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## Foreword

Dear Reader,

Nirmala Sitharaman's marathon budget speech focusing on the trinity of aspirational India, economic development and caring society, appeared to be impressive at first glance but soon got faded. Finance Minister tabled her budget in existing challenges of stressed economy. She tried to focus on generation of employment and inclusive growth through increased expenditure on rural economy, infrastructure, MSME and healthcare. Abolition of DDT, tax relief to middle class and lower middle class segments may touch public sentiment but not in long run. While, listing of LIC is a good move which will bring focus on the life insurance sector, other expectations of sector could have been met better. The insurance industry will be watchful of the implication of the direct tax changes in the new tax regime.



With growth resurrection being the key priority, the government has stepped up the capital expenditure allocation by 21%. While maintaining the inclusive growth template through focusing on quality of spending, Credibly, glide path was maintained with fiscal deficit for FY21 pegged at 3.5% of GDP.

The Finance Minister handled her deficit math skillfully to avoid any wrath from global rating agencies or foreign investors. She took advantage of a 1.5 per cent wiggle room available under the Fiscal Responsibility and Budget Management Act to tinker with the deficit target in case of any structural change in the economy to increase current year's deficit target to 3.8 per cent from an earlier target of 3.3 per cent and pegged it at 3.5 per cent for next financial year.

Sensex is a significant indicator of reaction of people on Budget. It logged its biggest single-day decline by 1000 points in more than three years immediately after budget speech. Budget didn't have specific sops for any sector, be it auto or real estate.

The option to choose between the old or new personal income-tax regimes will further complicate filing tax returns. Removal of all the exemptions and deductions will water down benefits of lower tax rates. On one hand the proposal to disinvestment from LIC is a bold move, on other hand, the individual now avoid to invest in insurance policies if adopts new regime of personal income tax.

Overall, Budget 2020 will need further support from the outcome of few good proposals after getting compensated by the adverse proposals.

**1<sup>st</sup> February, 2020**

**Knowledge Cell Team - Publication**

## Key Highlights of Economic Survey 2019-20

- ✓ Indian economy supports both pillars viz, Invisible hand of the market reflected in openness in economic transactions, Hand of trust appealed to ethical and philosophical dimensions
- ✓ Survey posits that India's aspiration to become a \$5 trillion economy depends critically on:
  - Strengthening the invisible hand of the market.
  - Supporting it with the hand of trust.
- ✓ New firm creation in India
- ✓ Since 2014: 1) 12.2 % cumulative annual growth rate of new firms in the formal sector during 2014-18, compared to 3.8 % during 2006-2014. 2) About 1.24 lakh new firms created in 2018, an increase of about 80 % from about 70,000 in 2014.
- ✓ Literacy and education in a district foster local entrepreneurship significantly:
  - Impact is most pronounced when literacy is above 70 per cent.
  - New firm formation is the lowest in eastern India with lowest literacy rate (59.6 % as per 2011 Census).
- ✓ By integrating "Assemble in India for the world" into Make in India, India can:
  - Raise its export market share to about 3.5 % by 2025 and 6 % by 2030.
  - Create 4 crore well-paid jobs by 2025 and 8 Crore by 2030.
- ✓ A jump of 79 positions to 63 in 2019 from 142 in 2014 in World Bank's Doing Business rankings.
- ✓ India's GDP growth moderated to 4.8 % in H1 of 2019-20, amidst a weak environment for global manufacturing, trade and demand.
- ✓ Top export items: Petroleum products, precious stones, drug formulations & biologicals, gold and other precious metals
- ✓ Largest export destinations in 2019-20 (April-November): United States of America (USA), followed by United Arab Emirates (UAE), China and Hong Kong.
- ✓ India's BoP position improved from US\$ 412.9 bn of forex reserves in end March, 2019 to US\$ 433.7 bn in end September, 2019
- ✓ The turnaround time of ships in India has almost halved to 2.48 days in 2018-19 from 4.67 days in 2010-11.





## Prominent Themes of the Budget

- Structural Reform in GST
- Digital Revolution

### Governance



### Easy of Living

- Aspirational India
- Economic Development
- Caring Society



- Various Financial Reforms

### Financial Sector

## Structural Reform in GST

- ❖ 20 per cent reduction in turn around time for trucks
- ❖ Savings of about 4 per cent of monthly spending for an average household
- ❖ In last 2 years, 60 lakh new tax-payers added and 105 crore e-way bills generated
- ❖ During 2018- 19, 7 lakh crore transferred through DBT

## DIGITAL REVOLUTION

- ❖ Digital Governance.
- ❖ Disaster Resilience
- ❖ Improve physical quality of life through National Infrastructure Pipeline
- ❖ Social Security through Pension and Insurance penetration

## FINANCIAL SECTOR

- ❖ Deposit Insurance Coverage to increase from `1 lakh to `5 Lakh per depositor
- ❖ Eligibility limit for NBFCs for debt recovery under SARFAESI Act proposed to be reduced to asset size of `100 crore or loan size of `50 Lakh
- ❖ Proposal to sell balance holding of government in IDBI Bank

## FINANCE SECTOR

- ❖ Specified categories of government securities would be opened for non resident investors
- ❖ FPI Limit for corporate bonds to be increased to 15 per cent.
- ❖ New debt ETF proposed mainly for government securities.



## EXPENDITURE ON VARIOUS KEY AREAS (At a Glance) – INR in Crore



Ministry of  
Housing and  
Urban Affairs  
**INR 50040**



Ministry of  
Health & Family  
Welfare  
**INR 67112**



Ministry of  
Railways  
**INR 72216**



Ministry of Road  
Transport and  
Highways  
**INR 91823**



Ministry of  
Human  
Resources &  
Development  
**INR 99312**



Ministry of  
Rural  
Department  
**INR 122398**



Ministry of  
Customer Affairs,  
Food & Public  
Distribution  
**INR 124535**



Ministry of  
Agriculture &  
Farmer's  
Welfare  
**INR 142762**



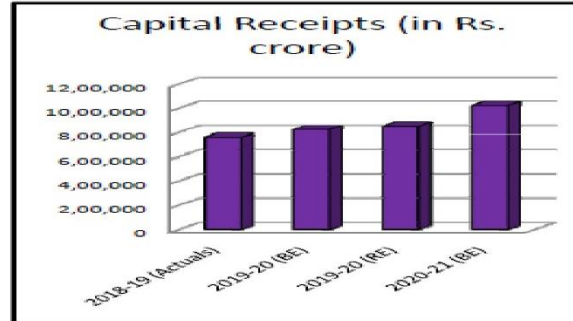
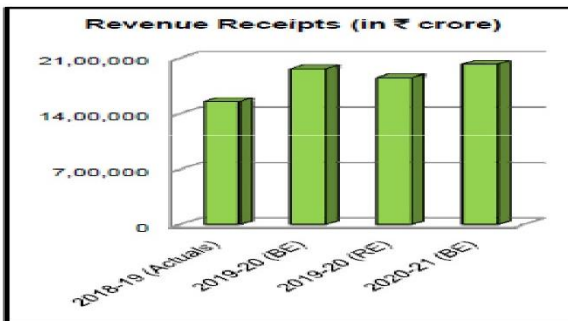
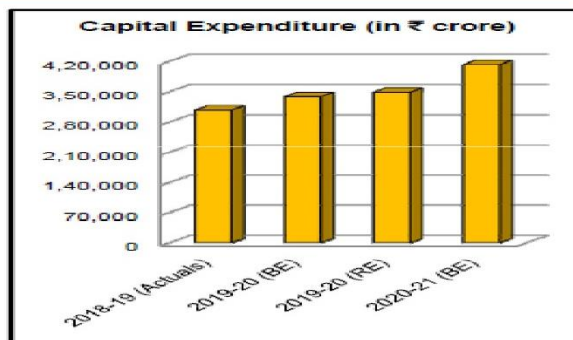
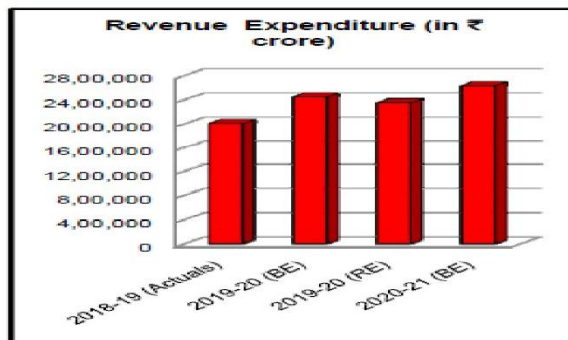
Ministry of  
Home Affairs  
**INR 167250**



Ministry of  
Defense  
**INR 471378**

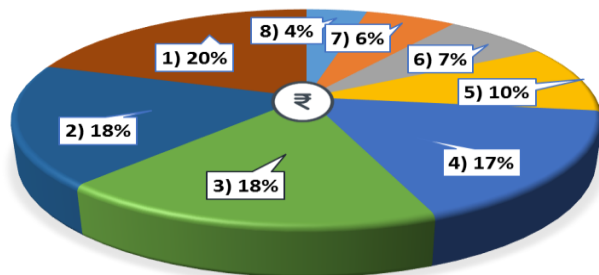


## BUDGET AT A GLANCE (INR in Crores)



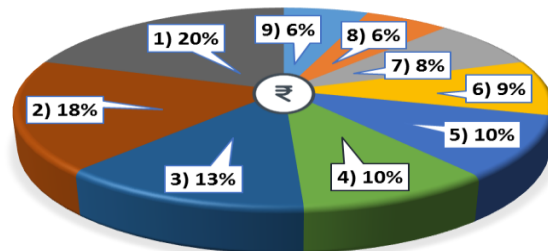
## BUDGET AT A GLANCE

### RUPEES COMES FROM



- 1) 20% Borrowings and Other Liabilities
- 2) 18% GST
- 3) 18% Corporation Tax
- 4) 17% Income Tax
- 5) 10% Non Tax Revenue
- 6) 7% Union Excise Duties
- 7) 6% Non Debt Capital Receipts
- 8) 4% Customs

### RUPEES GOES TO



- 1) 20% States' Share of Taxes and Duties
- 2) 18% Interest Payments
- 3) 13% Central Sector Schemes
- 4) 10% Other Expenditure
- 5) 10% Finance Commission and Other Transfers
- 6) 9% Centrally Sponsored Schemes
- 7) 8% Defence
- 8) 6% Subsidies
- 9) 6% Pensions

## TAX PROPOSALS



### Option of Old & New Regime

Simplified and New Income Tax Regime as an option to the old regime



### Automated & Simplification in GST

Simplified GST return shall be implemented from 1st April 2020.  
Refund process to be fully automated.

### DDT removed, Added as normal income

Dividend Distribution Tax removed and classical system of dividend taxation adopted.

Tax benefits to Start-ups , deduction of 100% of profits are enhanced by increasing turnover limit and period of eligibility.

Tax concession for sovereign wealth fund of foreign governments and other foreign investments

Concessional corporate tax rate of 15 per cent to new domestic companies in manufacturing and power sector.

Turnover threshold for audit of MSMEs increased from 1Cr to 5Cr.  
Concessional tax rate for cooperatives proposed.

Extension of time limits pertaining to the tax benefits for affordable housing.

Issuance of Unique Registration Number to all charity institutions for easy tax compliance.

Health cess to be imposed on imports of medical equipment given these are made significantly in India.

# Sector Wise Proposal

## Agriculture, Irrigation and Animal Husbandry Development



### Irrigation Development

- Viability gap funding for creation of efficient warehouses on PPP mode.
- SHGs run Village storage scheme to be launched.
- Integration of e-NWR with e-NAM



### Animal Husbandry

- Elimination of FMD and brucellosis in cattle and PPR in sheep and goat by 2025.
- Increasing coverage of artificial insemination to 70 per cent.
- Doubling of milk processing capacity by 2025.
- Agricultural credit target of ` 15 lakh crore for 2020-21.

### Warehousing

- Village Storage Scheme run by self-help groups: Women self-help groups can now get help from NABARD or Mudra.
- Negotiable Warehousing Receipts Financing has crossed Rs 6,000 crore.

### Agriculture

### Irrigation

### Supply Chain

### Animal Husbandry

### Fishery

### Warehousing

### Agriculture

- PM KUSUM to cover 20 lakh farmers for stand alone solar pumps and further 15 lakh for grid connected pumps.
- Budget is aimed at doubling farmer income by 2022



### Agri. Supply Chain

“Kisan Rail” and “Krishi Udaan” to be launched by Indian Railways and Ministry of Civil Aviation respectively for a seamless national cold supply chain for perishables.



### Fishery

- Fish Production target of 200 lakh tonnes by 2022-23.
- Another 45000 acres of aqua culture to be supported.
- Fishery extension through 3477 Sagar Mitras and 500 fish FPOs.
- Raise fishery exports to 1 lakh crore by 2024-25

## Education, Skill, Industry, Investment & MSME Sector

- About 150 higher educational institutions will start apprenticeship embedded courses.
- Internship opportunities to fresh engineers by urban local bodies.
- Special bridge courses to improve skill sets of those seeking employment abroad.

- Knowledge Translation Clusters for emerging technology sectors
- Scaling up of Technology Clusters harbouring test beds and small scale manufacturing facilities.
- National Mission on Quantum Technologies and applications with an outlay of Rs.8000 crore proposed.

- Scheme anchored by EXIM Bank and SIDBI to handhold MSMEs in exports markets.
- Extension of invoice financing to MSMEs through TReDs.
- A scheme to provide subordinate debt for entrepreneurs of MSMEs

### Wellness, Water and Sanitation



### Education and Skills



### Industry, Commerce & Investment



### Education and Skills



### New Economy



### MSME Sector

- More than 20,000 empanelled hospitals under PM Jan Arogya Yojana.
- FIT India movement launched to fight NCDs.
- "TB Harega Desh Jeetega" campaign launched to end TB by 2025
- Viability gap funding proposed for setting up hospitals in the PPP mode.

