Existing:**

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

- * He has been in India for an overall period 365 days or more within 4 years preceding that year; and
- * He is in India for overall period of 182 days or more in that year

Amended:

- Exception provided to Indian citizen/person of Indian origin for visiting India in that year be decreased to 120 days from existing 182 days **if the citizen or person of Indian origin having total income (other than income from foreign sources) exceeding Rs.15 lakhs during the previous year**
- 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 non-resident in India in 7 out of 10 years preceding that year – **removed**
The definition of RNOR is further extended to provide that in relation to citizens having income more than Rs.15 lakhs, they will be treated as RNOR if their stay is less than 182 days and that such a citizen of India who is deemed to be resident in India would be RNOR.
- An *Indian Citizen* who is not liable to tax in any other Country or territory (by reason of his domicile or residence) shall be deemed to be resident in India **if the citizen or person of Indian origin having total income (other than income from foreign sources) exceeding Rs.15 lakhs during the previous year**

Finance ministry has clarified by issuing a Press Release on the very next day of Union Budget ie 02.02.2020 that an Indian Citizen who becomes deemed resident of India under this **Amended** provision, income earned by him shall not be taxed in India unless it is derived from an Indian Business or Profession.

As a result, every Indian Citizens who are bonafide workers in other countries and Non Resident in India will not be taxed in India for the income earned through such employment outside India.

Further, owing to the new provisions under FA 2020 regarding tax residency of individuals, the following individuals would now qualify to be NOR:

- **an Indian citizen or person of Indian origin with total income, other than income from foreign sources, exceeding INR 15 lakh during the previous year and who has been in India for 120 days or more but less than 182 days; or**

- Indian citizen who is deemed to be resident (i.e. Indian citizen with total income, other than income from foreign sources, exceeding INR15 lakh during the previous year) not liable to tax in any other jurisdiction (by reason of his domicile or residence).

Applicable from 1st April 2021.

For all other individuals (other than Indian Citizen or person of Indian Origin), there is no change in definition

EXEMPTING NON-RESIDENT FROM FILING ROI Sec 115A

Existing

Special rates of taxation for income in the nature of dividend, interest, royalty, and FTS earned by an NR(including foreign companies). Under sub-section (5), such an NR is exempted from the requirement to file a return of income in India if its total income consists only of specified interest or dividend income and appropriate taxes have been withheld at source on such income.

Amended

The exemption from the requirement to file a return of income in India by an NR (including foreign companies) will be applicable to income in the nature of specified royalty and fees for technical services, besides interest and dividend income

The additional condition imposed in applicability of this exemption is that the taxes on such income (i.e., specified interest, dividend, royalty, and FTS) have been deducted under the provisions of Chapter XVII-B of the Act at rates, which are not lower than the rates prescribed under section 115A(1) of the Act.

(The above amendment is **retrospective and would apply from Assessment Year 2020-21.**)

❖ Tax on Firms, LLP and Local Authority:

Rates of Tax : No Change

Particulars	Tax	Surcharge	Health & Edu Cess	Effective rate
Taxable Income upto ₹1 crore	30%	0	4%	31.20%
Taxable Income above ₹1 crore	30%	12%	4%	34.944%

❖ Tax on Companies

Rates of Tax : No Change

Particulars	Domestic Company						Foreign Company		
	Turnover/Gross Receipts up to ₹400 crores in FY 2018-19			Turnover/Gross Receipts above ₹400 Crores in FY 2018-19					
	Tax	Surcharge	Effective rate	Tax	Surcharge	Effective rate	Tax	Surcharge	Effective rate
Taxable Income upto ₹1 crore	25%	0	26%	30%	0	31.20%	40%	0	41.60%
Taxable Income above ₹1 crore to ₹10 crores	25%	7%	27.82%	30%	7%	33.38%	40%	2%	42.43%
Taxable Income above ₹10 crores	25%	12%	29.12%	30%	12%	34.94%	40%	5%	43.68%

- **Effective rate is including Health and Education Cess of 4%**

Concessional Rate of Tax for Companies u/s 115BAA and 115BAB –Startup (**Applicable from AY 2020-21**)

– See in Start-up column at page no. 10

WITHHOLDING TAX ON DIVIDENDS PAID TO NON-RESIDENTS UNDER THE FIRST SCHEDULE TO THE FINANCE BILL -

Existing

Tax on dividend paid to foreign company or other non-residents is required to be withheld as per 'rates in force' under section 195. There was no any provision for a specific withholding tax rate on dividend paid to a foreign company or other non-residents in Part II of First Schedule to FB 2020. Consequently, withholding tax rate of 40% (subject to treaty benefits, if any) was applicable in the aforesaid case.

