

# **Tax Proposals under Union Budget 2020**

Union Budget 2020 is woven around three prominent themes:

- 1) Aspiration India
- 2) Economic development
- 3) Caring society

Tax proposals under Union Budget 2020 are presented to achieve the above three themes. Over the years, it has always been mentioned that Government intention are not harassed the taxpayers and not to create the environment of tax terrorism. However this budget is different, this intention was not only conveyed in the speech but also in the statue by incorporating a provision to create Taxpayer Charter. India will be the fourth country to introduce the Taxpayer Charter.

## **Direct Tax Proposals**

### **Rates of income-tax**

#### **a) Individual and HUF**

- The new tax regime for Individual and HUF

Total income (Rs.)	Rate
Upto 2,50,000	Nil
From 2,50,001 to 5,00,000	5%
From 5,00,001 to 7,50,000	10%
From 7,50,001 to 10,00,000	15%
From 10,00,001 to 12,50,000	20%
From 12,50,001 to 15,00,000	25%
Above 15,00,000	30%

- However, to avail the new regime, taxpayers have to forgo the following exemptions and deductions:
  - Leave travel allowance
  - House rent allowance
  - Standard deduction/Professional tax deduction/Entertainment allowance
  - Interest on housing loan
  - Deduction on additional depreciation, deduction u/s 32AD/35AD etc.
  - Chapter VI-A deduction other than a contribution to the pension fund by employer and 80JJAA
  - Set-off of brought forward losses and depreciation allowance on above deductions
  - No set-off of any loss under the head house property with any other head of income



### **Start-ups**

- Limit of 7 years to avail benefits under 80-IAC has been increased to 10 years
- Turnover criteria to avail benefits under 80-IAC has been increased to 100 crores from present 25 crores
- Tax on ESOP exercise by the employee has been effectively deferred by 6 years subject to sale of share and leaving of organisation. Similarly, TDS deduction has also been deferred by 6 years.

### **TDS and TCS**

- TDS in case of technical services has been reduced to 2% for present 10%
- Large co-operative society turnover exceeding 50 crores shall deduct TDS on interest paid if the amount of interest exceeds Rs 50,000 in case of a senior citizen or Rs 40,000 in any other case
- E-commerce operators are required to deduct TDS at 1 % on the payment made to E-commerce participants for sale of goods or provision of services facilitated through its portal if amount of payment exceeds 5 lakh during the year
- TDS @ 10% on income of a resident in respect of a dividend received from Domestic Companies, Mutual funds units, or unit of a specified undertaking or company as defined in UTI Act, 2002, if payment exceeds Rs 5,000
- TCS @5% on foreign remittance, exceeding Rs 7 lakhs, through LRS and on the selling of overseas tour packages.
- Sellers whose total sales, gross receipts or turnover from the business exceeds 10 crores during the previous year shall be liable to deduct TCS on the sale of goods @ 0.1% and 1% in case of non-PAN/AADHAR case.
- In contract manufacturing where raw materials are provided by an associate of the assessee then also TDS under 194C is required to be deducted. Accordingly, the definition of the word “work”
- Period of concessional TDS rate of 5% on interest payable of foreign currency borrowing by way of issue of long term bond and rupee-denominated bonds extended to 1 July 2023
- Concessional TDS rate of 4% available for interest payable on foreign currency borrowing by way of issue of long term bond and rupee-denominated bond listed on recognised stock exchanges in IFSC

### **Dividend Distribution Tax (“DDT”)**

- DDT on dividend/income distributed by Domestic Company, Mutual Fund (Equity as well as Debt) and Business Trusts (REIT and InvIT) has been removed.
- Dividend/income is taxable in the hands of shareholders/ unitholders at the applicable rate.
- Set off allowed for the domestic company receiving dividends for the other domestic company provided dividend distributed 1 month before the due date of filing of return of income.
- TDS @ 10% on income of a resident in respect of a dividend received from Domestic Companies, Mutual funds units, or unit of s specified undertaking or company as defined in UTI Act, 2002, if payment exceeds Rs 5,000