- Degree level online education programmes for students of deprived sections of the society
- Ind-SAT to be conducted in Asia and Africa under Study in India programme.

- Scheme to encourage manufacturing of mobile phones, electronic equipment and semi conductor packaging.
- National Technical Textiles Mission for a period of 4 years.
- NIRVIK Scheme for higher export credit disbursement launched.
- Setting up of an Investment Clearance Cell to provide end to end facilitation.

## Infrastructure & Caring Society

- National Logistics Policy to be launched soon.
- Air: 100 more airports to be developed under UDAAAN.
- Roads: Accelerated development of Highways.
- Railways: Four station redevelopment projects
- 150 passenger trains through PPP mode.
- More Tejas type trains for tourist destinations.
- Port: Corporatizing at least one major port.



### Infrastructure (Roads, Railways, Power Port)

- More than 6 lakh anganwadi workers equipped with smart phones.
- A task force to be appointed to recommend regarding lowering MMR and improving nutrition Levels. It will be constituted to look into the issue of girls of low age entering motherhood.
- INR 35,600 crore will be provided for nutrition-related programmes.



### Caring Society (Culture & Tourism)

- Coalition for Disaster Resilient Infrastructure launched in September 2019.
- Encouragement to states implementing plans for cleaner air in cities above 1 million (allocates Rs 4,400Cr)
- The budget allocates Rs 3150 crore for the Ministry of Culture.

### Infrastructure (Roads, Railways, Port)



- Power: Efforts to replace conventional energy meters by prepaid smart meters.
- Gas Grid: Expand National Gas Grid to 27,000 km
- Infrastructure Financing: 103 lakh crore National infrastructure Pipeline projects announced.
- An international bullion exchange to be set up at GIFT City.

### Caring Society (Women child, social Welfare)



- Proposal to establish Indian Institute of Heritage and conservation.
- 5 archaeological sites to be developed as iconic sites
- A museum on Numismatics and Trade to be established
- Tribal museum in Ranchi & Maritime museum to be set up at Lothal
- The Tourism Sector will grow at 7.8% to Rs 1.88 lakh crore.

### Caring Society (Environment and Climate Change)





## Indian Railways & Energy Sector



### Indian Railways

- Electrification of around 27000 km of railway lines achieved within 100 days of Modi Government formation in 2019 .
- A large solar power capacity proposed for the Indian Railways. It will be built along the rail track on the Railways owned lands.
- Bengaluru Suburban Rail Project proposed; budget allocates Rs 18,600 crore for this project.
- By 2024, the Government would monetize 12 lots of national highways.
- With the help of UDAN scheme, 100 airports will be built by 2024. The fleet of Aircraft will be increased to 1200 planes by 2024. Rs 1.7 lakh crore allocated for transport infrastructure.



### Energy Sector

- Prepaid Smart Meters: States will have to replace existing energy meters with the prepaid smart meters.
- Budget allocates Rs 22,000 crore for the Power and Renewable Energy Sector.
- The national gas grid will be expanded from 16200 km to 27000 km.
- A new policy will be launched for the construction of data centre parks by the private sector.
- Bharat Net to link 1 lakh gram panchayats through Fibre to Home connections.
- Budget allocates Rs 6000 crore for the Bharat Net programme .
- It provides Rs.8,000 crore in the next 5 years for “National Mission on Quantum Technology and Applications”.

## Caring Society, Banking Sector & Disinvestment



### Caring Society

- Beti Bachao, Beti Padhao': Enrollment of girls in schools is higher than the boys.
- Rs 35,600 crore will be provided for nutrition-related programmes.
- Task Force will be constituted to look into the issue of girls of low age entering motherhood.
- It allocates Rs 85,000 crore for development of SCs and OBCs.
- It allocates Rs 53,700 cr for STs development & allocates Rs 9,000 cr for Senior citizens and persons with disabilities.



### Banking Sector

- To avoid the case of citizen harassment, a taxpayer charter will be enshrined in the statutes.
- For recruitment in non-gazetted posts in banks, National Recruitment Agency will be constituted for both government and public sector banks.
- It proposes the creation of the New National Policy on Official Statistics.
- Deposit insurance cover has increased tremendously from Rs 1 lakh to Rs 5 lakh.
- Disinvestment in Banks: Government's share in IDBI Bank will be sold to the private sector.



### Strategic Disinvestment & Privatization

- It proposes to sell the Government's stake in the Life Insurance Corporation of India (LIC). For this purpose, the LIC IPO will be launched.

## Direct Tax Proposals

### Tax Rates

#### (A) Individual/ HUF:

(I) The Slab for Individual/ HUF, whether Incorporated or not, or every artificial Juridical person:( Less than 60 years)



Slab Rates	
Income	Tax Rate
Upto Rs. 2,50,000	Nil
Rs.2,50,001 to Rs. 5,00,000	5% (Income<= Rs.5,00,000, Tax liability= Nil)
Rs.5,00,001 to Rs. 7,50,000	10%
Rs.7,50,001 to Rs. 10,00,000	15%
Rs.10,00,001 to Rs. 12,50,000	20%
Rs. 12,50,001 to Rs. 15,00,000	25%
Above Rs.15,00,000	30%

(II) 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.

(III) The option shall not be valid 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

(IV) Tax payer opting for reduced rates shall submitted the income tax return —

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

- (ii) House rent allowance as contained in clause (13A) of section 10;
  - (iii) Some of the allowance as contained in clause (14) of section 10;
  - (iv) Allowances to MPs/MLAs as contained in clause (17) of section 10;
  - (v) Allowance for income of minor as contained in clause (32) of section 10;
  - (vi) Exemption for SEZ unit contained in section 10AA;
  - (vii) Standard deduction, deduction for entertainment allowance and employment/professional tax as contained in section 16;
  - (viii) Interest under section 24 in respect of self-occupied or vacant property referred to in sub-section (2) of section 23. (Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and would be allowed to be carried forward as per extant law);
  - (ix) Additional depreciation under clause (iia) of sub-section (1) of section 32;
  - (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) Deduction under section 35AD or section 35CCC;
  - (xiii) Deduction from family pension under clause (iia) of section 57;
  - (xiv) Any deduction under chapter VIA (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc). However, deduction under sub-section (2) of section 80CCD (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed
- (b) without set off of any loss, -
- (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;
- (c) by claiming the depreciation, if any, under section 32, except clause (iia) of sub-section (1) thereof, determined in such manner as may be prescribed; and
- (d) without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time

being in force.

**Note:**

- **A resident individual is entitled for rebate under section 87A if his total income does not exceed Rs. 5,00,000. The amount of rebate shall be 100% of income-tax or Rs. 12,500, whichever is less.**
- **Tax Payer has been given option to pay tax at reduced rates.**

**In case of Non-resident person-amount of tax would be increased by a surcharge-**

Income	Rate(%)
Below two crores	Same as Resident tax payer.
Between two to five crores	25%
Exceeding five crores	37%

- (V)** In case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year:

Slab Rates	
Income	Tax Rate
Up to Rs. 3,00,000	Nil
Rs. 3,00,001 to Rs. 5,00,000	5%(Income ≤ Rs.5,00,000, Tax liability= Nil)
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs.10,00,000	30%

- (VI)** In case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year:

Slab Rates	
Income	Tax Rate
Up to Rs. 5,00,000	Nil
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs.10,00,000	30%

## (B) Co-operative Societies:

In case of Co-operative Societies, the rates of income-tax are as given below. The rates will be continued to be same as those specified for Assessment Year 2019-20.

Slab Rates	
Income	Tax Rate
Up to Rs. 10,000	10%
Above Rs. 10,000-Rs. 20,000	20%
Above 20,000	30%

## (C) Firms:

In the case of firms, the rate will continue to be the same as that specified for Assessment Year 2019-20. The rate of income-tax in case of firm is @ 30% which will further be increased by "Health and Education Cess on Income Tax" @ 4%.

## (D) Local Authorities:

In the case of Local Authorities, the rate will continue to be the same as that specified for Assessment Year 2019-20. The rate of income-tax in case of local authority is @ 30% which will further be increased by Health and Education Cess on Income Tax" @ 4%.



The amount of income-tax computed in accordance with all above (B), (C) & (D) provisions shall be increased by a surcharge at the rate of 12% such income-tax in case of all the above assesses having a total income exceeding one Crore rupees.

However, the total amount payable as income-tax and surcharge on total income exceeding Rs. 1 Crore shall not exceed the total amount payable as income-tax on a total income of one Crore rupees by more than the amount of income that exceeds Rs. 1 Crore.

## (E) Companies:

Income Tax Slab Rate		Surcharge Rate	
Assesse	Tax Rate	Total Income	Rate
In Case of Domestic Company (where its total turnover or the gross receipt in the previous year 2018-19 does not exceed 400 crore rupees)	25%	Above 1 Crore but not exceed 10 Crore	7%
		Above 10 Crore	12%
In Case of Domestic Company (where its total turnover or the gross receipt in the previous year 2018-19 exceed 400 crore rupees)	30%	Above 1 Crore but not exceed 10 Crore	7%
		Above 10 Crore	12%
In case of Company other than a domestic company- i) On the total income as consists of, — (a) royalties received from the Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976 or (b) Fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,	50%	Above 1 Crore but not exceed 10 Crore	2%
		Above 10 Crore	5%

and where such agreement has, in either case, been approved by the Central Government.			
In case of Company other than a domestic company-	40%	Above 1 Crore but not exceed 10 Crore	2%
ii) Other Than Above mentioned in (i)		Above 10 Crore	5%

➤ In other cases, (including sections 115-O, 115QA, 115R, 115TA or 115TD) the surcharge shall be levied at the rate of twelve percent.

## Optional

Income Tax Slab Rate		Surcharge Rate	
Assessee	Tax Rate	Income	Rate
All Domestic Company	22%	-	10%
New Domestic Manufacturing Company	15%	Above 1 Crore but not exceed 10 Crore	7%
		Above 10 Crore	12%

Condition for opting reduced rate of 15% (**Section 115BAB**): -

- were set up and registered on or after 1 October 2019 and commence manufacturing on or before 31 March 2023;
- were not formed by splitting up or reconstructing an existing business (a certain level of relaxation applies in this regard);
- use no machinery or plant previously used for any purpose (a certain level of flexibility applies in this regard);
- are not engaged in any business other than the manufacture or production of goods or research in relation to, or the distribution of, such goods; and
- do not avail of specified exemptions or incentives.

Taxpayers have the option of availing of the reduced tax rate. However, once a taxpayer opts to be governed by Section 115BAB of the IT Act, they cannot subsequently opt out.

A 10% surcharge will be levied. Hence, the effective tax rate for companies which opt to pay tax under Section 115BAB of the IT Act will be 17.16%.

Companies which opt for a reduced rate under Section 115BAB of the IT Act will be exempted from MAT.

## Definition of Real Estate Investment Trust

### Section 2(13A)

#### Existing Provision

A Real Estate Investment Trust (REIT) under the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992), and the units of which are required to be listed on recognised stock exchange in accordance with the aforesaid regulations.



#### Proposed Provision

A Real Estate Investment Trust (REIT) under the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992 (15 of 1992).

#### Implication

Now the units of which are required to be listed on recognized stock exchange in accordance with the aforesaid regulations are not out of scope of definition of REIT.

**W.E.F.** 1<sup>st</sup> April, 2021

## Addition in the explanation of Short term Capital Asset

### Section 2(42A)

#### Existing Provision

Newly Added Explanation.

## **Proposed Provision**

Explanation for the definition of short term Capital Assets(**hh**) in the case of a capital asset, being a unit or units in a segregated portfolio referred to in sub-section (2AG) of section 49, there shall be included the period for which the original unit or units in the main portfolio were held by the assessee.

## **Implication**

Adding this explanation included the capital assets under section 49 (2AG)

**W.E.F.** 1<sup>st</sup> April, 2021

## **Strengthen the norms of residential status of individual**

### **Section 6**

#### **Existing Provision:**

1. In Sec 6(1), An Individual is Resident in India if he is in India for 60 days (as per Explanation 1, 182 days or more in case of an individual, who is a citizen of India, or is a person of Indian origin) during the relevant P.Y and has been in India for 365 days or more during 4 previous years immediately preceding the relevant previous year.
2. In Section 6 (6) of the act a person is said to be "not ordinarily resident" in India in any previous year if such person is-
  - (a) He has been 'Resident in India' for at least 2 out of 10 previous years immediately preceding the relevant previous year.
  - (b) He has been in India for 730 days or more, during 7 previous years *immediately preceding the relevant previous year*

#### **Proposed Provision:**

1. (a) the exception provided in clause (b) of Explanation 1 of Sec 6 (1) for visiting India in that year be decreased to 120 days from existing 182 days.

(b) an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India

2. 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 7 out of ten previous years preceding that year.

### **Implication:**

- With this Amendment in the particular provision, the relaxation provided by the department is reduced to 120 Days from 182 days.
- With this amendment, individual (being a citizen of India) will not be escaped from tax if he is not paying tax in any other country and shall be considered as a resident of India and all the provision of the resident shall be applicable to that person.

**W.E.F.** 1st April 2021

### **Special provision in respect of newly established undertakings in free trade zone, etc.**

### **Section 10A (5)**

#### **Existing Section**

The deduction under this section shall not be admissible for any assessment year beginning on or after the 1st day of April, 2001, unless the assessee furnishes in the prescribed form, **along with the return of income**, the report of an accountant, as defined in the Explanation below sub-section (2) of section 288, certifying that the deduction has been correctly claimed in accordance with the provisions of this section.

#### **Proposed Section**

The deduction under this section shall not be admissible for any assessment year beginning on or after the 1st day of April, 2001, unless the (assessee) furnishes in the prescribed form, the report of an accountant, as defined in the Explanation below sub-section (2) of section 288

**before the specified date referred to in section 44AB**, certifying that the deduction has been correctly claimed in accordance with the provisions of this section.

## **Implications:**

The Assessee of newly established free trade zone, etc. doesn't need to present return of income while claiming the deduction under this section and the prescribed form should be submitted before the specified date referred in section 44AB.