Amended

Tax rate specifically provided - Tax shall be deducted at source on dividends paid to Non-resident Indians, other non-residents and foreign companies, at 20%.

DIVIDEND DISTRIBUTION TAX AND INCOME DISTRIBUTION TAXExisting

- DDT is payable u/s 115O by the company on dividend distributed/ paid to the shareholders
- IDT is payable u/s 115R by the mutual funds on income distributed to unit holders
- Resident shareholders (other than domestic companies and specified trusts/ institutions) receiving dividend exceeding INR 10 Lakhs in a year, are subject to tax at 10 %
- Income distributed by mutual fund on units is exempt in the hand of the unit holder

Amended

- The company would not pay DDT on dividend declared/ paid/ distributed after 31st March 2020;
- Similarly mutual funds would not pay IDT on income paid/ distributed after 31st March 2020;
- Such dividend/ income is chargeable in the hands of the shareholders/ unit holders; and exemption u/s 10(34) and 10(35) removed wef AY 2021-22. **But tax paid dividend u/s 115O or u/s 115BBDA would be exempt u/s 10(34)**
- Shareholders/ unit holder shall be allowed deduction of only interest expense (no other expenses) subject to maximum of 20% of such income.
- Dividend/ income would be taxable at normal rates
- Dividend and Income from Mutual Fund will now not be deductible on computing book profit for MAT

Deduction for domestic corporates for Dividend income

New Section 80M

- ✓ If the domestic companies distributing Dividend, deduction from their Total Income in respect of Dividend received by such company from other domestic companies is allowed. This deduction is available, to the extent of Dividend distributed by such company upto the period of one month prior to the date of filing return of income for that year.
- ✓ Dividend can be distributed up to 30th September of subsequent year. But double deduction for same distribution is not allowed
- ✓ The above deduction would also be allowed to domestic companies opting to go for taxation as per Section 115BAA or Section 115BAB who were not eligible for any deduction under Chapter VI-A in heading "C.—Deductions in respect of certain incomes" except Section 80JJAA **with effect from 1 April 2021 (AY 2021-22)**.
- ✓ Deduction to be allowed for dividend received by holding company from its subsidiary.
- ✓ Deduction under Sec 80M ~~not~~ available for dividend received from foreign companies and Business trust
- ✓ Not available for Income received from units of Mutual Funds
- ✓ Not to deduct in computing book profit for MAT

❖ Co-operative Societies

Rates of Tax: No any Change

Taxable Income	Existing rate	Surcharge	Health & Edu Cess	Effective rate	Optional Tax rate u/s 115BAD	Surcharge	Health & Edu Cess	Effective rate
upto ₹10,000	10%	0	4%	10.4%	22%	10%	4%	25.168%
₹10,000 - ₹20,000	20%	0	4%	20.8%	22%	10%	4%	25.168%
Above ₹20,000	30%	0	4%	31.2%	22%	10%	4%	25.168%
Taxable Income above ₹1 crore	30%	12%	4%	34.94%	22%	10%	4%	25.168%

The concessional tax rate of 22% for resident co-operative society is provided under section 115BAD on fulfillment of certain conditions for AY 2021-22 onwards.

Option to pay tax at concessional rate once exercised cannot be withdrawn and should be exercised on or before due date u/s 139(1).

This option is available to Co-operative Banks also.

Provisions relating to AMT would not be applicable and consequently no credit of AMT u/s 115JD would be available.

Co-operative society shall not be entitled to following deductions/ exemption:

- Tax holiday under section 10AA
- Additional depreciation under section 32(1) (ia)
- Sec 32AD, 33AB, 33ABA
- Sec 35(1)(ii), (ia), (iii), 35(2AA)
- Sec 35CCC
- Chapter VIA other than 80JJAA & 80LA (Sec 80P also not allowable) etc.

❖ Charitable Trust

New process of Registration:

The process of registration of Trust shall now be done electronically/online.

