**BUDGET 2020-21-The ` Maya' jugglery' for middle class.**



By: Somesh Arora, Former Commissioner of Customs and Excise, Advocate (Amicus Rarus)

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 A record breaking two hours and forty five minutes of speech bettering her own last year`s record by half an hour by FM was the hight point of the budget this time. However, there were far few yawns and greater discipline in treasuary benches. Allocations were elaborately spelt and oratory was near to its best but forgetting that `brevity is the soul of the wit'. If the focus of the budget was on attracting foreign investment, then the patience required to sit through the rituals of the budget gave an indication, as to the perseverance required to make a sucessful enterpreneurship bid in India.

The middle class which was waiting with baited breath to have more money by way of reduced taxes in its hands has been given an option to splurge money out of its own compulsory savings of Section 80-C and standard deduction, if it wanted to claim lower tax. The 'conditions that apply' are so onerous, that middle class would be reminded of entering into a contract with a real estate builder. And all this in the name of giving a moon to the ordinary tax payer- that it will not require a Charted Accountant to exist for them. The Budget however has its own positives as are enumerated below:

**CHEER FACTORS:**



**Customs:**

* **Loopholes plugged under Trade Agreements and even concessional rate can be denied without verification in certain cases.**
* **Apart from gold and silver, Central Government has been empowered to impose duties for other goods also in case of uncontrolled imports.**
* **Basic customs duty on import of news print and light weight coated paper reduced from 10% to 5%.**
* **Lower customs duty on certain inputs and raw materials like fuse, chemicals and plastics.**
* **Electronic Duty Credit Ledger to be created.**
* **Tougher Safeguard and Anti-dumping mechanism to be put in place for excessive imports. Rules framed even for Countervaling Duty for imports.**

**Income Tax:**

* **Change in tax slabs: no tax up to Rs. 2.5 lakh, 5% for income between Rs 2.5-5 lakh, 10% tax for income between Rs. -7.5 lakh as against 20%, 15% tax for income between Rs. 7.5-10 lakh as against 20%, 20% tax for income between Rs. 10-12.5 lakh as against 30%, 25% tax for income between Rs. 12.5 lakh -15 lakh as against 30% and 30% tax for income above Rs. 15 lakh.**
* **Tax audit turnover threshold raised to Rs 5 crore from Rs 1 crore.**
* **Dividend Distribution Tax abolished for companies.**
* **Concessional corporate Tax rate of 15% extended to new electricity generation companies.**
* **Start-ups with turnover up to Rs 100 crores to enjoy 100% deduction for 3 consecutive years out of 10 years.**
* **Tax deferred on employee stock ownership plan (ESOPS)for start-ups.**
* **100% tax exemption to Foreign Sovereign Wealth Fund investments in India if made before 31 March 2024.**
* **IT Act to be amended to facilitate e-appeal.**
* **Cooperative societies to be taxed at 22%+10% surcharge and 4% cess with no exemptions/deductions.**
* **Additional deduction up to Rs. 1.5 lakhs for interest paid on loans for an affordable house extended till 31 March 2021.**
* **Intant PAN allotment through Aadhar.**
* **Pilot project for self polated returns to be initiated.**
* **A Tax Payer Charter to do no harrasment to be incorporated in the Statute itself.**
* **Upto 10% less value in real estate than the stamp duty value not to be added as income of buyer and seller.**
* **'Vivadh se vishwas', scheme to be introduced for pending litigations and appeals under Income Tax.**
* **Survey u/s 133A to be only with aproval of CIT.**

**GST:**

* **Simplified returns from 1st. April, 2020.**
* **Refund to be simplified and automated.**
* **Electronic invoices to be implemented.**
* **Q.R. Code(bar code) to be used to capture details in system.**

**Others:**

* **Fiscal laws and Companies Act to be revisited for decriminalising the same.**
* **More hospitals to be created by imposing Health Cess on imports of medical equipments.**
* **Data Center Parks to be created through out the country for data analytics and artificial intelligance.**
* **Sharda Act to be revisited to consider raising of women's marriage age.**
* **No manual clearing of gutters and sewerage.**
* **Rules to be amended to provide for direct recruitment to Tribunals.**
* **Upto Rs. five lakhs of a deposit in a bank to be insured.**
* **Investment in gold to be permitted as off shore companies to foreign investors.**

**Tear Factors:**



* **Customs:**
* **Import duty hiked on inputs used by footwear (from 25% to 35%) and furniture (from 20% to 25%).**
* **Health Cess of 5% on imported medical devices.**
* **Duty hiked on toys to 60% from 20%, on furniture to 25% , on shoes to 35%, on steel kitchen ware, trophy/ bell,staple pins, locks, aluminium kitchen ware, glass table, caramic ware, artificial flowers, shoe parts all raised to 20%, lightinfg fixture to 25% welding machine parts to 10%, refrigrator to 15%, brush, hair acces, vaccum flask, home appliances, fans all raised to 20% from 10%.**

**Income Tax:**

* **Dividends taxable in the hands of receipient**
* **Tinkering of slabs with no substantial benefits as seventy deductions including standard deduction withdrawn.**
* **Penality of 100% on fake invoices or invoices with wrong particulars in line with GST Laws**
* **More NRIs brought in tax net by changing definition of residents and also including certain global incomes of Indian citizens working abroad.**
* **TCS Provision made stingent to include sal.es of goods of more than Rs. 50 lakhs to 1% and also on foreign remittance under LRS exceeding seven lakhs and also on overseas tour package.**
* **Charitable Trust to be penalised for delayed filing of annual statement of donation received.**
* **Fair market value of immovable property as on 1 . 4. 2001 not to exceed circle rate.**
* **Exemption to emloyers contribution to Provident Fund etc. restricted to Rs.7.50 lakhs.**
* **Others:**
* **Cigarettes and other tobacco products (excluding bidis) will become more expensive due to raisnin of Central Excise Duty.**



**Fear Factors:**

**Customs:.**

* **Back to protectionism:-Section 11(2)(f) amended to include other goods along with gold and silver to enable the Central Government to restrict imports.**
* **Law made to provide countervaling duty on imports and stringent law for onsultdumped goods, Country of origin rules to be amended and concessional rate of duty under trade agreements can be witheld without verification in certain cases. to be withdr**
* **More exemptions to be withdrawn.**
* **Income-Tax:**
* **Law made complicated by two slab system and removal of some established deductions like 80-C. Compliance to become difficult without consultants.**
* **More deductions be withdrawn**.
* **May expose middle income tax payers compulsive saving meant for old age either to consumption or equity markets in case new tax slabs are opted for.**

The budget was expected to be a path breaking one, being the first budget of the new decade. However, as has been the case with earlier budgets, it is bound to fall short of middle class expectations, who will be required to make their choices very prudently so as not to indulge in too much of consumption at the cost of their compulsive savings u/s 80-C, which was meant generally for their old age. If new tax slabs are opted for, it will have to be ensured that savings in tax are not frittered away in consumption or equity exposure. The tax saved from their view point, should ideally be invested in potentially safe instruments ensuring 8 to 9% return. Only then, this `jig-saw puzzle budget' can be claimed to be solved by them.

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