**WEF** –1<sup>st</sup> April, 2020.

## **Income from property held for charitable or religious purposes.**

### **Section 11(7)**

#### **Existing Section:**

Where a trust or an institution has been granted registration under clause (b) of sub-section (1) **of section 12AA** or has obtained registration at any time under section 12A [as it stood before its amendment by the Finance (No. 2) Act, 1996 (33 of 1996)] and the said registration is in force for any previous year, then, nothing contained in section 10 **[other than clause (1) and clause (23C) thereof]** shall operate to exclude any income derived from the property held under trust from the total income of the person in receipt thereof for that previous year.

#### **Proposed Section:**

Where a trust or an institution has been granted registration under **section 12AA or section 12AB** or has obtained registration at any time under section 12A [as it stood before its amendment by the Finance (No. 2) Act, 1996 (33 of 1996)] and the said registration is in force for any previous year, then, nothing contained in section 10 **[other than clause (1) and clause (23C) and clause (46) thereof]** shall operate to exclude any income derived from the property held under trust from the total income of the person in receipt thereof for that previous year.



## Implications

The existing provision will now be applicable to '**All India Council for Technical m**', New Delhi (it is covered under clause 46) also.

**WEF** - 1<sup>st</sup> day of June, 2020

## Condition of applicability of section 11 & 12.

### Section 12A (1)

**Existing Section:** Newly insertion of sub-section.

### Proposed Section:

"(ac) notwithstanding anything contained in clauses (a) to (ab), the person in receipt of the income has made an application in the prescribed form and manner to the Principal Commissioner or Commissioner, for registration of the trust or institution, —33 of 1996.

(i) where the trust or institution is registered under section 12A [as it stood immediately before its amendment by the Finance (No. 2) Act, 1996] or undersection 12AA, [as it stood immediately before its amendment by the Finance Act,2020] within three months from the date on which this clause has come into force;

(ii) where the trust or institution is registered under section 12AB and the period of the said registration is due to expire, at least six months prior to expiry of the said period;

(iii) where the trust or institution has been provisionally registered undersection 12AB, at least six months prior to expiry of period of the provisional registration or within six months of commencement of its activities, whichever is earlier;

(iv) where registration of the trust or institution has become inoperative due to the first proviso to sub-section (7) of section 11, at least six months prior to commencement of the assessment year from which the said registration is sought to be made operative;

(v) where the trust or institution has adopted or undertaken modifications of the objects which do not conform to the conditions of registration, within a period of thirty days from the date of the said adoption or modification;

(vi) in any other case, at least one month prior to the commencement of the previous year relevant to the assessment year from which the said registration is sought, and such trust or institution is registered under section 12AB;”;

## **Implication:**

More clearly specified the conditions of the Section 11 & 12.

**WEF** - 1st day of June, 2020

## **Existing Section:**

where the total income of the trust or institution as computed under this Act without giving effect to the provisions of section 11 and section 12 exceeds the maximum amount which is not chargeable to income-tax in any previous year, the accounts of the trust or institution for that year have been audited by an accountant as defined in the Explanation below sub-section (2) of section 288 **and the person in receipt of the income furnishes along with the return of income for the relevant assessment year** the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed;

## **Proposed Section:**

where the total income of the trust or institution as computed under this Act without giving effect to the provisions of section 11 and section 12 exceeds the maximum amount which is not chargeable to income-tax in any previous year, the accounts of the trust or institution for that year have been audited by an accountant as defined in the Explanation below sub-section (2) of section 288 **before the specified date referred to in section 44AB and the person in receipt of the income furnishes by that date** the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed;

## **Implications:**

The trust or institution when income exceeds the maximum amount which is chargeable to income tax in the previous year now has to get their accounts audited before the specified date in section 44AB and the person in receipts of the income shall furnish the report of such audit by that date in the prescribed form.

**WEF** - 1st day of June, 2020

### **Existing Section:**

**Provided that** where registration has been granted to the trust or institution under section 12AA, then, the provisions of sections 11 and 12 shall apply in respect of any income derived from property held under trust of any assessment year preceding the aforesaid assessment year, for which assessment proceedings are pending before the Assessing Officer as on the date of such registration and the objects and activities of such trust or institution remain the same for such preceding assessment year:

### **Proposed Section:**

**Provided that the provisions of sections 11 and 12 shall apply to a trust or institution, where the application is made under—**

**(a) sub-clause (i) of clause (ac) of sub-section (1), from the assessment year from which such trust or institution was earlier granted registration;**

**(b) sub-clause (iii) of clause (ac) of sub-section (1), from the first of the assessment years for which it was provisionally registered:** where registration has been granted to the trust or institution under section 12AA, then, the provisions of sections 11 and 12 shall apply in respect of any income derived from property held under trust of any assessment year preceding the aforesaid assessment year, for which assessment proceedings are pending before the Assessing Officer as on the date of such registration and the objects and activities of such trust or institution remain the same for such preceding assessment year:

### **Implications:**

Trust or Institution registered within 3 months of the section come in force or 6 months prior to the expiry of provisional registration or within 6 months of commencement of its activity than the provisions of the section 11 & 12 shall apply in respect of any income derived from property held under trust or institution.

**WEF** - 1<sup>st</sup> June 2020.

### **Existing Section:**

Provided also that provisions contained in the first and second proviso shall not apply in case of any trust or institution which was refused registration or the registration granted to it was cancelled at any time **under section 12AA**.

### **Proposed Section:**

Provided also that provisions contained in the first and second proviso shall not apply in case of any trust or institution which was refused registration or the registration granted to it was cancelled at any time **under section 12AA or section 12AB**.

### **Implications:**

These provisions shall also not apply to trust or institution whose registration was cancelled under section 12AA & 12AB.

**WEF** – 1<sup>st</sup> June 2020.

**Applicability of Section 12AA (Procedure for registration of trust) stops after 31.05.2020**

### **Section 12AA (5)**

**Existing Section:** Newly insertion of sub-section

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**Proposed Section:**

Nothing contained in this section shall apply on or after the 1st day of June, 2020.”.

**Implications:**

The existing procedure of registration of trust under section 12 AA will be no more available after 31.05.2020.

**WEF** – 1st day of June, 2020.

**Procedure for fresh Registration of trust or institution****Section 12AB**

**Existing Section:** Newly insertion of section.

**Proposed Section:**

(1) The application made under section 12A (1) (ac) to the Principal commissioner or commissioner.

(a) Application made under sub-clause (i) of the said clause in writing registering the trust or institution for a period of 5 years.

(b) Application made under sub-clause (ii) or (iii) or (iv) or (v) of said clause-

(i) call for such documents or information from the trust or institution or make such inquiries as he thinks necessary in order to satisfy himself about-

(A) genuineness of the activities of the trust or institution

(B) compliance of the such other laws for the time being in force by the trust or institution as are material for the purpose for achieving its objects.

(ii) after satisfying himself under (A) & (B) of sub-clause (i)-

(A) pass an order in writing registering the trust or institution for a period of 5 years.

- (B) if he is not so satisfied, pass an order in writing rejecting such application and also cancelling its registration after affording a reasonable opportunity of being heard;
- (c) Application is made under sub-clause (vi) of the said clause, pass an order in writing provisionally registering the trust or institution for a period of 3 years from the assessment year from which the registration is sought, and send a copy of such order to the trust or institution.
- (2) All pending applications on which no order has been passed under section 12AA(1)(b) before the date 1st June 2020, shall be deemed to be an application made under section 12A (1) (ac)(vi) on that date.
- (3) The order under clause (a), sub-clause (ii) of clause (b) and clause (c), of sub-section (1) shall be passed, in such form and manner as may be prescribed, before expiry of the period of three months, six months and one month, respectively, calculated from the end of the month in which the application was received.
- (4) Where registration of a trust or an institution has been granted under clause (a) or clause (b) of sub-section (1) and subsequently, the Principal Commissioner or Commissioner is satisfied that the activities of such trust or institution are not as per (A) & (B) of sub-clause (i), as the case may be, he shall pass an order in writing cancelling the registration of such trust or institution after affording a reasonable opportunity of being heard.
- (5) Without prejudice to the provisions of sub-section (4), where registration of a trust or an institution has been granted under clause (a) or clause (b) of sub-section (1) and subsequently, it is noticed that—
- (a) the activities of the trust or the institution are being carried out in a manner that the provisions of sections 11 and 12 do not apply to exclude either whole or any part of the income of such trust or institution due to operation of sub-section (1) of section 13; or
  - (b) the trust or institution has not complied with the requirement of any other law, as referred to in item (B) of sub-clause (i) of clause (b) of sub-section (1), and the order, direction or decree, by whatever name called, holding that such non-compliance has occurred, has either not been disputed or has attained finality, then, the Principal Commissioner or the Commissioner may, by an order in writing, after affording a reasonable opportunity of being heard, cancel the registration of such trust or institution.”.

## **Implications:**

Stated the procedure of Registration of trust or institution.

**WEF** - 1st day of June, 2020.



## Insertion of Combined Upper Limit of Rs 7.50 Lacs on employer's contribution to RPF/NPS/SN

### Section 17

#### Existing Provision:

Earlier contribution made by employer, brings tax following implication

- Contribution to RPF exceeds 12% of salary - Taxable
- Contribution to Approved Superannuation fund if it exceeds Rs.1,50,000/- - Taxable as perquisites.
- Contribution to NPS by other employer - Deduction of 10% allowed.

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

NATIONAL PENSION SYSTEM



#### Proposed Provision:

Section 17(2)(vii) of the Income-tax Act, includes, any contribution in a Previous Year in excess of Rs.7,50,000/- jointly in respect of employer's contribution to NPS, Approved superannuation fund and RPF is proposed to be taxable.

In addition, it is also proposed that any annual accretion by way of interest, dividend or any other amount of similar nature during the P.Y 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.

#### Implication:

Undue benefit to employees earning high salary income is being curbed out. And, this portion of salary which does not suffer taxation at any point of time due to Exempt-Exempt-Exempt (EEE) regime, has been limited.

### W.E.F.1st April 2021

#### Option to the assessee for not availing deduction under section 35AD.

## Section 35AD

### Existing Provision:

Section 35AD (1), provides 100% deduction in the F.Y in respect of expenditure incurred on specified business (other than expenditure on land, goodwill and financial assets) and no other deduction allowed under any other section of this Act. An assessee has to compulsorily avail this incentive if engaged in specified business.



### Proposed Section:

In sec 35AD(1), Availing this incentive Scheme is made optional by Substituting the words "An assessee ", with the words "An assessee shall, if he opts" . And as per Sub Sec (4) no deduction allowed in any other section if the deduction has been claimed or opted by the assessee and allowed to him under this section.

### Implication:

Domestic company opting for reduced tax rate under section 115BAA or section 115BAB of the Act will be allowed to claim depreciation under section 32

## W.E.F.1st April 2020

**Enable filing of Tax Audit Report one month prior to due date of Return of Income**

## Section 32AB,33AB,33ABA,35D,35E

### Existing provision:

Earlier Person claiming deduction under Sec 32AB(5),33AB(2),33ABA(2),35D(4),35E(6) are require to file Tax Audit report after Filing Return of income.

## **Proposed Provision:**

Under Captioned sections, persons claiming aforesaid deduction, assessee are required to furnish tax audit report at least one month prior to the due date of filing of return of income.

## **Implication:**

Mandatory to file Tax Audit Return as per due date and one-month period allowed to file Returns of Income after filing Tax audit report.

## **W.E.F. 1st April 2020**

## **Approval of expenditure on scientific research**

### **Section 35**

#### **Existing Provision**

The deduction, to which the assessee is entitled in respect of any sum paid to a research association, university, college or other institution to which clause (ii) or clause (iii) applies, shall not be denied merely on the ground that, subsequent to the payment of such sum by the assessee, the approval granted to the association, university, college or other institution referred to in clause (ii) or clause (iii) has been withdrawn;

#### **Proposed Provision**

The deduction, to which the assessee is entitled in respect of any sum paid to a research association, university, college or other institution to which clause (ii) or clause (iii) **or to a company to which clause (iia)** applies, shall not be denied merely on the ground that, subsequent

to the payment of such sum by the assessee, the approval granted to the association, university, college or other institution referred to in clause (ii) or clause (iii) **or to a company referred to in clause (iia)** has been withdrawn;

## **Implication**

By amendment in explanation now assess didn't required to approval from the deduction for any sum paid to a company to be used by it for scientific research Provided that such company

(A) is registered in India,

(B) has as its main object the scientific research and development,

(C) is, for the purposes of this clause, for the time being approved by the prescribed authority in the prescribed manner, and

(D) fulfils such other conditions as may be prescribed

**W.E.F.** 1<sup>st</sup> June, 2020.

## **Relaxation in variation of value adopted by the Authority**

### **Section 43CA**

#### **Existing Provision:**

Where the value adopted or assessed or assessable by the authority for the purpose of payment of stamp duty 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 computing profits and gains from transfer of such asset, be deemed to be the full value of the consideration.

#### **Proposed Provision:**

Where the value adopted or assessed or assessable by the authority for the purpose of payment of stamp duty does not exceed one hundred and 10% 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 computing profits and gains from transfer of such asset, be deemed to be the full value of the consideration.

## **Implications:**

The amendment will provide relaxation by way of increase in the rate of variation allowed while calculating value by the authority for the purpose of payment of stamp duty.

**W.E.F.** 1<sup>st</sup> April 2020

## **Tax Audit Limit Increased**

### **Sec: 44AB**

#### **Existing Provision:**

Audit of accounts of certain persons carrying on business or profession.

Every person—

- (a) carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or exceeds one crore rupees in any previous year; or
- (b) carrying on profession shall, if his gross receipts in profession exceed fifty lakh rupees in any previous year;

#### **Proposed Provision:**

Every person—

- (a) carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or exceeds Five crore rupees in any previous year; (Conditions apply for only those assesses whose cash transaction does not exceed 5% of Turnover )

(b) carrying on profession shall, if his gross receipts in profession exceed fifty lakh rupees in any previous year.