To ensure continuous compliance with the condition for approval, registration or approval shall be for a limited period of 5 years.

Hence the perpetual registration under existing provisions shall stand removed.

To re-registered u/s 12AB.

Applicable from 1st June, 2020

- **Existing** Charitable Trust or Institution including u/s 10(23C)/ 10(46), Sec 35(1):
 - Re-application to be filed within 3 months from 01.06.2020 (by 31st Aug 2020)

- Earlier registration u/s 12A/12AA, will become void
 - PCIT or CIT shall pass order within 3 months from the date of receipt of application
 - Further application for registration to be filed within 6 months prior to expiry (i.e 5 Years)
- **New Charitable Trust or Institution:**
- PCIT or CIT shall pass order within 1 month from the date of receipt of application
 - Provisional registration for 3 Years shall be granted.
 - Further application for registration to be filed within 6 months prior to expiry (i.e 3 Years)

New

In FA 2020, section 10(23C) has now been amended to clarify that voluntary contributions received by such entity with a specific direction that they will form part of the corpus of such entity, shall not be included in the income of such entity.

Cross Check Claim of donation by Donor

Amended Amendment under Section 80G/GGA:

- Donee shall furnish a periodic statement of all donation received in prescribed form and within prescribed time
- Donee shall furnish a certificate to donor in prescribed time
- In order to ensure proper filing of the statement, levy of a fee of Rs.200 per day u/s 234G and penalty from Rs.10,000 to Rs.1,00,000 u/s 271K may also be provided in cases where there is failure to furnish the statement.
- Standardize the process whereby one-to-one matching between what is received by the exempt entity (Donee) and what is claimed as deduction by the assessee (Donor).
- Income-tax deduction under section 80G shall be allowed to the donor only on the basis of above information furnished by the Donee.
- Similar statements also to be filed by Sec 35(1) institutions

Existing – Sec 11

Voluntary contribution made by a Trust to any other registered Trust or institution is not treated as application of income of such donor Trust, if such contribution is made with a specific direction that they shall form part of the corpus of the donee Trust or institution.

Amended

Extended to voluntary contributions made to certain funds / Trusts / institutions / universities / other educational institutions / hospitals / other medical institutions (specified under section 10(23C) of the Act).

Existing – Sec 10(23C)

Voluntary contribution made by certain specified funds / Trusts / institutions / universities / other educational institutions / hospitals / other medical institutions to any Trust or institution registered under section 12AA of the Act is not treated as application of income of such donor entity, if such contribution is made with a specific direction that they shall form part of the corpus of the donee Trust or institution.

Amended

Extended to voluntary contributions made to certain funds / Trusts / institutions / universities / other educational institutions / hospitals / other medical institutions (specified under section 10(23C) of the Act).

❖ START-UPS

Concessional Rate of Tax for Companies –Startup (**Applicable from AY 2020-21**)

Type of companies	Concessional Rate	Surcharge	Health & Edu Cess	Effective rate
New Manufacturing Domestic Company u/s 115BA subject to certain Conditions*	15%	10%	4%	17.16%
<p>*Conditions:</p> <p>Company has been set up and registered on or after 1-Oct-2019 and commenced manufacturing or production of an article or thing on or before 31-Mar-2023</p> <p>Company is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to or distribution of, such article or thing manufactured or produced by it.</p> <p>Not incorporated by splitting or reconstruction of existing business.</p> <p>Cannot use machinery previously used for any purpose in India but it can use old machinery the value of which does not exceed 20% of the total value of machinery used by the Company.</p> <p>Does not use building previously used as hotel/convention centre for which deduction under section 80ID of the Act has been claimed and allowed.</p> <p>The option shall become invalid for the year in which the violation of any of the condition takes place and for the subsequent years. The other provisions of the Act will accordingly apply as if the option was never exercised.</p>				
New Electricity Generating Company u/s 115BA	15%	10%	4%	17.16%
Other Domestic Companies u/s 115BAA and 115BAB subject to certain Conditions*	22%	10%	4%	25.17%
<p>*Conditions:</p> <p>No deduction u/s 10AA (SEZ units)</p> <p>No additional depreciation @ 20% u/s 32(1)(ia)</p> <p>No deduction u/s 32AD, 33AB, 33ABA, 35AD, 35CCC,35CCD</p> <p>No deduction for scientific research covered u/s 35 except the amount covered under clause(i) of sub section (1)</p> <p>No deduction under chapter VIA except u/s 80JJAA & 80M (80G, 80GGA and 80GGC deductions not available)</p>				