### **Change in residency provisions**

- Tightening the relaxation enjoyed by an Indian citizen/ person of Indian origin from becoming a “resident” from 182 days to 120 days.
- An Indian citizen is deemed to be “resident” in India if he is not liable to tax in any other country or territory by virtue of domicile/residence or any other criteria
- The conditions for becoming ‘not ordinarily resident’ in India have been relaxed by bringing it down to 7 years from 9 years out of 10 years.
- Criteria of less than 730 days in 7 years has been removed

### **Tax audits**

- Tax audit limit for assessee engaged in business is increased to 5 crores from present 1 crore
- Tax audit is required to be filed before 1 month of filing of return of income and accordingly, due date for filling of return of income has been increased to 31 October of the assessment from present 30 September of the assessment year
- The distinction between the due date for working and non-working partner has been removed

### **Assessment and appeals**

- E-appeal scheme to be introduced
- Amendment to include non-resident not being a company as eligible assessee for passing reference to DRP
- E-assessment scheme also extended to Best judgment assessment
- A specific power of stay has been given to ITAT subject to payment of 20% of the amount tax, interest, penalty etc.
- A new dispute resolution scheme is proposed (Waiver for penalty and interest)

**Other key amendments**

- Increase in safe harbour limit from 5% to 10% for real estate transactions
- A new dispute resolution scheme is proposed (Waiver for penalty and interest)
- Exemption from filing return of income has also been extended to non-residents having royalty/FTS income, provided tax has been withheld at the rate not less than rates mentioned in Section 115A
- For the computation of cost of acquisition under sec 55 for the assets acquired before 1 April 2001 shall be higher of actual cost or lower of FMV as on 1 April 2001 and stamp duty value as on 1 April 2001
- Incentives to affordable housing projects extended to 31 March 2021
- Taking of loan under section 80EEA for interest deduction is extended to the loan taken up to 31 March 2020
- Aims to rationalise the process of registration of trusts, institutions, funds, university, hospital etc.
- Filing of the statement of donation by donee to cross-check claim of donation by the donor
- The aggregate upper limit of Rs 7,50,000 in respect of the contribution made by an employer in a financial year to National Pension Schemes, superannuation fund and recognised provident fund
- CTT also introduced on commodity derivatives based on indices/prices and sale of an option in goods
- Section 119A has been inserted to prepare Taxpayers Charter

## **Indirect tax**

### **Proposals for Goods and Services Tax**

#### **Key Proposals**

- The period to avail credit in respect of debit notes to be counted from the date of issuance of the debit note instead of the issuance date of invoice
- Fraudulent availment of input tax credit without invoice or bill has been made a cognizable and a no-bailable offense.
- Time limit for issuance of removal of difficulty order has been extended from 3 years to 5 years
- A new provision has been to levy penalty equivalent to the tax evaded or input tax credit availed or passed on the beneficiary of such transactions at whose instances such transactions are conducted
- An option has been provided to the taxpayers to opt-out of the registration under GST which was obtained voluntarily
- The condition of eligibility for opting the composition scheme has been amended to harmonize the same for opting the scheme for goods as well as services
- Retrospective exemption has been provided on the supply of fish meal from July 2017 to September 2019. Further, rate of tax reduced to 12% on supply of pulley, wheels and other parts used as parts of agricultural machinery from July 2017 to December 2018. However, no refund of tax shall be made available for tax which has already been collected in respect of such supplies
- Disallowance of the refund of compensation cess in case of inverted duty structure for tobacco and manufactured tobacco substitutes has been made applicable retrospectively w.e.f 1 July 2017

### **Proposal for Customs Duties**

#### **Key Proposals**

- Introduction of new chapter Administration of Rules of Origin under Trade Agreement to provide a mechanism to verify the claim for a preferential rate of duty in terms of the trade agreement
- Introduction of an electronic credit duty ledger in the custom's system
- Introduction of Health Cess to be levied on the goods specified in the fourth schedule.
- Provisions for checking of dumping of goods and imports subsidised goods being strengthened

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