**Implications:** Assessee with the turnover not exceeding Rs. 5 Crore & having cash transaction lesser than 5% of turnover shall not be liable to get the tax audit done.

**W.E.F.** 1<sup>st</sup> April 2020

## **Cost with reference to certain modes of acquisition**

### **Section 49**

**Existing Provision:** Newly added

#### **Proposed Provision**

(2AG) The cost of acquisition of a unit or units in the segregated portfolio shall be the amount which bears, to the cost of acquisition of a unit or units held by the assessee in the total portfolio, the same proportion as the net asset value of the asset transferred to the segregated portfolio bears to the net asset value of the total portfolio immediately before the segregation of portfolios. (2AH) The cost of the acquisition of the original units held by the unit holder in the main portfolio shall be deemed to have been reduced by the amount as so arrived at under sub-section (2AG).

#### **Implication**

This clause is inserted to define COA of unit/units of segregated portfolio and Unit/ units of main portfolio. COA of Segregated Portfolio shall be= 
$$\frac{\text{COA of Unit in total portfolio} * \text{NAV of units transferred to segregated Portfolio}}{\text{NAV of Total Portfolio}}$$

Note: Here, NAV of units shall be taken immediately before segregation of portfolios.

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Further added, COA of original unit/ units held in main portfolio shall be reduced by the amount arrived in clause (2AG).

**Report of Accountant to be submitted within the prescribed time limit specified in Sec. 43B.**

## **Section 50B**

### **Existing Provision**

Every assessee, in the case of slump sale, shall furnish in the prescribed form along with the return of income, a report of an accountant as defined in the Explanation below sub-section (2) of section 288, indicating the computation of the net worth of the undertaking or division, as the case may be, and certifying that the net worth of the undertaking or division, as the case may be, has been correctly arrived at in accordance with the provisions of this section.

### **Proposed Provision**

Every assessee, in the case of slump sale, shall furnish in the prescribed form along with the return of income, a report of an accountant as defined in the *Explanation* below sub-section (2) of section 288 **before the specified date referred to in section 44AB** indicating the computation of the net worth of the undertaking or division, as the case may be, and certifying that the net worth of the undertaking or division, as the case may be, has been correctly arrived at in accordance with the provisions of this section.

### **Implication**

Accountant report is to be submitted on or before specified date referred date in Section 43B i.e. return filing date.

### **Change in rate of tolerance level**

## **Section 50C**

## Existing Provision

3<sup>rd</sup> proviso to Section 50C, 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.

## Proposed Provision

3<sup>rd</sup> proviso to Section 50C, that where the value adopted or assessed or assessable by the stamp valuation authority does not exceed one hundred and **ten 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.

## Implication

Sale consideration shall be taken consideration received if SDV does not exceed 110% of consideration received.

**W.E.F:** - 1<sup>st</sup> April, 2020.

**COA is taken FMV as on 1<sup>st</sup> April, 2001 than it shall not exceed SDV as on date**

## Section 55(2)(ii)

### Existing provision

**Clause (ii) of sub section 2 of section 55**, where the capital asset became the property of the assessee by any of the modes specified in sub-section (1) of section 49, and the capital asset became the property of the previous owner before the 1st day of April, 2001, means the cost of the capital asset to the previous owner or the fair market value of the asset on the 1st day of April, 2001, at the option of the assessee

### Proposed Provision



Where the capital asset became the property of the assessee by any of the modes specified in sub-section (1) of [section 49](#), and the capital asset became the property of the previous owner before the 1st day of April, 2001, means the cost of the capital asset to the previous owner or the fair market value of the asset on the 1st day of April, 2001, at the option of the assessee, **Provided that in case of a capital asset referred to in sub-clauses (i) and (ii), being land or building or both, the fair market value of such asset on the 1st day of April, 2001 for the purposes of the said sub-clauses shall not exceed the stamp duty value, wherever available, of such asset as on the 1st day of April, 2001.**

## Implication

If Assessee adopts FMV on 1<sup>st</sup> April, 2001 as COA of Land or building or both shall not exceed value stamp duty value, wherever available.

## Income from other sources

### Section 56

#### Existing Provision

- (V) Where any sum of money exceeding twenty-five thousand rupees is received without consideration by a individual or a Hindu undivided family from any person on or after the 1st day of September, 2004 but before the 1st day of April, 2006, the whole of such sum: (g) From any trust or institution registered under section 12AA.
- (Vi) where any sum of money, the aggregate value of which exceeds fifty thousand rupees, is received without consideration, by an individual or a Hindu undivided family, in any previous year from any person or persons on or after the 1st day of April, 2006 but before the 1st day of October, 2009, the whole of the aggregate value of such sum: (g) from any trust or institution registered under section 12AA.
- (Vii) where an individual or a Hindu undivided family receives, in any previous year, from any person or persons on or after the 1st day of October, 2009 but before the 1st day of April, 2017, (g) from any trust or institution registered under section 12AA

## Proposed Provision

- (V) Where any sum of money exceeding twenty-five thousand rupees is received without consideration by an individual or a Hindu undivided family from any person on or after the 1st day of September, 2004 but before the 1st day of April, 2006, the whole of such sum:
- (g) From any trust or institution registered under section 12AA **or Section 12AB**
- (Vi) where any sum of money, the aggregate value of which exceeds fifty thousand rupees, is received without consideration, by an individual or a Hindu undivided family, in any previous year from any person or persons on or after the 1st day of April, 2006 but before the 1st day of October, 2009, the whole of the aggregate value of such sum:
- (g) From any trust or institution registered under section 12AA **or Section 12AB**
- (Vii) where an individual or a Hindu undivided family receives, in any previous year, from any person or persons on or after the 1st day of October, 2009 but before the 1st day of April, 2017,
- (g) From any trust or institution registered under section 12AA **or Section 12AB**

## Implementation

Any trust or institution registered under Section 12AB also included in this section.

## Change in threshold limit of stamp duty value

### Section 56 (x)

#### Existing provision

Where any person receives, in any previous year, from any person or persons on or after the 1st day of April, 2017,-

- (a) any sum of money, without consideration, the aggregate value of which exceeds fifty thousand rupees, the whole of the aggregate value of such sum;

- (b) any immovable property, —
  - (A) without consideration, the stamp duty value of which exceeds fifty thousand rupees, the stamp duty value of such property;
  - (B) for a consideration, the stamp duty value of such property as exceeds such consideration, if the amount of such excess is more than the higher of the following amounts, namely: —
    - (i) the amount of fifty thousand rupees; and
    - (ii) the amount equal to five per cent of the consideration

## Proposed Provision

Where any person receives, in any previous year, from any person or persons on or after the 1st day of April, 2017, -

- (a) any sum of money, without consideration, the aggregate value of which exceeds fifty thousand rupees, the whole of the aggregate value of such sum;
- (b) any immovable property, -
  - (A) without consideration, the stamp duty value of which exceeds fifty thousand rupees, the stamp duty value of such property;
  - (B) for a consideration, the stamp duty value of such property as exceeds such consideration, if the amount of such excess is more than the higher of the following amounts, namely: -
    - (i) the amount of fifty thousand rupees; and
    - (ii) the amount equal to **ten per cent of the consideration**

## Implementation

Sale consideration shall be taken consideration received if SDV does not exceed 110% of consideration received.

## Deductions of Dividend Distribution Tax

### Section 57(i)

## **Existing provision**

The income chargeable under the head "Income from other sources" shall be computed after making the following deductions, namely: —

- (i) in the case of dividends, other than dividends referred to in section 115-O, or interest on securities, any reasonable sum paid by way of commission or remuneration to a banker or any other person for the purpose of realising such dividend or interest on behalf of the assessee.

## **Proposed Provision**

The income chargeable under the head "Income from other sources" shall be computed after making the following deductions, namely: —

- (i) in the case of dividend or interest on securities, any reasonable sum paid by way of commission or remuneration to a banker or any other person for the purpose of realising such dividend or interest on behalf of the assessee.

Provided that no deduction shall be allowed from the dividend income, or income in respect of units of a Mutual Fund specified under clause (23D) of section 10 or income in respect of units from a specified company defined in the Explanation to clause (35) of section 10, other than deduction on account of interest expense, and in any previous year such deduction shall not exceed twenty per cent. of the dividend income, or income in respect of such units, included in the total income for that year, without deduction under this section.”.

## **Implication:**

Dividend Distribution Tax is not deductible from at the company hand w.e.f. 1<sup>st</sup> April, 2020, So now dividend received is included in other income and no deduction will be available from total tax payable.

## **Allowing carry forward of losses or depreciation for amalgamations of Banking and Government Entities**

## **Section 72AA**

## **Existing Provision:**

The Existing Provision allows for set off and carry forward of accumulated business losses (other than speculation business losses) and unabsorbed depreciation only in the case of amalgamation of banking company with any other banking institution under a scheme sanctioned and brought into force by the Central Government.

### **Proposed Provision:**

The Substituted Section 72AA in addition to the existing provision also provides for such aforesaid set off and carry forward to:

- 1) One or more new government bank or banks with any other new government bank under a scheme brought into force by Central Government
- 2) One or more government company or companies carrying general insurance business with any other government company carrying general insurance business under a scheme brought into force by Central Government

### **Implication:**

New Government Banks and Government Companies carrying General Insurance Business will also get benefit of set off and carry forward of accumulated business losses (other than speculation business losses) and unabsorbed depreciation in case of amalgamation.

**W.E.F.**1<sup>st</sup> April 2021

## **Deduction of Interest on Loan for affordable residential house property now for Loans Sanctioned upto 31.03.2021**

### **Section 80EEA**

#### **Existing Provision:**

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. The deduction allowed is up to one lakh fifty thousand rupees and is subject to

certain conditions. One of the conditions is that loan has been sanctioned by the financial institution during the period from 1st April, 2019 to 31st March, 2020.

**Proposed Provision:**

To extend the benefit of aforesaid provision by further 1 year (i.e. upto 31.03.2021)

**Implication:**

Affordable Housing sector will continue to get a boost in its sluggish growth.

**W.E.F.**1<sup>st</sup> April 2021

**Reporting of Donations received by Donee Institution or Fund**

**Section 80G**

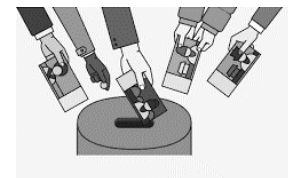
**Existing Provision:**

Section 80G(5) lists conditions to be fulfilled by “any other fund or any institution to which section 80G applies” and one of the conditions require approval to fund or institution from Commissioner if such trust accepts donation after 31.03.1992.

**Proposed Provision:**

- 1) Donations made by donors and received by Donee institution or fund would be cross verified and allowed as deduction to donor only after verification by proper IT authority. This would reduce fake claims of deductions
- 2) Reducing the registration validity period to 5 years would put a check on institution or fund at regular intervals instead of none under the erstwhile provisions where registration once granted was valid for lifetime.

**W.E.F.**1<sup>st</sup> June, 2020



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## Limit of cash donations for scientific research or rural development reduced

### Section 80GGA

#### Existing Provision:

- 1) Donation in cash for scientific research or rural development upto an amount of Rs. 10,000 is allowed.

#### Proposed Provision:

- 1) Limit of aforementioned cash donations has been reduced to Rs 2,000 only.

#### Implications:

- 1) Routing of unaccounted money through such institutions shall be greatly controlled.
- 2) Donations made by donors and received by Donee institution or fund would be cross verified and allowed as deduction to donor only after verification by proper IT authority. This would reduce fake claims of deductions

**W.E.F.** 1<sup>st</sup> June, 2020

## Alignment of amended due date of furnishing audit report with Section 80-IA and allowing the same due date to Assessee

### Section 80-IA

#### Existing Provision:

The Assessee claiming deduction under this section was required to furnish audit report of undertaking while filing his personal return of income.

## **Proposed Provision:**

The Proposed provision, with respect to amendment in section 44AB for due date of furnishing audit report to 31<sup>st</sup> October, is amended to include such revised due date allows the aforementioned assessee to furnish the audit report by that same date.

## **Implications:**

The assessee is allowed to submit audit report of the Industrial undertaking covered under section 80-IA from which it derives profit on or before 31<sup>st</sup> October.

**W.E.F.**1<sup>st</sup> April, 2021

## **Amendment for deduction to an eligible start-up**

### **Section 80-IAC**

#### **Existing Provision:**

To initiate the development of startups in India and provide a competitive platform, Section 80-IAC states that an eligible startup shall be allowed a deduction of an amount equal to 100 per cent of the profits and gains.

A deduction of an amount equal to one hundred per cent. of the profits and gains derived from such business for three consecutive assessment years out of Seven years beginning from the year in which the eligible start-up is incorporated.

#### **Proposed Provision:**

A deduction of an amount equal to one hundred per cent of the profits and gains derived from start-up for three consecutive assessment years out of **Ten** years beginning from the year in which the eligible start-up is incorporated.

If it is formed by transfer of Plant & Machinery which is previously used the total value of the machinery or plant or part so transferred does not exceed hundred per cent of the total value of the machinery or plant used in the business instead of twenty percent





**Implication:**

Advantage has been provided to start-up which will benefit them to claim deduction three consecutive assessment year out of ten years beginning from start-up incorporated.

**W.E.F.** 1st April 2021

**Tax Holiday- Deduction****Section-80-IB****Exiting Provision:**

The deduction under this section is available to an assessee whose Gross Total Income includes any profits and gains derived from the business of:

1. commercial production and refining of mineral oil;
2. processing, preservation and packaging of fruits or vegetables, meat and meat products or poultry or marine or dairy products
3. integrated business of handling, storage and transportation of food grains;
4. operating and maintaining a hospital located anywhere in India other than the excluded area.

To claim deduction there should be audit report submitted certifying that deduction claimed is right

**Proposed Provision:**

There is only amendment that to claim deduction the audit report of company or firm should be submitted before due date as prescribed date as per Sec 44-AB.