No set off or carry forward of loss / unabsorbed depreciation attributable to aforesaid deductions

No set off or carry forward of unabsorbed depreciation and losses under section 72A of the Act (relating to loss/depreciation on amalgamation) attributable to aforesaid deductions

Depreciation to be allowed in such manner as may be prescribed

The option shall become invalid for the year in which the violation of any of the condition takes place and also for the subsequent years. The other provisions of the Act will accordingly apply as if the option was never exercised. Brought forward losses / depreciation and MAT credit foregone will not be available again.

Such companies not required to pay MAT and MAT credit would be foregone.

Tax holiday for start-ups

Existing

Tax holiday provisions under Section 80-IAC provide a 100 percent deduction of the profits earned by 'eligible start-ups' :

for a period of 3 consecutive years out of 7 years from year of incorporation provided the turnover of the business does not exceed Rs.25 Crore

Amended

Enhance the turnover limit for eligibility from existing Rs.25 Crore to Rs. 100 Crore.

To increase the block period of 7 years to 10 years considering that start-ups may not be in profits for the initial phase to be able to take the benefit of the tax holiday

Taxation of ESOPS issued by eligible start-ups only

Tax will be deducted by employer or paid by employee within 14 days :

- a. from the date of 48 months from the end of the relevant assessment year
- b. from the date of sale of such specified shares by assessee
- c. from the date of exit from the organization i.e. cessation of employment

Whichever is earlier.

❖ TDS & TCS Provisions

Deduction under various section now delinked from tax audit as earlier in case of Individual and HUF

Existing

An individual or a HUF shall liable to deduct tax at source if they are liable to Tax audit in the financial year immediately preceding the financial year in which following expenses are credited or paid.

Amended

An individual or a HUF shall liable to deduct tax at source if its total sales/ gross receipts/ turnover from business or profession carried on by him exceed Rs. 1 crore in case of business or Rs. 50 Lacs in case of profession during the financial year immediately preceding the financial year in which following expenses are credited or paid (whether they are subject to Tax Audit or not):

- TDS on Interest Income - 194A
- TDS ON CONTRACTORS - 194C
- TDS on commission or Brokerage – Sec 194H
- TDS on Rent – Sec 194I
- TDS ON FEES FOR PROFESIONAL OR TECHNICAL SERVICES - 194J
- TCS - 206C

Amended these sections so that reference to the monetary limit specified in clause (a) or clause (b) of section 44AB of the Act is substituted with rupees 1 crore in case of the business or Rupees 50 lakh in case of the profession, as the case may be.

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

TDS ON INTEREST INCOME – Section 194A**Existing**

TDS is not required to be deducted on interest income credited or paid by a co-operative society to its member or to any other co-operative society, on interest on deposits with primary agricultural credit society or primary credit society or co-operative land mortgage bank or co-operative land development bank or co-operative bank engaged in carrying on business of banking

Amended

Co-operative society referred to in clause (v) or clause (viiia) shall liable to deduct tax at source if its:

- total sales/ gross receipts/ turnover during the financial year immediately preceding the financial year in which interest is credited or paid exceeds Rs. 50 crores; and
- aggregate amount of interest credited or paid as well as likely to be credited or paid during the year exceeds INR 50,000 in case of payee being a senior citizen and INR 40,000 in any other cases

Applicable from 1st April, 2020

Existing U/S 194A(3)(iii)(f)

The Central Government is empowered to notify an institution, association or body or classes of institutions, associations or bodies, for reasons to be recorded in writing, so that their interest income is exempted from the withholding provisions under the section.

Amended

- This notification provision under section 194A(3)(iii)(f) dropped.
- New provision under section 194A(5) have been introduced. Under this new provision, the Central Government can notify such person or class of persons from whose interest income, deduction of tax is not required to be made or deduction shall be made at lower rate of tax.