**Implication:**

It will streamline deduction process.

W.E.F. 1<sup>ST</sup> April 2021

## **Deduction in respect of Profits and Gains from Affordable Housing Projects**

Section 80-IBA

### **Exiting Provision:**

This section says there will be total i.e.100% of net profits or gains, will be deducted from the gross total income of the assessee, if they are derived from a business of developing and building housing projects. However, the assessee has to fulfill certain conditions, specified under this section, to avail the deduction, which are as follows- It should be an Affordable Housing Project, which is approved by the competent authority after the 1st day of June, 2016, but on or before the 31st day of March, 2020. and the project should be completed within a period of five years from the date of approval by the competent authority. Here both the above mentioned conditions should be fulfilled.

### **Proposed Provision:**

There is only amendment is the approval authority now approve till 2021

### **Implication:**

It will help real estate industry engaging in affordable housing industry to claim deduction one more year.

W.E.F. 1<sup>st</sup> April 2021

## **Deduction in respect of employment of new employees**

Section 80JJAA

## Existing Provision:

Where the gross total income of an assessee to whom section 44AB applies, includes any profits and gains derived from business, there shall be allowed a deduction of an amount equal to thirty per cent of additional employee cost incurred in the course of such business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided except unless the assessee furnishes along with the return of income the report of the accountant, as defined in the Explanation to section 288 giving such particulars in the report as may be prescribed.

## Proposed Provision:

Where the gross total income of an assessee to whom section 44AB applies, includes any profits and gains derived from business, there shall be allowed a deduction of an amount equal to thirty per cent of additional employee cost incurred in the course of such business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided except unless the assessee furnishes **the report of the accountant, as defined in the Explanation below sub-section (2) of section 288, before the specified date referred to in section 44AB giving such particulars in the report as may be prescribed.**

## Implication:

By the amendment in this section, now assessee required to fill the return of income one month prior to the due date for furnishing the return of income under 139 (1).

## W.E.F. 1st April 2021

## Inter Corporate Dividend

## Section 80M

## Exiting Provision: Newly Inserted Provision

## **Proposed Provision:**

80M. (1) Where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company as does not exceed the amount of dividend distributed by the first mentioned domestic company on or before the due date.

Where any deduction, in respect of the amount of dividend distributed by the domestic company, has been allowed under sub-section (1) in any previous year, no deduction shall be allowed in respect of such amount in any other previous year.

## **Implication:**

It will help domestic company to claim deduction for dividend received from domestic company.

## **W.E.F. 1<sup>ST</sup> April 2021**

## **Strengthening provision to stop tax evasion in case of income accruing from foreign countries or specified territories**

### **Section 90(1)(b) / 90A(1)(b) :**

#### **Existing Provision:**

For the avoidance of double taxation of income under this Act and under the corresponding law in force in that country or specified territory, as the case may be.

#### **Proposed Provision:**

for the avoidance of double taxation of income under this Act and under the corresponding law in force in that country or specified territory, as the case may be, "without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through

treaty-shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory), shall be inserted.

### **Implication:**

By this amendment, now this section has become more strengthen and government want to curb tax evasion in case of income accruing from foreign countries or specified territories.

**W.E.F.** 1<sup>st</sup> April, 2021

### **Definitions of certain terms relevant to computation of arm's length price, etc.**

#### **Section 92F clause (iv):-**

#### **Existing Provision:**

Specified date shall have the same meaning as assigned to "due date" in Explanation 2 below sub-section (1) of section 139.

#### **Proposed Provision:**

specified date means the date **one month prior** to the due date for furnishing the return of income under sub-section (1) of section 139 for the relevant assessment year;'

### **Implication:**

By this amendment, now specified date has shifted to one month prior to the due date for furnishing the return of income under sub-section (1) of section 139 for the relevant assessment year

**W.E.F.** 1<sup>st</sup> April, 2020

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## Exemption to banking entity PE in India of a non-resident

### Section 94B(1):-

**Existing Provision:** Newly Inserted section

**Proposed Provision:**

Nothing contained in sub-section (1) shall apply to interest paid in respect of a debt issued by a lender which is a permanent establishment (PE) in India of a non-resident, being a person engaged in the business of banking.

**Implication:**

Exemption has been given to the banking entity being PE in India of a non-resident from the Limitation on interest deduction in computing income chargeable under the head "Profits and gains of business or profession" in respect of any debt issued by a non-resident, being an associated enterprise of such borrower.

**W.E.F.** 1<sup>st</sup> April, 2021

## Tax on income from Global Depository Receipts i.e. Dividend in foreign currency.

### Section 115ACA

**Existing Provision:**

Section 115ACA(1)(a) income by way of dividends, other than dividends referred to in section 115-O, on Global Depository Receipts of an Indian company engaged in specified knowledge based industry or service, issued in accordance with such Employees' Stock Option Scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf and purchased by him in foreign currency.

## **Proposed Provision:**

Section 115ACA(1)(a) income by way of dividends on Global Depository Receipts of an Indian company engaged in specified knowledge based industry or service, issued in accordance with such Employees' Stock Option Scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf and purchased by him in foreign currency.

## **Implication:**

After this amendment person received any dividend included in section 115O from Global Depository Receipts of an Indian company engaged in specified knowledge based industry or service, issued in accordance with such Employees' Stock Option Scheme as the Central Government.

**W.E.F.** 1<sup>st</sup> April 2021

## **Tax on income of Foreign Institutional Investors from securities or capital gains arising from their transfer**

### **Section 115AD**

#### **Existing Provision:**

Section 115AD(1)(a) Where the total income of a Foreign Institutional Investor income other than income by way of dividends referred to in section 115-O received in respect of securities (other than units referred to in section 115AB).

#### **Proposed Provision:**

Section 115AD(1)(a) Where the total income of a Foreign Institutional Investor income received in respect of securities (other than units referred to in section 115AB).

#### **Implication:**



Before amendment, dividend income is excluded from tax on hand of Investors because of applicable of Dividend Distribution Tax but after Exemption of DDT, it taxable on hand of Investors.

**W.E.F.** 1<sup>st</sup> April 2021

## **Optional Tax Regime Scheme for the INDIVIDUAL & HUF**

### **Section 115BAC:-**

**Existing Provision:** Newly Inserted Section

### **Proposed Provision:**

Notwithstanding anything contained in this Act but subject to the provisions of this Chapter, the income-tax payable in respect of the total income of a person, being an individual or a Hindu undivided family, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2021, shall, at the option of such person, be computed at the rate of tax given in the following Table, if the conditions contained in sub-section (2) are satisfied, namely:—

Sl. No.	Total income	Rate of tax
1	Upto Rs. 2,50,000	Nil
2	From Rs. 2,50,001 to Rs. 5,00,000	5%
3	From Rs. 5,00,001 to Rs. 7,50,000	10%
4	From Rs. 7,50,001 to Rs. 10,00,000	15%
5	From Rs. 10,00,001 to Rs. 12,50,000	20%
6	From Rs. 12,50,001 to Rs. 15,00,000	25%
7	Above Rs. 15,00,000	30%



Conditions are as follows.

1. The total income of the individual or Hindu undivided family shall be computed,—
  - i. without any exemption or deduction under the provisions of clause (5) or clause (13A) or prescribed under clause (14) (other than those as may be prescribed for this purpose) or clause (17) or clause (32), of section 10 or section 10AA or section 16 or clause (b) of section 24 (in respect of the property referred to in sub-section (2) of section 23) or clause (iia) of sub-section (1) of section 32 or section 32AD or section 33AB or section 33ABA or sub-clause (ii) or sub-clause (iia) or sub-clause (iii), of sub-section (1) or sub-section (2AA), of section 35 or section 35AD or section 35CCC or clause (iia) of section 57 or under any of the provisions of Chapter VI-A other than the provisions of sub-section (2) of section 80CCD or section 80JJAA.
  - ii. without set off of any loss,—
    - (a) Carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in clause (i);
    - (b) Under the head "Income from house property" with any other head of income;
  - iii. by claiming the depreciation, if any, under any provision of section 32, except clause (iia) of sub-section (1) of the said section, determined in such manner as may be prescribed; and
  - iv. Without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.
2. The loss and depreciation referred to in clause (ii) of sub-section (2) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year:  
Provided that where there is a depreciation allowance in respect of a block of assets which has not been given full effect to prior to the assessment year beginning on the 1st day of April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on the 1st day of April, 2020 in the prescribed manner, if the option under sub-section (5) is exercised for a previous year relevant to the assessment year beginning on the 1st day of April, 2021.

3. The loss and depreciation referred to in clause (ii) of sub-section (2) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year: Provided that where there is a depreciation allowance in respect of a block of assets which has not been given full effect to prior to the assessment year beginning on the 1st day of April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on the 1st day of April, 2020 in the prescribed manner, if the option under sub-section (5) is exercised for a previous year relevant to the assessment year beginning on the 1st day of April, 2021.
4. Nothing contained in this section shall apply unless option is exercised in the prescribed manner by the person,—
  - i. having business income, on or before the due date specified under sub-section (1) of section 139 for furnishing the returns of income for any previous year relevant to the assessment year commencing on or after the 1st day of April, 2021, and such option once exercised shall apply to subsequent assessment years;
  - ii. having no business income, alongwith the return of income to be furnished under sub-section (1) of section 139 for a previous year relevant to the assessment year:  
Provided that the option under clause (i), once exercised for any previous year can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the person shall never be eligible to exercise option under this section, except where such person ceases to have any business income in which case, option under clause (ii) shall be available.

### **Implication:**

Now, Optional Tax Regime Scheme for the INDIVIDUAL & HUF assessee to pay taxes at lower tax rates without claiming certain exemptions & deductions.

**W.E.F.** 1<sup>st</sup> April 2020

## Optional Tax Regime Scheme for the CO-OPERATIVE SOCIETY resident in India

### Section 115BAD:-

#### Existing Provision:

Newly Inserted Section

#### Proposed Provision:

1. Notwithstanding anything contained in this Act but subject to the provisions of this Chapter, the income-tax payable in respect of the total income of a person, being a co-operative society resident in India, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2021, shall, at the option of such person, be computed at the rate of twenty-two per cent., if the conditions contained in sub-section (2) are satisfied:  
Provided that where the person fails to satisfy the conditions contained in sub-section (2) in computing its income in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and subsequent assessment years and other provisions of the Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.
2. For the purposes of sub-section (1), the total income of the co-operative society shall be computed,—
  - i. without any deduction under the provisions of section 10AA or clause (iia) of sub-section (1) of section 32 or section 32AD or section 33AB or section 33ABA or sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35 or section 35AD or section 35CCC or under any of the provisions of Chapter VI-A other than the provisions of section 80JJAA;
  - ii. 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 to in clause (i); and

- iii. by claiming the depreciation, if any, under section 32, other than clause (iia) of sub-section (1) of the said section, determined in such manner as may be prescribed.
3. The loss and depreciation referred to in clause (ii) of sub-section (2) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year:  
Provided that where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to the assessment year beginning on the 1st day of April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on the 1st day of April, 2020 in such manner as may be prescribed, if the option under sub-section (5) is exercised for a previous year relevant to the assessment year beginning on the 1st day of April, 2021.
4. In case of a person, having a Unit in the International Financial Services Centre, as referred to in sub-section (1A) of section 80LA, which has exercised option under sub-section (5), the conditions contained in sub-section (2) shall be modified to the extent that the deduction under the said section shall be available to such Unit subject to fulfillment of the conditions contained in that section.  
Explanation.—For the purposes of this sub-section, the term “Unit” shall have the meaning assigned to it in clause (zc) of section 2 of the Special Economic Zones Act, 2005.
5. Nothing contained in this section shall apply unless option is exercised by the person in such manner as may be prescribed on or before the due date specified under sub-section (1) of section 139 for furnishing the return of income for any previous year relevant to the assessment year commencing on or after the 1st day of April, 2021 and such option once exercised shall apply to subsequent assessment years:  
Provided that once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.

**W.E.F. 1<sup>st</sup> April 2020**

## Tax on certain dividends received from domestic companies

### Section 115BBDA

#### Existing Provision:

**A)** Notwithstanding anything contained in this Act, where the total income of a specified assessee, resident in India, includes any income in aggregate exceeding ten lakh rupees, by way of dividends declared, distributed or paid by a domestic company or companies, the income-tax payable shall be the aggregate of—

(a) the amount of income-tax calculated on the income by way of such dividends in aggregate exceeding ten lakh rupees, at the rate of ten per cent; and

(b) the amount of income-tax with which the assessee would have been chargeable had the total income of the assessee been reduced by the amount of income by way of dividends.

**B)** "specified assessee" means a person other than,—

(i) a domestic company; or

(ii) a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or

(iii) a trust or institution registered under section 12A or section 12AA.

#### Proposed Provision:

**A)** Notwithstanding anything contained in this Act, where the total income of a specified assessee, resident in India, includes any income in aggregate exceeding ten lakh rupees, by way of dividends declared, distributed or paid by a domestic company **or companies on or before the 31st day of March, 2020**, the income-tax payable shall be the aggregate of—

- (a) the amount of income-tax calculated on the income by way of such dividends in aggregate exceeding ten lakh rupees, at the rate of ten per cent; and
- (b) the amount of income-tax with which the assessee would have been chargeable had the total income of the assessee been reduced by the amount of income by way of dividends.

**B)** "specified assessee" means a person other than, —

- (i) a domestic company; or
- (ii) a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or
- (iii) a trust or institution registered under section 12A or section 12AA **or Section 12AB**

### **Implication:**

Now dividend income is taxable in the hand of Dividend receiver so after 31st March, 2020. DDT will not be reduced from the total tax payable. And a trust or institution registered under Section 12AB are also not included in "**Specified assessee**" **W.E.F.** 1<sup>st</sup> April, 2021

### **Definition of Investment Income for non-residents**

#### **Section 115C**

#### **Existing Provision:**

"Investment income for non-residents" means any income derived other than dividends referred to in section 115-O from a foreign exchange asset.