Applicable from 1st April, 2020

TDS ON CONTRACTORS – Section 194C**Existing**

The definition of “work” includes manufacturing or supplying a product according to the requirements or specification of a customer using material purchased from such customer

Amended

To amend the definition of “work” to provide that material purchased would also include supply by ‘associate of the customer’, being a related party under the provisions contained in section 40A(2)(b).

TDS ON FEES FOR PROFESIONAL OR TECHNICAL SERVICES – Section 194J**Existing**

TDS on fees for professional services or technical services is deducted at 10%

Amended

To reduce the rate of TDS on fees for technical services (not professional services) and **royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films** to 2%. Whereas the rate on professional fees retained @10%

TDS on Income Distribution by Mutual Fund to unit holders – 194K**Existing**

Income from Mutual Funds is exempt u/s 10(23D)

Amended

Due to removal of DDT / IDT, consequential amendments are also made whereby TDS would be liable on such income at prescribed rates as mentioned hereunder:

TDS @ 10% shall be applicable if the income distributed on units of mutual fund exceeds INR 5,000/-in a financial year. **It is clarified that TDS is not applicable on Income of the unitholder from the units, in the nature of Capital gain (on redemption / repurchase of units).**

Applicable from 1st April, 2020

TDS on Dividend Distribution to Preference share holders -Amendment to section 194:

Threshold limit for TDS on payment of dividend to be increased from Rs 2,500/-to Rs 5,000/

TDS @ 10% shall be applicable

Applicable from 1st April, 2020

TDS on income distributed by business trusts – Sec 194LBA

- 10% for resident
- 5% for non-resident in case of interest and 10% for dividend
- No threshold limit

Applicable from 1st April, 2020

TDS on interest income on specified off-shore Rupee Denominated Bonds - Section 194LC

1. A concessional rate of TDS @ 5% by a specified company or a business trust, on interest paid to non-residents (including Foreign Company) on the prescribed forms of borrowings (approved by the Central Government) made in foreign currency from sources outside India – cut-off date for issuing loan or bonds extended from 1st July, 2020 to 1st July, 2023.
2. TDS shall be @ 4% (as against current 5%) on the interest payable to a non-resident (including Foreign Company), in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long-term bond or RDB on or after 1st April, 2020 but before 1st July, 2023 and which are listed only on a recognized stock exchange located in any IFSC.

TDS on interest income earned by a non-resident from Government securities or rupee-denominated bonds - Section 194LD

1. A concessional rate of TDS @ 5% on interest paid to non-residents in respect of investments made in rupee denominated bond of an Indian company or A Government Security made in foreign currency from sources outside India – cut-off date for issuing loan or bonds extended from 1st July, 2020 to 1st July, 2023.
2. TDS @ 5% also in case of interest payments to Foreign Institutional Investors (FII) and Qualified Foreign Investors (QFIs) on or after 1st April, 2020 but before 1st July, 2023 in respect of investments made in a municipal debt security.

TDS ON WITHDRAWAL IN CASH – 194N

TDS to be deducted on payment by Banks @2% on cash payments in excess of Rs.1 crore

Amended

- ✓ 2% TDS is applicable on the entire amount of Rs.1 crore
- ✓ Further in case the receipt has not filed Income Tax return for last 3 Assessment years then the TDS would be applicable at a higher rate as follows:
 - Cash payment between Rs.20 Lacs – Rs 1 crore – TDS @ 2%
 - Cash payment in excess of Rs. 1 crore – TDS @ 5%

Applicable from 1st July, 2020

Proviso to section 194N added which empowers the Central Government to notify, in consultation with RBI, persons to whom first proviso to section 194N shall not apply.

TDS ON ECOMMERCE TRANSACTIONS – 194O

TDS to be deducted on payment by e-commerce operator to e-commerce participant towards sale of goods or provision of services which are facilitated by e-commerce through its digital or electronic facility or platform. Payments would deem to include direct payments to an e-commerce participant.

- a. 1% in PAN/Aadhar Case
- b. Non-PAN/Aadhar Case

Existing

In the absence of furnishing of PAN, tax was required to be deducted at higher of Rate specified in the relevant provisions of the Act; or Rates in force; or 20%.

Amended

In the absence of furnishing of PAN, tax was required to be deducted at higher of Rate specified in the relevant provisions of the Act; or Rates in force; or 5%.

No TDS to be deducted if

- E-commerce participant is an individual/ HUF and
- transaction is less than Rs.5,00,000 during the previous year and
- PAN/Aadhar furnished by e-commerce participant.

Once TDS is deducted by e-commerce operator or is not liable to TDS as above, there shall not be any further liability with regards to TDS.

This exemption is not available for receipts by e-commerce operator towards hosting advertisements or providing any other services which are not in connection with sale of goods or services facilitated by it through its digital or electronic facility or platform.

Applicable from ~~1st April, 2020~~ 1st October, 2020

For TDS under 194-O, lower deduction certificate can be obtained by the assessee.

NOTIFICATION POWER – 197A(1F)**Existing**

The Central Government can notify payments to an institution, association or body or class of institutions, associations or bodies on which no tax shall be deducted.

Amended

Now the Central Government can also notify payments to these entities on which tax shall be deducted at a lower rate.

Widening the scope of section 206C (TCS)

Section 206C includes the following:

TCS on Foreign Remittance and On Selling of Overseas Tour Packages

Authorised Dealer shall be liable to collect TCS @ 5%, if it receives an amount or aggregate of amounts of Rs. 7 lakh or more in a FY for remittance (other than overseas tour program) under LRS of RBI. In non-PAN/ Aadhaar cases, the rate shall be 10%.

A seller of an overseas tour program package shall be liable to collect TCS @ 5%, who receives any amount from a person who purchases such package. In non-PAN/ Aadhaar cases, the rate shall be 10%. **In such case Authorised Dealer is not liable to collect TCS.**

Relaxation is provided for TCS on LRS remittance made for education :

In case of remittance under LRS scheme over Rs. 7 lakh out of loan obtained from specified financial institution, for any education, the rate of TCS is 0.5% instead of 5%.

TCS now not applicable on export / import of goods.

TCS on Sale of Goods-206C:

- Applicable for seller having total sales/gross receipts/turnover > 10Cr in immediately preceding Fin Yr (other than scrap, coal, iron ore, alcoholic liquor, tendu leaves, timber, forest produce or motor car of value exceeding Rs.10 lakhs)
- Consideration received from buyer > 50 Lakhs
- Shall levy TCS @ 0.1% in PAN/Aadhar case and @ 1% in Non-PAN/Aadhar

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.
- The buyer is Central/State Government, an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority or any other person as the Central Government may specify in this behalf.

Applicable from ~~1st April, 2020~~ 1st October, 2020

❖ Equalisation Levy (Sec – 165A)**Existing**

Equalisation levy @6% is applicable on the amounts paid to non-resident for specified services (online Advertisements) exceeds Rs.1 Lakh during the year.

Amended

Extended to - Equalisation levy @2% is applicable on E-commerce transactions (on the amount of consideration from e-commerce supply and services made or provided or facilitated by digital or electronics by non-resident e-commerce operators to:

(i) a person resident in India

(ii) a non-resident in the following specified circumstances:

(a) Sale of advertisement, which targets a customer, who is resident in India or a customer who accesses the advertisement through internet protocol address located in India.

(b) Sale of data, collected from a person who is resident in India or uses internet protocol address located in India.

(iii) To a person who buys such goods or services or both using internet protocol address located in India.

“e-commerce supply and services” has been defined to mean:

(i) online sale of goods owned by the e-commerce operator; or

(ii) online provision of services provided by the e-commerce operator; or

(iii) online sale of goods or provision of services or both, facilitated by the e-commerce operator;

or

(iv) any combination of the above activities

The Equalisation Levy shall not be levied

(i) where the e-commerce operator has a Permanent Establishment (PE) in India and the e-commerce supply or service is effectively connected to its PE.

(ii) where Equalisation Levy is already levied on online advertisement, any provision for digital advertising space or any other facility or service for the purpose of online advertisement.

(iii) where sales, turnover or gross receipts of the e-commerce operator from the e-commerce supply and services is less than INR 2 crore during the previous year.

This levy has to be deposited by the e-commerce operator and not by the buyer of the supply or service.

Applicable from 1st April, 2020.

❖ Tax Audit

Under section 44AB of the Act,

Existing

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 Rupees 1 crore 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, Rs.50 lakhs in any previous year.