#### **Proposed Provision:**

"Investment income for non-residents" means any income derived from a foreign exchange asset.

**Implication:**

Now dividend income is taxable in the hand of Dividend receiver so the same also included in the definition of Investment income for Nonresidents.

**W.E.F.** 1<sup>st</sup> April, 2020

**Special provision for furnishing the return of income by certain companies**

**Section 115JB**

**Existing Provision:**

Every company to which this section applies, shall furnish a report in the prescribed form from an accountant as defined in the Explanation below sub-section (2) of section 288, certifying that the book profit has been computed in accordance with the provisions of this section along with the return of income filed under sub-section (1) of section 139 or along with the return of income furnished in response to a notice under clause (i) of sub-section (1) of section 142.

**Proposed Provision:**

Every company to which this section applies, shall furnish a report in the prescribed form from an accountant as defined in the Explanation below sub-section (2) of section 288, certifying that the book profit has been computed in accordance with the provisions of this section **Before the specified date referred to in section 44AB** or along with the return of income furnished in response to a notice under clause (i) of sub-section (1) of section 142.

**Implication:**

By this amendment, company shall furnish report one month prior to the due date for furnishing the return of income under section 139(1) for relevant assessment year.

**W.E.F.** 1<sup>st</sup> April, 2020

## **Special provisions for payment of tax by certain persons other than a company**

### **Section 115JC**

#### **Existing Provision:**

**A)** Every person to whom this section applies shall obtain a report, in such form as may be prescribed, from an accountant, certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report on or before the due date of furnishing of return of income under sub-section (1) of section 139.

**B)** Newly Interested.

#### **Proposed Provision:**

**A)** Every person to whom this section applies shall obtain a report, before the specified date referred to in section 44AB, in such form as may be prescribed, from an accountant referred to in the Explanation below sub-section (2) of section 288, certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report by that date.

**B)** The provision of this section shall not apply to a person who has exercised the option referred to in section 115BAC or Section 115BAD.

#### **Implication:**



By this amendment the procedure to obtain accountant report has been broadly described. AMT provision is not applicable for the assessee opted for paying tax u/s 115BAC & 115BAD

**W.E.F.** 1<sup>st</sup> April, 2020

## **Tax credit for alternate minimum tax**

### **Section 115JD**

#### **Existing Provision:**

Section 115JD Sub section (1) to (6) Provision for Tax credit for alternate minimum tax.

#### **Proposed Provision:**

Sub section (7) included with effect from the 1st day of April, 2021, Namely\_

(7) The Provision of this section shall not apply to a person who has exercised the option referred to in section 115BAC or section 115BAD.

#### **Implication:**

Due to section 115JD(7), individual or HUF who is covered u/s 115BAC or 115BAD get relief from alternative minimum tax.

**W.E.F.** 1<sup>st</sup> April 2021

## **Tax to be paid on distributed income to unit holders on or before 31<sup>st</sup> March 2020**

### **Section 115R**

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**Existing Provision:**

Notwithstanding anything contained in any other provision of this Act, any amount of income distributed by the specified company or a Mutual Fund to its unit holders shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income.

**Proposed Provision:**

Notwithstanding anything contained in any other provision of this Act, any amount of income distributed by the specified company or a Mutual Fund to its unit holders on **or before 31st day of March, 2020** shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income.

**Implication:**

Unit holder now shall be chargeable tax on the income distributed by the specified company or mutual fund on or before 31<sup>st</sup> march, 2020.

**W.E.F.** 1<sup>st</sup> April, 2020

**Due date of furnishing of audit report shall be considered for opting tonnage tax scheme**

**Section 115VW :-****Existing Provision**

An option for tonnage tax scheme by a tonnage tax company shall not have effect in relation to a previous year unless such company—

- (i) maintains separate books of account in respect of the business of operating qualifying ships; and
- (ii) furnishes, along with the return of income for that previous year, the report of an accountant, in the prescribed form duly signed and verified by such accountant.

## Proposed Provision

An option for tonnage tax scheme by a tonnage tax company shall not have effect in relation to a previous year unless such company—

- (i) maintains separate books of account in respect of the business of operating qualifying ships; and
- (ii) furnishes, **before specified date referred to in section 44AB**, the report of an accountant, in the prescribed form duly signed and verified by such accountant

## Implication

Section has become very much clear and it says that an option for tonnage tax scheme by a tonnage tax company shall have effect in relation to a previous year only if it furnishes audit report, before specified date **i.e. due date** referred to in section 44AB

**W.E.F.** 1<sup>st</sup> April 2020

## Adoption of Tax Payer's Charter

### Section 119A

**Existing Provision:** Newly inserted

### Proposed Provision:

The Board shall adopt and declare **a Taxpayer's Charter** and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of such Charter.”.

### Implication:

The Central Board of Direct Taxes will adopt a Taxpayers' charter with the objective of enhancing the efficiency of the delivery system of the Income Tax Department. And it will clearly enumerate taxpayer's rights.

W.E.F. 1<sup>st</sup> April 2020

## Change in Due date for Furnishing ROI

### Section 139



#### Existing Provision:

In section 139 sub-section (1) of the Income-tax Act, in Explanation 2, due date for furnishing return of income for

- (i) a company; or
- (ii) a person (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force; or
- (iii) a working partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force, the 30th day of September of the assessment year;

#### Proposed Provision:

In section 139 sub-section (1) of the Income-tax Act, in Explanation 2, due date for furnishing return of income for

- (i) a company; or
- (ii) a person (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force; or
- (iii) a partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force, the 31st day of October of the assessment year;

#### Implication:

The due date has changed from 30<sup>th</sup> September to **31<sup>st</sup> October** for above mentioned assessee. Before amendment this section was applicable only to working partner whereas now it is applicable to **any partner**.

W.E.F. 1<sup>st</sup> April 2020

## Person eligible to verify the return of income

### Section 140

#### Existing Provision:

In section 140(c), in case of company the return of income should be verified by managing director and when no managing directors are available, by any other director thereof. Similarly, In section 140(cd), in the case of a limited liability partnership the return of income should be verified by the designated partner in case no designated partner is available it should be verified any other partner.

#### Proposed Provision:

In section 140(c), in case of company the return of income should be verified by managing director and when no managing directors are available, by any other director thereof **or any other person, as may be prescribed for this purpose**". & In section 140(cd), in the case of a limited liability partnership the return of income should be verified by the designated partner in case no designated partner is available it should be verified any other partner **or any other person, as may be prescribed for this purpose**".

#### Implication:

The verification of return is not confined to any director or any partner it could be carried out but any other person as may be prescribed

W.E.F. 1<sup>st</sup> April 2020

## Additional Consideration while Self-Assessment

### Section 140A

## Existing provision:

Where any tax is payable on the basis of any return required to be furnished under section 115WD or section 115WH or section 139 or section 142 or section 148 or section 153A or, as the case may be, section 158BC, after taking into account,

- (i) the amount of tax, if any, already paid under any provision of this Act;
- (ii) any tax deducted or collected at source;
- (iii) any relief of tax or deduction of tax claimed under section 90 or section 91 on account of tax paid in a country outside India;
- (iv) any relief of tax claimed under section 90A on account of tax paid in any specified territory outside India referred to in that section;

**and**

- (v) any tax credit claimed to be set off in accordance with the provisions of section **115JAA or section 115JD**.

The assessee shall be liable to pay such tax together with interest payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax, before furnishing the return and the return shall be accompanied by proof of payment of such tax and interest.

## Proposed provision:

Where any tax is payable on the basis of any return required to be furnished under section 115WD or section 115WH or section 139 or section 142 or section 148 or section 153A or, as the case may be, section 158BC, after taking into account,

- (i) the amount of tax, if any, already paid under any provision of this Act;
- (ii) any tax deducted or collected at source;
- (iii) any relief of tax or deduction of tax claimed under section 90 or section 91 on account of tax paid in a country outside India;
- (iv) any relief of tax claimed under section 90A on account of tax paid in any specified territory outside India referred to in that section;
- (v) any tax credit claimed to be set off in accordance with the provisions of section **115JAA and section 115JD**.

- (vi) **any tax or interest payable according to the provisions of 191(2).**

the Assessee shall be liable to pay such tax together with interest payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax, before furnishing the return and the return shall be accompanied by proof of payment of such tax and interest.

## **Implication:**

After amendment now assessee has to pay tax along with interest if any payable under section 191(2).

**W.E.F.** 1<sup>st</sup> April 2020

## **Assessment of income**

### **Section 143**

#### **Existing Provision:**

In section 143(3A) The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of making assessment of total income or loss of the assessee under sec143(3) so as to impart greater efficiency, transparency and accountability by—

- (a) eliminating the interface between the Assessing Officer and the assessee in the course of proceedings to the extent technologically feasible;
- (b) optimising utilisation of the resources through economies of scale and functional specialisation;
- (c) introducing a team-based assessment with dynamic jurisdiction.

In section 143(3B) The Central Government may, for the purpose of giving effect to the scheme made under sub-section (3A), by notification in the Official Gazette, direct that any of the provisions of this Act relating to assessment of total income or loss shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification:

Provided that no direction shall be issued after the 31st day of March, 2020.

#### **Proposed Provision:**

In section 143(3A) The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of making assessment of total income or loss of the assessee under sec143(3) **or section 144** so as to impart greater efficiency, transparency and accountability by—

- (a) eliminating the interface between the Assessing Officer and the assessee in the course of proceedings to the extent technologically feasible;
- (b) optimizing utilization of the resources through economies of scale and functional specialization;
- (c) introducing a team-based assessment with dynamic jurisdiction.

In section 143(3B) The Central Government may, for the purpose of giving effect to the scheme made under sub-section (3A), by notification in the Official Gazette, direct that any of the provisions of this Act relating to assessment of total income or loss shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification: Provided that no direction shall be issued after **31st day of March, 2022.**

### **Implication:**

After amendment CG may make a scheme under 143(3A) for doing assessment under 143(3) or best judgment assessment under section 144. And no direction regarding the scheme would be provided after 31<sup>st</sup> March 2022.

**W.E.F.** 1<sup>st</sup> April 2020

### **Forwarding of Draft Order in case of any variation to be done by Assessing Officer**

#### **Section 144C**

#### **Existing Provision**

The Assessing Officer shall, forward a draft of the proposed order of assessment (hereafter in this section referred to as the draft order) to the **eligible assessee** if he wants to make, any variation **in the income or loss returned** which is prejudicial to the interest of such assessee. Eligible assessee means



- (i) any person in whose case the variation arises as a consequence of the order of the Transfer Pricing Officer passed under sub-section (3) of section 92CA; and
- (ii) any foreign company

## **Proposed Provision:**

The Assessing Officer shall, forward a draft of the proposed order of assessment (hereafter in this section referred to as the draft order) to the **eligible assessee** if he wants to make, **any variation** which is prejudicial to the interest of such assessee.

Eligible assessee here means

- (i) any person in whose case the variation arises as a consequence of the order of the Transfer Pricing Officer passed under sub-section (3) of section 92CA; and
- (ii) any non-resident not being a company, or any foreign company.

## **Implication:**

Before amendment AO used to send draft order of assessment only if variation arose because of change in income or loss returned whereas after amendment if there is any variation which is prejudicial to interest of assessee, AO can forward the draft order to eligible assessee. Also, Eligible assessee now also includes any non-resident (other than companies).

**W.E.F.** 1<sup>st</sup> April 2020

## **Notice of demand**

## **Section 156**

## **Existing Provision:**

When any tax, interest, penalty, fine or any other sum is payable in consequence of any order passed under this Act, the Assessing Officer shall serve upon the assessee a notice of demand in the prescribed form specifying the sum so payable:

**Provided** that where any sum is determined to be payable by the assessee or the deductor or the collector under sub-section (1) of section 143 or sub-section (1) of section 200A or sub-section (1) of section 206CB, the intimation under those sub-sections shall be deemed to be a notice of demand for the purposes of this section.

## **Proposed Provision:**

### **Section 156 is renumbered as section 156(1)**

#### **Section 156(2) (newly inserted)**

Where the income of the assessee of any assessment year, beginning on or after the 1st day of April, 2021, includes income of the nature specified in clause (vi) of sub-section (2) of section 17 and such specified security or sweat equity shares referred to in the said clause are allotted or transferred directly or indirectly by the current employer, being an eligible start-up referred to in section 80-IAC, the tax or interest on such income included in the notice of demand referred to in sub-section (1) shall be payable by the assessee **within fourteen days—**

- (i) after the expiry of forty-eight months from the end of the relevant assessment year; or
- (ii) from the date of the sale of such specified security or sweat equity share by the assessee; or
- (iii) from the date of the assessee ceasing to be the employee of the employer who allotted or transferred him such specified security or sweat equity share, **whichever is the earliest.”.**

## **Implication:**

The newly inserted section provide for time limit of within which is 14 days of completion of 48 months or from the date of sale of Shares or from the date of leaving Employment whichever is earlier to abovementioned assessee who has to pay tax or interest arising from notice of demand.

**W.E.F.** 1<sup>st</sup> April 2021

**Relaxation in paying tax by employees who get shares as Perquisites / Salary.**

## Section 191 and 192

### Existing Provision:

Sec 191 In the case of income in respect of which provision is not made under this Chapter for deducting income-tax at the time of payment, and in any case where income-tax has not been deducted in accordance with the provisions of this Chapter, income-tax shall be payable by the assessee direct. Sec 192 Income Tax Act stipulates that TDS must be deducted at the time of actual payment of salary.

### Proposed Provision:

Section 191 of the Income-tax Act shall be renumbered as sub-section (1) thereof and after sub-section (1) as so renumbered, the following sub-section shall be inserted (2), namely: — Section 192 of the Income-tax Act, after sub-section (1B), the following sub-section shall be inserted 1(C), namely: – (for both 191 and 192)

For the purposes of paying income-tax directly by the assessee under sub-section (1), if the income of the assessee in any assessment year, beginning on or after the 1st day of April, 2021, includes income of the nature specified in clause (vi) of sub-section (2) of section 17 and *such specified security or sweat equity shares referred to in the said clause are allotted or transferred directly or indirectly by the current employer*, being an eligible start-up referred to in section 80-IAC, the income-tax on such income shall be *payable by the assessee within fourteen days—* (i) after the expiry of forty-eight months from the end of the relevant assessment year; or (ii) from the date of the sale of such specified security or sweat equity share by the assessee; or (iii) from the date of the assessee ceasing to be the employee of the employer who allotted or transferred him such specified security or sweat equity share, whichever is the earliest.

### Implication:

Previously TDS was deducted on Shares allotted to employees but now onwards they can pay tax directly within 14 days of completion of 48 months or from the date of sale of Shares or from the date of leaving Employment whichever is earlier. Thus, relaxation in timelimit is provided in paying tax by employees who get shares as a salary /perquisites.

**W.E.F.** 1<sup>st</sup> April 2020

## TDS Deduction on Dividends paid by the Companies

### Section 194

#### Existing Provision

The principal officer of an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends (including dividends on preference shares) within India, shall, before making any *payment in cash or before issuing any cheque or warrant in respect* of any dividend or before making any distribution or payment to a shareholder, who is resident in India, of any dividend deduct from the amount of such dividend, income-tax *at the rates in force* :

1<sup>st</sup> Proviso: Provided that no such deduction shall be made in the case of a shareholder, being an individual, if—

(a) the dividend is *paid by the company by an account payee cheque*; and

(b) the amount of such dividend distributed or paid or likely to be distributed or paid during the financial year by the company to the shareholder, *does not exceed Rs.2500/-*

3<sup>rd</sup> Proviso: Provided also that *no such deduction shall be made in respect of any dividends referred to in section 115-O.*

#### Proposed Provision

The principal officer of an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends (including dividends on preference shares) within India, shall, before making any *payment by any mode in respect* of any dividend or before making any distribution or payment to a shareholder, who is resident in India, of any dividend within the meaning of section 2, deduct from the amount of such dividend, income-tax *at the rate of 10%*:

1<sup>st</sup> Proviso: Provided that no such deduction shall be made in the case of a shareholder, being an individual, if—

(a) the dividend is *paid by the company by any mode other than cash*; and

(b) the amount of such dividend distributed or paid or likely to be distributed or paid during the financial year by the company to the shareholder, *does not exceed Rs. 5000/-*

## **Implication:**

Since now DDT won't be applicable companies will have to deduct TDS on dividend at a rate of 10% if the amount of Dividend exceeds Rs. 5000/- (except in case of Proviso 2)

**W.E.F.** 1<sup>st</sup> April 2020

## **Relaxation to Cooperative Society in Tax Deduction at Source**

### **Section 194A**

**Existing Provision:** Newly inserted Proviso

### **Proposed Provision**

TDS to be deducted by cooperative society if and only if the gross receipt or turnover **exceeds fifty crore rupees** during the Previous financial year and the amount of **interest is more than fifty thousand rupees in case of payee being a senior citizen and forty thousand rupees in any other** case.

## **Implication:**

Cooperative Societies whose turnover doesn't exceed 50 Crores shall now onwards will not require to deduct tax.

**W.E.F.** 1<sup>st</sup> April 2020

## **Reduction in Tax Deduction at Source of for Technical Services**

### **Section 194J**

## **Existing Provision**

TDS at a rate of 10% was liable to be deducted on Professional Fess and technical Services.

## **Proposed Provision**

TDS to be deducted by at a **lower rate of 2% for technical services** not being Professional Services.

## **Implication:**

Relaxation on TDS on technical services at a rate of 2% instead of 10%.

**W.E.F.** 1<sup>st</sup> April 2020

## **TDS on Income from Mutual Fund will be applicable**

### **Section 194K**

**Existing Provision:** Newly inserted Provision

## **Proposed Provision**

TDS to be deducted on any income received in respect of Units of Mutual Fund, Administrator of the specified undertaking and Specified Company if the income does not exceed Rs. 5000/-

## **Implication:**

Due to removal of DDT on mutual Fund Income is now taxable in the hands of Unit holder. Thus TDS is to be deducted on that income if it exceeds Rs. 5000/-

W.E.F. 1<sup>st</sup> April 2020

## **TDS on Sale of goods and Provision of Service through E-Commerce**

### **Section 194O**

**Existing Provision:** Newly inserted Provision

#### **Proposed Provision**

TDS to be deducted at a rate of 1% on Sale of Goods or Provision of Services by E-commerce operator to E-Commerce participants except if payer (E-commerce Participant) **is** Individual or HUF and gross amount of such sale or services or both during the previous year does not exceed Rs. 5 Lakh and also has furnished his Permanent Account Number or Aadhaar number to the e-commerce operator except flashing advertisements on Portals/ Websites/app.

#### **Implication:**

For instance, if A is an E-commerce Operator and B is an E-commerce Participant and herein if B Sales Mobile phones through A's Website or App then A will deduct 1% tax while making payments to B for the goods or services provided. But if the Gross Receipt of B does not exceed Rs. 5 Lakh and if he has also furnished his Permanent Account Number or Aadhaar number to the e-commerce operator, then no TDS will be deducted.

W.E.F. 1<sup>st</sup> April 2020

## **Exemption withdrawn for dividend referred in section 115-O for Non-Residents**

### **Section 195**

## Existing Provision:

As per Section 195(1), Any person responsible for paying interest to a non-resident, shall at the time of credit of such income to the account of the payee deduct income-tax thereon at the rates in force, but ***no such deduction shall be made in respect of any dividends*** referred to in section 115-O(DDT paid).

## Proposed Provision:

Any person responsible for paying to a non-resident, not being a company, or to a foreign company, any interest or any other sum chargeable under the provisions of this act, ***shall be liable to deduct tax at source.***

## Implication:

Due to Removal of DDT now onwards TDS will be deducted on Dividend paid to Non-Residents.

W.E.F. 1<sup>st</sup> April 2020

## Payment to non-resident by any mode in respect of Mutual Fund

### Section 196 A

## Existing Provision:

Any person responsible for paying to a non-resident or to a foreign company, any income in respect of units of a Mutual Fund specified under clause (23D) of section 10 or of the Unit Trust of India ***shall not deduct tax at Source.***

## Proposed Provision:



**TDS to be deducted** on any income paid to a Non-Resident in respect of Units of Mutual Fund, Administrator of the specified undertaking and Specified Company by any mode.

**Implication:**

Due to Removal of DDT now onwards TDS will be deducted on Dividend paid to Non-Residents.

**W.E.F.** 1<sup>st</sup> April 2020

**TDS on dividend and interest income from foreign currency bonds or shares of Indian company for non-resident**

**Section 196C**

**Existing Provision:**

Income by way of interest or dividends in respect of bonds or Global Depository Receipts or by way of long-term capital is payable to a non-resident, the person responsible for making the payment shall deduct tax except DDT Paid Dividends.

**Proposed Provision:**

Now onwards any amount declared, distributed or paid to non-resident through any mode by way of dividend shall be subject to TDS at the rate of 10%.

**Implication:**

TDS shall be deducted on Dividend @ 10% due to removal of DDT.

**W.E.F.** 1<sup>st</sup> April 2020

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## **TDS levy on Income of Foreign Institutional Investors from securities and ease in payment**

### **Section 196D**

#### **Existing Provision:**

In respect of Foreign Institutional Investor, the Person responsible for making the payment for interest on securities shall, deduct income-tax thereon at the rate of 20% except DDT Paid Dividends.

#### **Proposed Provision:**

Now onwards any amount declared, distributed or paid to non-resident through any mode by way of dividend shall be subject to TDS at the rate of 20%.

#### **Implication:**

TDS shall be deducted @ 20% on Dividend due to removal of DDT.

**W.E.F.** 1<sup>st</sup> April 2020

### **Certificate for deduction at lower rate for 1940**

### **Section 197**

#### **Existing Provision:**

As per Section 197, if Assessing Officer is satisfied that the total income of the recipient justifies the deduction of income-tax at any lower rates or no deduction of income-tax, as the case may be, the Assessing Officer shall, on an application made by the assessee in this behalf, shall avail him such certificate as may be appropriate. (Lower Deduction or No Deduction of Tax)

**Proposed Provision:**

Section 194-O is also included for application of Lower/No Deduction Certificate.

**Implication:**

Now 194O is also included for application of Lower/No Deduction Certificate.

**W.E.F.** 1<sup>st</sup> April 2020

**TDS shall now be claimed without furnishing of statement**

**Section 203AA**

**Existing Provision:**

Furnishing of statement of tax deducted

**Proposed Provision:**

The above section shall now be omitted.

**Implication:**

For claiming TDS, statement of tax deducted or paid shall now not be required.

**W.E.F.** 1<sup>st</sup> June 2020

**In case of non-resident, the person himself shall now be responsible for payment of TDS in certain cases.**

## Section 204(v)

### Existing Provision: Newly Inserted Clause

#### Proposed Provision:

In the case of a person not resident in India, the person himself or any person authorised by such person or the agent of such person in India including any person treated as an agent under section 163.

#### Implication:

A person who is not a resident of India shall now be responsible himself or shall authorise any other person or agent for payment of TDS.

**W.E.F.** 1<sup>st</sup> April 2020

### TDS rates reduced from 20% to 5% in case of non-availability of PAN

## Section 206AA(1)(iii)

### Existing Provision: Newly Inserted Proviso

#### Proposed Provision:

Provided that where the tax is required to be deducted under section 194-O, the provisions of clause (iii) shall apply as if for the words "twenty per cent.", the words "five per cent." had been substituted.'

#### Implication:

The TDS shall now be deducted @ 5% instead of 20% in case of non-availability of PAN.

**W.E.F.** 1<sup>st</sup> April 2020

## **TCS made applicable on certain new transactions**

### **Section 206C (1G) & (1H)**

#### **Existing Provision: Newly Inserted Proviso**

#### **Proposed Provision:**

(1G) Every person,—being an authorised dealer, who receives an amount, or an aggregate of amounts, of seven lakh rupees or more in a financial year for remittance out of India from a buyer, being a person remitting such amount out of India under the Liberalised Remittance Scheme of the Reserve Bank of India; (b) being a seller of an overseas tour program package, who receives any amount from a buyer, being the person who purchases such package, shall, 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, collect from the buyer, a sum equal to five per cent. of such amount as income-tax.

(1H) 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, other than the goods covered in sub-section (1I) or sub-section (1F) or sub-section (1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1 per cent. of the sale consideration exceeding fifty lakh rupees as income-tax.

#### **Implication:**

TCS shall be collected @ 5% for remittance out of India where the amount exceeds 7 lakhs or more. TCS shall be collected @ 0.1% for sale transaction exceeds 50 Lakhs except for goods covered above in (1G) and 1(F) for motor vehicles

W.E.F. 1<sup>st</sup> April 2020

## **Fee for Default relating to statement or certificate**

### **Section 234G**

#### **Existing Provision: Insertion of New Section**

#### **Proposed Provision:**

The research association, university, college or other institution or the company referred to in section 35 fails to deliver a statement or furnish a certificate or the institution or fund fails to deliver or cause to be delivered a statement under sub section 5 of Section 80G, it shall be liable to pay by way of a fee a sum of Rupees two hundred every day during which the failure continues.

#### **Implication:**

The above persons shall now be penalized for Rs. 200 each day in case of non- furnishing of statement or certificate stated above.

W.E.F. 1<sup>st</sup> April 2020

## **Faceless Appeals/Assessments**

### **Section 250 (6B), (6C) & (6D)**

**Existing Provision:** Insertion of Sub-sections

## **Proposed Provision:**

“(6B) The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of disposal of appeal by Commissioner (Appeals), so as to impart greater efficiency, transparency and accountability by—

(a) eliminating the interface between the Commissioner (Appeals) and the appellant in the course of appellate proceedings to the extent technologically feasible;(b) optimising utilisation of the resources through economies of scale and functional specialisation;(c) introducing an appellate system with dynamic jurisdiction in which appeal shall be disposed of by one or more Commissioner (Appeals).

(6C) The Central Government may, for the purposes of giving effect to the scheme made under sub-section (6B), by notification in the Official Gazette, direct that any of the provisions of this Act relating to jurisdiction and procedure for disposal of appeals by Commissioner (Appeals) shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification: Provided that no direction shall be issued after the 31st day of March, 2022.

(6D) Every notification issued under sub-section (6B) and sub-section (6C) shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

## **Implication:**

In order to promote hassle free appeals and assessments, it is proposed to proceed with formalities digitally to the extent technologically feasible. This shall impart greater efficiency, transparency and accountability. A person shall not be required to visit income tax officer and therefore he/she can reply to notices/ appeals/ assessment through online portal.

**W.E.F.** 1<sup>st</sup> April 2020

## **Appeal to Appellate Tribunal under Section 12AB**

### **Section 253(1)(c)**

## **Existing Provision:**

Any assessee aggrieved may appeal to the Appellate Tribunal against an order passed by a Principal Commissioner or Commissioner under section 12AA or under clause (vi) of sub-section (5) of section 80G or under section 263 or under section 270A or under section 271 or under section 272A or an order passed by him under section 154 amending his order under section 263 or an order passed by a Principal Chief Commissioner or Chief Commissioner or a Principal Director General or Director General or a Principal Director or Director under section 272A

**Proposed Provision:**

In section 253 of the Income-tax Act, in sub-section (1), in clause (c), for the words, figures and letters “under section 12AA”, the words, figures and letters “under section 12AA or section 12AB” shall be substituted.

**Implication:**

The Assessee registered under section 12AB will also be able to appeal to the Appellate Tribunal by virtue of these section.