Amended

Increase the threshold limit for a person carrying on business from 1 crore rupees to 5 crore rupees in cases where aggregate of -

(i) All receipts including amount received for sales or gross receipts in cash during the previous year does not exceed 5% of such receipt; and

- (ii) All payments including amount incurred for expenditure in cash during the previous year does not exceed 5% of such payment.

❖ Due Dates for Income Tax Returns & Audit Reports

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 under section 139(1).

Further, the due date for filing return of income under sub-section (1) of section 139 is Amended 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 clause (a) of Explanation 2 of sub-section (1) of Section 139 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 clause (a) of Explanation 2 of sub-section (1) of Section 139 of the Act.

Particulars	Existing date of filing	New Date of filing
Tax Audit Report	30 th September	30 th September
Other Reports	30 th September	30 th September
Transfer pricing Reports	30 th November	31 st October
Income Tax Returns for tax Audit cases	30 th September	31 st October
Income Tax Returns for Corporates	30 th September	31 st October
Income Tax Returns for partners of firm liable to tax Audit	30 th September	31 st October
Income Tax returns in Transfer pricing cases	30 th November	30 th November

This requires amendments in all the sections of the Act which mandates filing of audit report along with the return of income or by the due date of filing of return of income. Thus, provisions of section 10, section 10A, section 12A, section 32AB, section 33AB, section 33ABA, section 35D, section 35E, section 44AB, section 44DA, section 50B, section 80-IA, section 80-IB, section 80JJAA, section 92F, section 115JB, section 115JC and section 115VW of the Act are **Amended** accordingly.

(Applicable from AY 2020-21)

❖ Relief for Affordable Housing Scheme

Existing

An additional interest deduction Section 80EEA of Rs 1,50,000 for housing loans subject to certain conditions shall be continued to incentivise first time buyers to invest in residential house property whose stamp duty does not exceed Rs.45,00,000/- till 31st March 2020.

Amended

Deadlines for taking loans for the purpose of availing deductions extended till 31st March 2021. Builders are given tax holiday Section 80-IBA for 1 more year ie till 31st March 2021 where income from affordable housing scheme has been 100% exempted.

❖ Taxation of Real Estate transaction

Amendment in section 43CA, Section 50C and Section 56(2)(x).

Existing

If the difference between actual sale consideration and stamp duty valuation does exceed a safe harbour of 5 %, the consideration for such transfer is deemed to be the value adopted for stamp duty purposes, even if the sale consideration is less than the stamp duty valuation.

Amended

The limit of 5% now raised to 10%.

Applicable from April 1st 2021

❖ Cost of Acquisition - Section 55**Existing**

(under section 55(2)(b)(i) and (ii) of the Act), an assessee can opt to take the “cost of acquisition” of a capital asset (acquired before 1 April 2001) at either its actual cost of acquisition or “fair market value” as on 1 April 2001.

Amended

Where the capital asset is land or building, to cap the “fair market value” of the capital asset at its “stamp duty value” as on 1 April 2001.

Misc amendments**Penalty for false entry in books of account - new section 271AAD**

If it is found during any proceeding under the Act that in the books of accounts maintained by him there is –

- i) a False Entry, or
- ii) an omission of any entry which is relevant for computation of total income of
- iii) such person, to evade tax liability

There will be Levy of penalty equal to the aggregate amount of false entries or omitted entry.

Also any other person who causes the person to make a false entry or omits or causes to omit any entry, shall pay **penalty equal to aggregate amount** of such false entry or omitted entry.

False entry includes use or intention to use:

- Forged or falsified documents, such as a false invoice or a false piece of documentary evidence, or
- Invoice in respect of supply or receipt of goods or services or both issued by the person or any other person without actual supply or receipt of such goods or services or both, or
- Invoices in respect of supply or receipt of goods or services or both to or from a person who does not exist

Penalty for false statements - new section 271K

Penalty for failure to furnish false statements, etc for a sum not less than 10,000 but which may extend to 1 lakh rupees (relates to exemption and deduction u/s 35 and 80G).

New Mechanism in place of 26AS – Sec 203AA replaced by Sec 285BB

Existing:

Income tax authorities provide tax-related information) to an assessee electronically through Form 26AS.

Amended:

A new mechanism will be introduced under which an annual statement of tax-related information will be uploaded to a registered account of the assessee.

Applicable from 1st June, 2020.

Disclaimer

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