**W.E.F.** 1<sup>st</sup> June 2020

**Deposit amount prescribed for Stay of Orders by Appellate Tribunal**

**Section 254**

**Existing Provision:**

In every appeal, the Appellate Tribunal, where it is possible, may hear and decide such appeal within a period of four years from the end of the financial year in which such appeal is filed under sub-section (1) or sub-section (2) of section 253

**Proposed Provision:**



In the first proviso, after the words "from the date of such order", the words "subject to the condition that the assessee deposits not less than twenty per cent. Of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of this Act, or furnishes security of equal amount in respect thereof for the second proviso, the following proviso shall be substituted, namely: —

"Provided further that no extension of stay shall be granted by the Appellate Tribunal, where such appeal is not so disposed of within the said period of stay as specified in the order of stay, unless the assessee makes an application and has complied with the condition referred to in the first proviso and the Appellate Tribunal is satisfied that the delay in disposing of the appeal is not attributable to the assessee, so however, that the aggregate of the period of stay originally allowed and the period of stay so extended shall not exceed three hundred and sixty-five days and the Appellate Tribunal shall dispose of the appeal within the period or periods of stay so extended or allowed.

**Implication:** The assessee shall now be required to deposit 20% or more for stay of order of the Appellate Tribunal.

**W.E.F.** 1<sup>st</sup> April 2020

## **Penalty for false entry etc. in books of account**

### **Section 271AAD**

#### **Existing Provision: Insertion of New Section**

#### **Proposed Provision:**

Without prejudice to any other provisions of this Act, if during any proceeding under this Act, it is found that in the books of account maintained by any person there is—

(i) a false entry; or

(ii) an omission of any entry which is relevant for computation of total income of such person, to evade tax liability, the Assessing Officer may direct that such person shall pay by way of penalty a sum equal to the aggregate amount of such false or omitted entry.

(2) Without prejudice to the provisions of sub-section (1), the Assessing Officer may direct that any other person, who causes the person referred to in sub-section (1) in any manner to make a false entry or omits or causes to omit any entry referred to in that sub-section, shall pay by way of penalty a sum equal to the aggregate amount of such false or omitted entry.

### **Implication:**

As per the new section, any false entry or omission of any entry in the books of accounts which attributes to evasion of tax shall attract penalty of a sum equal to the aggregate amount of such false or omitted entry.

**W.E.F.** 1<sup>st</sup> April 2020

### **Penalty for failure to Statement, certificates etc.**

### **Section 271K**

**Existing Provision:** Insertion of New Section

### **Proposed Provision:**

Without prejudice to the provisions of this Act, the Assessing Officer may direct that a sum not less than ten thousand rupees but which may extend to one lakh rupees shall be paid by way of penalty by—

(i) the research association, university, college or other institution referred to in clause (ii) or clause (iii) or the company referred to in clause (iia), of sub-section (1) of section 35, if it fails to deliver or cause to be delivered a statement within the time

prescribed under clause (i), or furnish a certificate prescribed under clause (ii) of sub-section (1A) of that section; or (ii) the institution or fund, if it fails to deliver or cause to be delivered a statement within the time prescribed under clause (viii) of sub-section (5) of section 80G, or furnish a certificate prescribed under clause (ix) of the said sub-section.

**Implication:**

The above persons shall now be penalized from Rs. 10,000/- to 1,00,000/- in case of non- furnishing of statement or certificate stated above.

**W.E.F.** 1<sup>st</sup> June 2020

**Faceless/Online Penalty Proceedings**

**Section 274**

**Existing Provision:**

(1) No order imposing a penalty under this Chapter shall be made unless the assessee has been heard, or has been given a reasonable opportunity of being heard.

(2) No order imposing a penalty under this Chapter shall be made—

(a) by the Income-tax Officer, where the penalty exceeds ten thousand rupees; (b) by the Assistant Commissioner or Deputy Commissioner, where the penalty exceeds twenty thousand rupees, except with the prior approval of the Joint Commissioner.

**Proposed Provision:**

“(2A) The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of imposing penalty under this Chapter so as to impart greater efficiency, transparency and accountability by—

(a) eliminating the interface between the Assessing Officer and the assessee in the course of proceedings to the extent technologically feasible; (b) optimising utilisation of the resources through economies of scale and functional specialisation;

(c) introducing a mechanism for imposing of penalty with dynamic jurisdiction in which penalty shall be imposed by one or more income-tax authorities.

(2B) The Central Government may, for the purposes of giving effect to the scheme made under sub-section (2A), by notification in the Official Gazette, direct that any of the provisions of this Act relating to jurisdiction and procedure for imposing penalty shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification

Provided that no direction shall be issued after the 31st day of March, 2022. (2C) Every notification issued under sub-section (2A) and sub-section (2B) shall, as soon as may be after the notification is issued, be laid before each House of Parliament.”.

### **Implication:**

A person shall not be required to visit income tax officer and therefore he/she can reply to penalty proceedings through online portal.

**W.E.F.** 1<sup>st</sup> April 2020

## **Uploading of Annual Information Statement by Income Tax Authority**

### **Section 285BB**

**Existing Provision:** Newly Inserted Section

### **Proposed Provision:**

The prescribed income-tax authority or the person authorised by such authority shall upload in the registered account of the assessee an annual information statement in such form and manner, within such time and along with such information, which is in the possession of an income-tax authority, as may be prescribed.

**Implication:** This section empowers the income tax authority to upload annual information statement of the assessee as he deems fit.

W.E.F. 1<sup>st</sup> June 2020

## Appearance by authorized representative

### Section 288

#### Existing Provision:

For the purposes of this section, "authorised representative" means a person authorised by the assessee in writing to appear on his behalf, being— (i) a person related to the assessee in any manner, or a person regularly employed by the assessee; or(ii) any officer of a Scheduled Bank with which the assessee maintains a current account or has other regular dealings; or(iii) any legal practitioner who is entitled to practise in any civil court in India; or (iv) an accountant; or (v) any person who has passed any accountancy examination recognised in this behalf by the Board; or (vi) any person who has acquired such educational qualifications as the Board may prescribe for this purpose; or (via) any person who, before the coming into force of this Act in the Union territory of Dadra and Nagar Haveli, Goa, Daman and Diu, or Pondicherry, attended before an income-tax authority in the said territory on behalf of any assessee otherwise than in the capacity of an employee or relative of that assessee; or (vii) any other person who, immediately before the commencement of this Act, was an income-tax practitioner within the meaning of clause (iv) of sub-section (2) of section 61 of the Indian Income-tax Act, 1922 (11 of 1922), and was actually practising as such.

#### Proposed Provision:

(viii) any other person as may be prescribed.

#### Implication:

The meaning of authorized person now includes any person as may be prescribed.

W.E.F. 1<sup>st</sup> April 2020

## Power to make rules for calculating Income pertaining to Non-Residents

### Section 295 (2)(b)

#### Existing Provision:

Newly Inserted sub-section

#### Proposed Provision:

section 295 of the Income-tax Act, in sub-section (2), in *clause (b)*, —45 (a) after sub-clause (ii), the following sub-clause shall be inserted with effect from the 1st day of April, 2021, namely: -

"(iia) operations carried out in India by a non-resident;"; (b) after sub-clause (iia) as so inserted, the following sub-clause shall be inserted with effect from the 1st day of April, 2022, namely: — 50 "(iib) transactions or activities of a non-resident;".

#### Implication:

This sub section allows for rule to be made to calculate income for operations carried out of India by a non-resident or for transactions or activities of a non-resident.

W.E.F. 1<sup>st</sup> April 2020

## Allowance of Expenses under section 43B to insurance business (other than Life Insurance)

First Schedule of Income Tax Act

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**Existing Provision:**

The profits and gains of any business of insurance other than life insurance shall be taken to be the profit before tax and appropriations as disclosed in the profit and loss account prepared in accordance with the provisions of the Insurance Act, 1938 (4 of 1938) or the rules made thereunder or the provisions of the Insurance Regulatory and Development Authority Act, 1999 (4 of 1999) or the regulations made thereunder, subject to the following adjustments: —

- a. subject to the other provisions of this rule, any expenditure or allowance including any amount debited to the profit and loss account either by way of a provision for any tax, dividend, reserve or any other provision as may be prescribed which is not admissible under the provisions of sections 30 to 43B in computing the profits and gains of a business shall be added back;
- b. (i) any gain or loss on realisation of investments shall be added or deducted, as the case may be, if such gain or loss is not credited or debited to the profit and loss account; (ii) any provision for diminution in the value of investment debited to the profit and loss account, shall be added back;
- c. such amount carried over to a reserve for unexpired risks as may be prescribed in this behalf shall be allowed as a deduction.

**Proposed Provision:**

Provided that any sum payable by the assessee under section 43B, which is added back in accordance with clause (a) of this rule, shall be allowed as deduction in computing the income under the said rule in the previous year in which such sum is actually paid.

**Implication:** Under the amendment the expense of 43B shall be allowed as deduction when the sum is actually paid earlier which was disallowed.

**W.E.F.** 1<sup>st</sup> April 2020

## INDIRECT TAX PROPOSALS

### Goods and Services Tax

#### AMENDMENTS IN THE CGST ACT, 2017:

##### **Omission of Supplies relating to transfer of Business Assets without any consideration**

**Existing Provision:** As per Schedule II of CGST Act, transfer of business assets where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, whether or not for a consideration, such transfer or disposal is considered as taxable supply of goods by the person.

**Proposed Provision:** Entries at 4(a) & 4(b) in Schedule II of the CGST Act is being amended w.e.f. 01.07.2017 to make provision for omission of supplies relating to transfer of business assets made without any consideration from Schedule II of the said Act.

**Implication:** Transfer of Business Assets without any consideration will not be treated as taxable supplies and will be exempt from levy of GST.

**W.E.F** 1<sup>st</sup> July 2017

##### **No requirement for issuing TDS Certificate under GST**

##### **Section 51 of CGST Act**



**Existing Provision:** TDS certificate in GSTR-7A is required to be issued by the deductor within 5 days of depositing the tax to the government. Failure to do so will make the person liable to pay a late fee of Rs. 100 per day up to a maximum of Rs. 5000.

**Proposed Provision:** There is no requirement to issue TDS certificate by the deductor as a result, no late fees will be charged for the same.

**Implication:** Transfer of Business Assets without any consideration will not be treated as taxable supplies and will be exempt from levy of GST.

**W.E.F** 1<sup>st</sup> April 2020

## **Exclusion of Certain Categories of Taxable Persons from Composition Scheme**

### **Section 10 of CGST Act**

**Existing Provision:** Includes such person under Composition Scheme.

**Proposed Provision:** Following categories of taxable persons are excluded from ambit of Composition Scheme who are engaged in making:-

- Supply of services not leviable to tax under CGST Act
- Inter State outward supply of services
- Outward supply of services through E-Commerce Operator

**Implication:** The above mentioned persons have been excluded from the ambit of Composition Scheme

**W.E.F** 1<sup>st</sup> April 2020

## Retrospective Amendments in GST rates

1. There has been retrospective change in rates of the following goods with the condition that if GST has been paid, the same would not be eligible for refund.

Description of Goods	Old rate	New Rate	Period of Change
Fishmeal	5%	NIL	01.07.2017 TO 30.09.2019
Pulley, wheels and other parts used for agriculture machinery	28%	12%	01.07.2017 to 31.12.2018

2. The refund of accumulated credit of compensation cess on tobacco products arising out of inverted duty structure in Compensation cess is disallowed W.E.F 1st July 2017. Accordingly, no refund on account of inverted duty structure would be admissible on any tobacco.



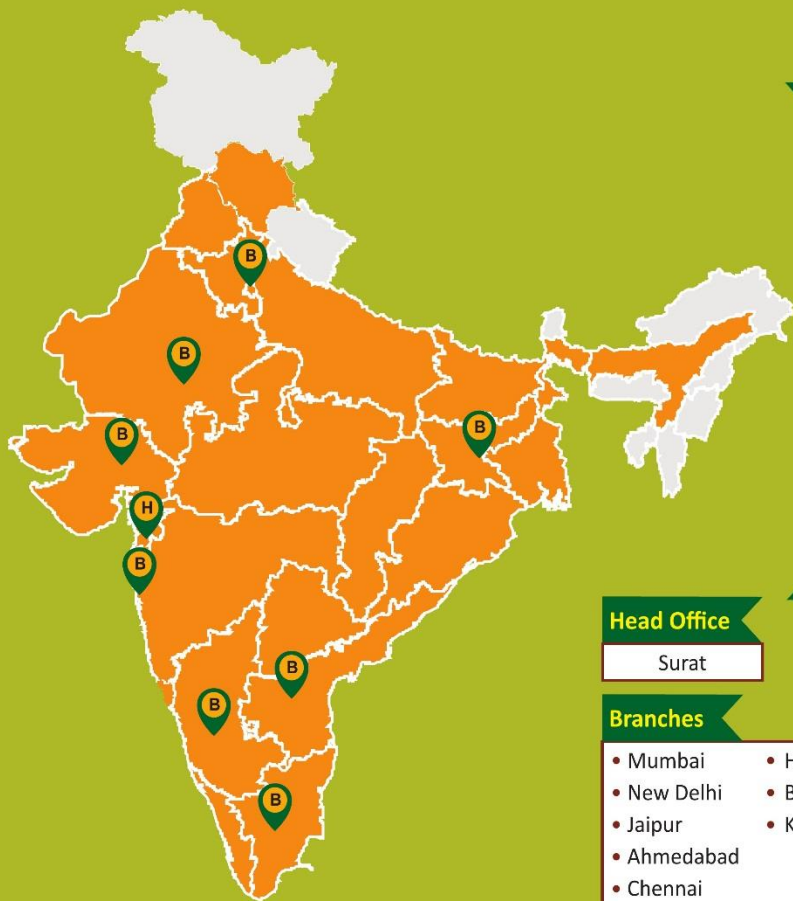
## Budget Publication Team



**SURAT-MUMBAI-NEW DELHI-JAIPUR-HYDRABAD  
AHMEDABAD-KOLKATA-VAPI-CHENNAI**

## Coverage of Various Industries





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- Uttar Pradesh (2 Districts)
- West Bengal (2 Districts)
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- Punjab (1 Districts)
- Telangana (1 Districts)